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POLICY COHERENCE

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This is the final report of the activity on Policy Coherence carried out from 2000 to 2002.
This report is presented to the Committee for discussion and review.

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EXECUTIVE SUMMARY AND RECOMMENDATIONS

1. The need to achieve greater policy effectiveness and efficiency has contributed to emphasising the importance of policy coherence for a well-functioning governance system. This focus on coherence is linked to trying to balance out the difficulty of estimating the costs of more complex policy processes which result from the perception at national and international levels that policy-making is becoming more complicated. It is becoming a key challenge for government to address conflicting interests and goals without giving up the capacity to develop consistent policies. Given the importance of these concerns, the purpose of this report is to assist policy-makers in understanding the challenges related to the deficit of policy coherence and to highlight some key experiences from OECD countries that could be used for improving it. The report looks in particular at policy processes that contribute to achieving this goal.

Definitions

2. Coherence as a concept is distinct from the related notions of co-ordination and consistency. Co-ordination is a formal policy process steered from within the machinery of government. Consistency is referred to as the process ensuring that policy objectives are delivered and that they are not contradictory. Coherence is about ensuring *the systematic promotion of a mutually reinforcing action by the concerned government and non-government players in order to create and maintain synergies towards achieving the defined objective*. The need for policy coherence requires that horizontal, vertical and temporal dimensions be addressed: coherence is challenged by the complexity of developing cross-sectoral policies, by the difficulty of managing issues across levels of government, and by the over-importance of short-term reactive action against the fulfilment of longer-term commitments.

The tools of coherence

3. The political level is responsible for identifying policy issues, designing strategies, setting targets and priorities, formulating responses, allocating resources, making judgements about outcomes and adjusting policies accordingly. Therefore, a strong political commitment is an essential component of policy coherence. This commitment should be supplemented by a well-functioning interface between the political and administrative levels in order to develop the necessary visions and strategies.

4. In order to give shape to these commitments and strategies, specific policy integration mechanisms should be developed. “Tools for coherence” include formal co-ordination mechanisms, which contribute to solving policy conflicts between institutions, e.g. co-ordination meetings at the head of government or co-ordinating units at national and sub-national level. They also require the capacity to enhance consistency of the policy process at the level of the *whole of government*, for example, through the systematic development of a project-oriented style of government or through ensuring that the centre of government is steering a process of developing “joined-up” thinking between organisations.

5. “Tools for coherence” also include specific mechanisms aimed at achieving policy integration. Policy integration is defined as the creation of institutions, resources and policy tools that allow economic actors to respond positively to pressures for enhancing performance at lower costs. Although it may be

tempting to follow the traditional path, which is to establish new institutions to integrate emerging issues in the policy processes, policy integration will be more successful when relying on the re-engineering of existing policy processes (key standing committees, or promising cross-administrative projects) and adaptation of traditional policy tools (i.e. budgeting, regulations, evaluation).

Overcoming barriers to coherence

6. However efficient these tools may be, coherence will remain a difficult challenge to address in the context of developing and implementing cross-cutting or longer-term policies. Coherence is a "moving frontier" calling for constant improvements rather than a precisely defined and quantified target. Moreover, policies to enhance coherence have to face tangible limitations. One of the most striking practical limits to coherence results from the difficulty of evaluating complex policy developments. Evaluation systems which concentrate on specific policies or specific programmes, and which develop qualitative evaluation, may be more successful than attempts to assess the "coherence of the system as a whole", but there will be no panacea in this matter. Other limits are related to traditional difficulties to bring organisational change and to an emerging trend towards complex and fragmented decision-making resulting from current governance practices.

7. Policies to support coherence will require specific mechanisms to adapt to the new governance environment characterised by multi-stakeholder processes and by the emergence of new risks and uncertainties. In particular, the capacity to generate and confront knowledge, as well as the sound management of citizens' involvement processes will be paramount.

Recommendations

Recommendation I: ***There should be a common understanding of the issues at stake***

8. The fact that policies are becoming increasingly multi-sectoral and multidimensional requires more attention to be paid, at the policy formulation stage, to whether issues are adequately brought into the general policy debate and into the sectoral policy agendas.. Governments should ensure that the complex realities of a given policy are well understood. In particular the short-term and longer term economic, social, or environmental consequences of a given policy should be clarified and communicated. This would imply addressing the following questions:

- *What efforts have been made to provide clear, widely accepted and operational policy objectives?*
- *Are the policy goals sufficiently clear and understood by the public?*
- *Is the objective well understood by public organisations and across levels of government?*
- *Are the benefits of the policy proposal made evident with clear examples supported by statistics?*

Recommendation II: ***A clear commitment and leadership should be sustained***

9. Clear commitment and leadership within government to achieve a specific goal is crucial, Communication of this commitment is also essential to support the development of a concrete strategy and

subsequent action. This commitment should come from the top, but it is also essential to develop leadership and capacity throughout public sector organisations.

10. This is particularly challenging when policies are multi-sectoral or longer-term oriented, given the potential for conflict among various interests both in the public and private sectors. Strong political leadership is needed to shape the debate on how to take policies forward. This leadership has, in turn, to address problems that result from 'silo' thinking, from a reluctance to cede decision-making authority, and from "short-termism". The following questions need to be addressed to achieve clear commitment.

- *Is there a clear commitment at the highest level for the formulation and implementation of the policy objectives and strategies?*
- *Is this commitment effectively communicated to the various sectors of the government and across levels of government?*
- *When gaps exist between the administrative and political agendas, are specific efforts made to bridge them?*
- *Is leadership expressed through an established sequence of priorities which are monitored over time?*
- *When issues require a longer-term commitment, does government maintain a sense of urgency over time?*

Recommendation III: ***Conditions should be in place to steer policy integration***

11. A critical evaluation of both the formulation of sectoral strategies and their implementation should be in place, including from the point of view of the enforcement tools used (voluntary agreements, etc.). When a policy goal becomes a national priority it is particularly important that strategy enforcement be monitored through an overarching institution acting as a "catalyst".

12. Increasing decentralisation of power is a feature of most OECD countries, and maintaining the right balance between local autonomy and central steering capacities is a major challenge for managing across levels of government. Specific attention should be paid to translating international, national and sub-national strategic policy directions into measures that can be implemented at lower levels. This requires paying attention to the risk of fragmentation and overlap of responsibilities, and providing incentives and support to foster the necessary behavioural changes. In addition, decentralisation should not take place at the expense of accountability and institutional stability. The following questions need to be addressed to achieve policy integration of a specific goal.

- *Is there an institutional "catalyst" (ministry, select committee, etc.) in charge of enforcing a cross-sectoral strategy?*
- *Is this "catalyst" located strategically within the government machinery (e.g. at the level of the Prime Minister's office)?*
- *Are there specific reviews of laws and regulations to check whether they conflict with overarching priorities, and are key objectives embedded in new legislation and regulations?*
- *Are there mechanisms to ensure effective feedback between different levels of government?*

- *Are organisations moving from narrow sectoral perspectives (e.g. agriculture, industry, transport, etc.) to a more "issues-oriented" agenda (e.g. mobility, poverty reduction, etc.)?*

- *Are regular government exercises (e.g. the budget process) used to foster coherence?*

- *Is there a clear framework for assessing the performance of public organisations with regard to overarching objectives?*

- *Are there evaluation and reporting mechanisms to support "coherence appraisal" within the public sector (i.e. indicators of progress, cost/benefit analysis, impact assessment)?*

- *Does government make effective use of these evaluation and reporting mechanisms?*

- *Are external and independent auditing and reporting mechanisms sufficient?*

Recommendation IV*: Knowledge management should be encouraged and sufficiently open*

13. Improved scientific input to policy development is necessary and requires investment in specific research fields where scientific evidence is lacking. In addition, it is essential to improve links between the scientific community and policy makers. This will require changes in government practices to assess possible options before taking decisions. Efforts are also needed to develop a multi-disciplinary and holistic evaluation of costs and benefits.

- *Are the mechanisms transparent, supported by arbitration processes for managing complex and conflictual knowledge?*

- *Does government ensure that a framework is in place to allow discussions to focus constructively on areas of disagreement, by developing scenarios and options?*

- *Is sufficient attention devoted to ensuring that the flows of information between the scientific community and decision-makers are efficient and effective?*

- *Do research policies encourage and facilitate networks of scientists and do they support the development of "joined-up" research between disciplines?*

- *Are specific efforts made to support forward-looking and policy-relevant knowledge, in particular through assuring the 'right mix' between public and privately funded investment in research?*

INTRODUCTION

Policy-coherence: A challenge for government

14. The call to achieve greater policy effectiveness and efficiency has contributed to emphasising the importance of policy coherence for a well-functioning governance system. Policy-making, and policy processes, are becoming more and more complex, and the lack of coherence has a cost. The purpose of the report on *Policy Coherence*, which is the final output of the activity on Policy Coherence carried out by GOV in 2000 and 2002, is to assist policy-makers in understanding the challenges related to the deficit of policy coherence and to highlight some key experiences from OECD countries. It specifically emphasizes:

- the need to improve **governance practices** for horizontal and longer-term challenges;
- the necessity of meeting **sustainable development** goals;
- the imperative development of **risk management** practices

15. An observer of policy debates in OECD countries could easily argue that policy coherence has become a somewhat fashionable concept since the end of the 1990s (ODI 2000), or at least that the need to achieve greater policy effectiveness and efficiency has contributed to emphasising the importance of policy coherence for a well functioning governance system. A direct link has been established between the recent "mushrooming industry of governance indicators" and concerns for ensuring policy coherence (UNDP 2002). The World Bank's policy volatility indicators have, for example, tried to introduce an objective measurement of policy coherence.

16. This focus on coherence may well be linked to trying to balance out the difficulty of estimating the costs of more complex policy processes which result from the perception that policy-making is becoming more complicated. Complexity of policy-making is not a new phenomenon but there is a sense that it is taking on a new dimension. A superficial look at the history of administration provides sufficient evidence that government has always been confronted with conflicting priorities, various sectoral rationales and difficulties in implementing commitments effectively. All these elements are at the heart of the debates on policy coherence. However, recent and persistent calls for achieving greater policy coherence have emerged in both national and international arenas, suggesting that there are issues at stake which go beyond the traditional difficulty of making and implementing decisions. Although these parallel debates at national and international levels address their own particular issues, they also address a number of common features. However policy makers are not always aware of these commonalities, and as a consequence the various debates are not necessarily anchored in any clear definition of what is meant by policy coherence.

17. This diffuse need for more coherence is becoming a source of global concern. For example, the United Nations Millennium Goals make an explicit reference to strengthening policy coherence. Similarly, the commitment of the World Trade Organisation (WTO) for greater coherence in global economic policy-making has been affirmed. Closer co-operation with the World Bank and the International Monetary Fund (IMF) has been expressed in a number of Agreements, ministerial declarations and decisions. Given the importance of concerns about the links between trade and development, policy coherence was reaffirmed by the founding fathers of the WTO. In particular, reference has been made to policy coherence in a number of key texts, for example, the "Agreement establishing the WTO from the Uruguay Round Final Act"; the decision adopted by the General Council, November 1996 on "Agreements between the WTO, the IMF and the World Bank"; the "Decision on achieving greater coherence in global economic policy-

making" from the Uruguay Round Final Act; and the "Declaration on the Contribution of the World Trade Organisation with the International Monetary Fund" from the Uruguay Round Final Act.

18. In addition to these developments, policy discussions about the need for more coherent actions are also becoming a central objective of national governments. In recent years most OECD countries have experienced policy inefficiencies and have been concerned with providing more coherent responses to emerging issues, such as ageing population policies, sustainable development and agricultural policies. Efforts have been made to improve coherence in several policy fields and to promote specific commitments in areas where the negative consequences of the lack of coherence were most apparent. These efforts have, for the most part, still to be analysed and evaluated.

19. Similar concerns have also been expressed at regional level, for example within the framework of the European Union. For a decade, the European institutions made use of the concept of coherence. As early as 1992, following the signature of the Maastricht Treaty (article 130 V), the principle of coherent European policies was put on the working agenda of the European Commission.. Since then the need for policy coherence has been recognised as a critical factor to improve the outcome of European policy processes in a number of fields, e.g. agriculture, development, trade and environmental protection. More recently, one of the proposals for change embedded in the 2001 White Paper on the Reform of European Governance was: "The Commission will: reinforce attempts to ensure policy coherence and identify long-term objectives".

20. The OECD has echoed these concerns, in several sectoral fields and for crosscutting and longer-term objectives. One of the areas where OECD countries also felt that a specific effort to foster policy coherence was needed was the development agenda. The OECD development strategy stressed that "We should aim for nothing less than to assure that the entire range of relevant industrialised country policies are consistent with and do not undermine development objectives"[1]. Sustainable development[2] also provides a typical example. To achieve the difficult task of balancing their economic, social and environmental development, governments must ensure that their policies are consistent with the sustainable development goal and not undermined by other policies (OECD 2002d). At the OECD Ministerial meeting of 2001, Ministers were urged to "improve coherence and integration for sustainable development[3]".

21. Improving the capacities of governance systems to address conflicting interests and goals has become a central component of good governance. Good governance for policy coherence has therefore become a priority of OECD. In 2002 a checklist on *Improving Policy Coherence and Integration for Sustainable Development* (OECD 2002*d*) provided guidance for policy-makers on improving policy coherence and integration in the pursuit of sustainable development. This policy advice builds on the experience of OECD countries and their concern that achieving the sustainable development goal requires paying specific attention to governance practices. It also draws attention to the main obstacles to be overcome at the domestic level in order to address the institutional challenges raised by the pursuit of sustainable development.

22. Given the importance of the above-mentioned concerns related to policy coherence, the purpose of this report is to assist policy-makers in understanding the challenges related to the deficit of policy coherence and to highlight some key experiences from OECD countries that could be used for improving it.. The objective of the report is not so much to assess the capacity of government to improve coherence, as to look at which policy processes contribute best to achieving this goal.

23. This report starts by looking at the reasons why concrete policy developments have made policy coherence such a hot topic. It looks, through selected examples from a number of key policy fields, at the reasons why the limits to government efficiency are becoming more and more critical (chapter I). The report not only highlights the policy implications of issues of unprecedented magnitude to which

governments are confronted, it also provides a diagnosis of the current trends and tensions, as well as providing concrete tools that governments can use to develop policies for coherence. (chapter 2). And, by looking at the constraints to achieving coherence (chapter 3), it is also highlights the critical factors that need to be addressed to improve governance capacities to overcome existing barriers.

CHAPTER I

The search for Coherence: Definitions, issues and tensions

24. Since the middle of the 1990s it seems that only limited progress has been achieved if one can judge from the regular and vibrant calls to enhance coherence. The interesting fact is that the nature of the debate has somewhat evolved, from rather limited "internal" considerations of how governments could make their policies more consistent and co-ordinated, to wider concerns about the capacity of societies to bring coherent responses to global challenges, e.g. poverty reduction or sustainable development. The debate has broadened from efficiency considerations to a major global concern about the capacity of international and national regimes to ensure adequate and timely answers to the most pressing challenges. In addition to national concerns about improving policy coherence, the international dimension of policy coherence also emerged.

25. There are two ways of considering policy coherence. One is "holistic" and looks at processes towards achieving coherence of the government "system" as a whole, and the other approach is "specific", as it mainly looks at the capacity to improve the coherence of specific policy processes and outcomes. After looking at the possible definitions of coherence, this chapter will attempt to shed light on these two aspects from the point of view of the issues and tensions emerging at national and international level.

Definitions

26. What is exactly policy coherence? A preliminary definition of coherence should be that it "implies that policies should ideally support each other or at least not be in contradiction, and this concept can be seen as a standard for assessment of political systems and sets of policies. As such, it can provide guidance to policy change and development as well as to adaptation to a changing society." (OECD, 2000[4]). However, this definition may be too general, in the sense that it makes a distinction between coherence and other notions such as policy consistency or policy co-ordination.

27. In 2001, the OECD offered a clarification of the concepts of policy co-ordination, policy consistency and policy coherence. This definition was developed with a view to improve policy coherence for development policy but it is sufficiently general to serve wider purposes. (OECD 2001*a*):

28. "The coherence challenge has a number of dimensions that need to be addressed in a synchronised manner, while recognising that full coherence is never a realistic outcome:

- Policy co-ordination means getting the various institutional and managerial systems, which formulate policy, to work together.

- Policy consistency means ensuring that individual policies are not internally contradictory, and that policies that conflict with reaching for a given policy objective are avoided (…).

- Policy coherence goes further; it involves the systematic promotion of mutually reinforcing policy action across government departments and agencies, creating synergies towards achieving the defined objectives.

29. On the basis of this useful distinction, policy coherence implies not only ensuring the preconditions of policy co-ordination and policy consistency, it also requires the systematic promotion of mutually reinforcing policy actions. This distinction between co-ordination, consistency and coherence is particularly relevant because it offers a convenient description of the different degrees of specific efforts towards achieving a defined objective.

Box 1: The Three Dimensions of Coherence

To simplify this concept, it is usually agreed that policy coherence has horizontal, vertical and temporal dimensions.

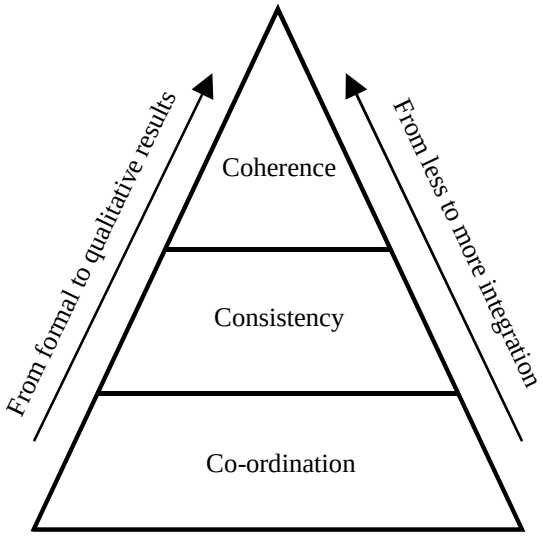
- Horizontal coherence -- ensuring that individual objectives and policies developed by various entities are mutually reinforcing. Strengthening the interconnectiveness of policies and promoting a "whole-of-government" perspective are ways of promoting the horizontal perspective on policy coherence.

- Vertical coherence -- ensuring that the practices of agencies, authorities and autonomous bodies, as well as the behaviour of sub-national levels of government, is mutually reinforcing with overall policy commitments. For example, the delivery of goods and services to the citizens should not contradict national objectives. "Programme efficiency" is one way of stressing the need for vertical coherence, and the issue of ensuring compliance across levels of government is a typical expression of this dimension.

- Temporal coherence -- ensuring that policies continue to be effective over time and that short term decisions do not contradict longer-term commitments. Ensuring "dynamic efficiency" is another way of expressing this perspective. It pertains to how policies work out as they interact with other policies or other forces in society, including whether future costs are taken into account in today's policy-making. Sustainable development is typical of the need for temporal coherence. A key temporal challenge is also the need to better manage the economic and social coherence of pension systems.

30. However, the three notions should not oppose each other. To some extent they should be perceived as a continuum of processes contributing to the achievement of similar objectives (see figure 1). What they have in common is also their complexity. They all have horizontal, vertical, temporal and territorial dimensions (see box 1). The differences that they exhibit are mainly differences related to the intensity of the underlying integrative process and the quality of the processes at stake. While co-ordination is usually a set of formal arrangements to promote co-operation, consistency goes further and is based on compatible policy processes. Coherence is moving this integration process forward and looking at the quality of the output of this process. It implies paying attention to the critical decisions taken within and outside government.

Figure 1: Coherence as a process



31. This section of the report does not intend to provide an assessment of formal institutions from the point of view of their conformity with coherence goals. Instead, it contributes to a clarification of the terminology when referring to distinct but related concepts of co-ordination, consistency and coherence. The report will deal with these concepts from the following perspective:

- Co-ordination is a formal policy process steered from within the machinery of government.
- Consistency will be referred to as the process ensuring that policy objectives are delivered and that they are not contradictory.
- The approach adopted in the present report will use the term coherence in a slightly wider sense, when compared to the definition of 2001[5]. It will be about ensuring **the systematic promotion of mutually reinforcing action, by the concerned government and non-government players, in order to create and maintain synergies towards achieving the defined objective.**

OECD countries are confronted with increasing coherence challenges

32. Policy coherence is increasingly needed to meet policy goals at national, regional and sub-national levels. The call for greater coherence has become more evident since the 1990s, when OECD countries became aware of the need to improve their capacity to manage longer-term challenges. For example, specific policies were called for to manage the complexity of cross-sectoral and intergenerational issues such as ageing populations and sustainable development. It became increasingly obvious that

traditional decision-making needs to be adapted in order to address emerging issues. This was amplified by the increasing uncertainty concerning the economic and social impact of agrowing number of risks, namely severe natural disasters, terrorism, environmental degradation, new technological risks, e.g. human cloning or the impact of genetically modified organisms (GMOs) etc. While public opinion expressed concern and showed decreasing trust in public institutions, the capacity of traditional decision-making mechanisms to tackle emerging risks was questioned.

Coherence and governance trends

33. Coherence is therefore at the heart of the debate about improving the quality of governance. In 2000, the OECD stressed that "The problem of coherence thus pertains closely to governance – that is how societies can arrange their decision making to best ensure that it will serve the public interest over time and that it protects the shared values which hold a society together." Contemporary governance, at a glance, is characterised by the following trends (OECD 2001*c*):

- The globalisation of issues and responses make decisions more interrelated and choices more complex. In addition to ensuring coherence across departments and services there is an increasing need to ensure policy coherence across organisational and sectoral borders and levels of government, as well as over time (Bovaird & Loeffler 2002).

- Although resources have been reallocated, levels of government spending remain stabilised at rather high levels (see table 1), thus making critical the efficiency and effectiveness of various services provided by government.

- Citizens have more differentiated lifestyles than before and at the same time stakeholders are willing to actively intervene in public debates, including on a global scale; as a result of which citizens' expectations are more diverse and more demanding.

- In most OECD countries, there is a need to improve the management of policy segmentation resulting from almost twenty years of reallocation of responsibilities between the public and private sectors and of decentralisation/devolution.

Table 1. **General government outlays, by country**

Per cent of GDP

	1965	1970	1975	1980	1985	1990	1995	2000[1]
Australia	24.6	25.2	31.3	32.3	37.8	33.0	35.4	31.4
Austria	36.6	38.0	44.4	47.2	50.1	48.5	52.4	48.8
Belgium	35.0	39.7	47.6	53.4	57.3	50.8	50.3	46.7
Canada	27.8	33.8	38.9	39.1	45.4	46.0	45.3	37.8
Denmark[2]	31.8	40.1	47.1	55.0	58.0	53.6	56.6	51.3
Finland	30.3	29.7	37.0	37.1	42.3	44.4	54.3	44.8
France	37.6	37.6	42.3	45.4	51.9	49.6	53.6	51.2
Germany	35.3	37.2	47.1	46.5	45.6	43.8	46.3	43.0
Greece	22.0	23.3	27.1	29.6	42.3	47.8	46.6	43.7
Ireland	36.0	37.7	40.7	47.6	50.5	39.5	37.6	27.7
Italy	32.8	32.7	41.0	41.8	50.6	53.1	52.3	46.7
Japan	19.0	19.0	26.8	32.0	31.6	31.3	35.6	38.2
Korea	14.5	14.8	16.9	19.2	17.6	18.3	19.3	23.4
Mexico	..	..	..	..	..	..	21.4	..
Netherlands	34.7	37.0	45.7	50.9	51.9	49.4	47.7	41.5
Norway	29.1	34.9	39.8	43.9	41.5	49.7	47.6	40.6
Portugal[2]	18.1	18.0	25.2	28.1	42.9	44.2	41.2	42.1
Spain	19.5	21.7	24.1	31.3	39.4	41.4	44.0	38.5
Sweden	33.5	41.7	47.3	56.9	59.9	55.8	62.1	53.9
United Kingdom[2]	33.5	36.7	44.4	43.0	44.0	41.9	44.4	38.4
United States	25.6	29.6	32.3	31.3	33.8	33.6	32.9	29.3
Euro area	33.1	33.9	40.9	43.0	47.2	46.3	49.1	45.1
OECD	26.9	29.2	34.4	35.5	38.1	38.0	39.4	36.5

1. Estimates
2. Prior to 1988 in the case of Denmark, 1995 for Portugal and 1987 for the United Kingdom data are backward extrapolations based on earlier National Accounts series.

Source: OECD *Economic Outlook* 68, December 2000, OECD National Accounts and OECD calculations.

34. The key trends in governance described above call for achieving greater coherence including through more effective central direction (Peters, 1997). The increased focus on coherence appears to have arisen for several reasons.

35. The first reason is the increasing scarcity of resources in the public sector, which calls for improving priority setting and requires critical choices to be made. Specific negative effects resulting from a lack of priority setting were recently highlighted in case studies of Governance for Sustainable Development (OECD 2002*a*). In Canada and the Netherlands, budget cutbacks without improved allocation of resources were observed in the mid 1990s. Budget reductions affected new sustainable development institutions rather than the more established constituencies, with the effect that the overarching policy goal was undermined. It has been argued that priority setting has become a crucial activity for any contemporary government (Peters and Savoie, 1996).

36. The second reason for an increased focus on coherence is the sense that the style of governing is becoming more complex, this view being reinforced by the increasing interconnectedness of policy debates and the multiplicity of actors at stake in the policy processes.

37. Finally, it has been underlined that the very importance of the international market makes coherence within the public sector more important. Institutions are in competition with each other and evaluation of good governance is becoming a key criteria for the market. International competitiveness requires sectors of government that might previously have dealt very little with each other, if at all, to develop co-ordinated programmes. This is reinforced by the fact that key commitments are made by countries at the international level and must be implemented at national and sub-national levels. A typical example of this evolution is given by the sustainable development agenda, agreed at international level, but which would require a higher level of coherence at domestic level and at the interface between countries and international organisations in order to be effectively implemented (see OECD 2001*b*).

38. In addition to these challenges, structural patterns also place a specific burden on the progress towards coherence:

- The short term orientation of decision-making due to the short duration of electoral cycles (4 to 5 years). Politicians address short terms concerns when it is long term analysis and commitments that are needed (OECD 2002*a*).

- Regulation in a number of areas is not adapted to the new governance patterns, thus complicating enforcement. OECD countries have for example been confronted with the limits of traditional regulatory frameworks in a number of fields and sectors (environmental management, health), where emerging contradictory perceptions and interests have challenged the design and enforceability of traditional regulatory tools.

- The insufficiency of transparent information mechanisms and transparent weighing of issues in the policy making process constitutes the third major barrier, although progress has been achieved towards more access to information (2001e). And

- The implementation problems in a context of institutional fragmentation resulting from side effects of decentralisation and devolution.

39. In this context, the efforts observed in OECD countries over the past 20 years aiming at promoting an agenda of public sector modernisation (OECD 2001*c*), should be analysed from the specific perspective of their capacity to improve government's ability to deal with coherence issues. The OECD, engaged in providing a ten years perspective on public sector modernisation, highlighted recently that "the key challenge is less how to drive *reform* than how to support government's capacity to adapt to new and fluid circumstances without endangering deeper governance values"[6].

40. Looking back at OECD countries' modernisation experiences of the past ten years suggests that the usual assumption of the New Public Management School, i.e. that the public sector reforms of the 1980s and 1990s brought a leaner and simpler state, does not totally match the reality. In particular one of the effects of the public management "reforms" may be a relatively stable public sector associated with more fragmented and complex governance systems[7]. We have observed that one of the characteristics of the modernisation agenda introduced in many OECD countries is a high level of fragmentation resulting from decentralisation and privatisation. While this trend may have brought some economic benefits, it seems that this fragmentation has not yet been balanced by the emergence of mechanisms to "keep the whole together" (see chapter III of the present report). Incidentally, there is one major evolution which may go in the other direction, this is the emergence of new technological networks (e.g. the generalisation of access to the Internet). The Internet is connecting people and institutions. However the full impact of the Internet revolution still remains to be analysed[8].

Horizontal, vertical, and temporal challenges

41. OECD countries are confronted with specific tensions and challenges which affect the three dimensions of the issue: the horizontal, vertical and temporal dimensions (see box 1). Improving policy coherence requires looking at the evolutions taking place within government but also at the changing patterns of governance between government and civil society. This section will concentrate on internal government problems, more general societal trends being analysed in chapter III.

Horizontal issues

42. Increasingly, specific sectors and policies are confronted with the concrete challenge of managing complexity and interconnectiveness. Some tensions have emerged from the inability of the established arrangement and processes to introduce coherence. The agriculture sector offers a typical example of this evolution.

43. Towards the end of the 1990s many OECD countries, in particular the members of the European Union, realised that the sustainability of agriculture patterns could be questioned. Since the end of World War II, OECD countries managed to increase the productivity of their agriculture sectors and to meet the demands of their population and of an increasing share of the world's population. However, this was achieved at a non negligible economic, environmental and social cost. For example, the economic performance of the sector was affected by high levels of support, which currently (average 1998-2000) accounts for about 35% of total farm receipts for the OECD as a whole (OECD 2001*b*). Environmental degradation resulting from agricultural production has also been a major concern of OECD countries since the 1970s [9], and the tremendous decline of the workforce employed in this sector is also obvious: the agricultural sector now accounts for less than 7% of total employment in most OECD countries (OECD 2001*b*). As a result it appeared at the turn of the 21st century that most of the agriculture sector was increasingly unable to meet economic, environmental and social criteria. At the same time a series of events led to questioning of the quality of the outputs of the agricultural sector (the most emblematic being the Bovine Spongiform Encephalopathy -BSE -crisis).

44. Could a purely sectoral solution be envisaged to overcome this crisis and reform agriculture? It seems quite difficult since, as was already underlined by the OECD in 2001, “ensuring that the externalities that raise the cost of farming are taken into account by those responsible for generating them is as much an issue of policy coherence as it is of policy design. Priority areas in need of greater efforts to achieve coherence include waste disposal, electricity generation, land-use planning (including the siting of structures that affect the quality of the landscape), transport and social policy”. (OECD 2001*b*).

45. In addition to sector-led concerns, the need to improve coherence for the better management of cross-sectoral agendas is also becoming apparent. It is particularly difficult to monitor the integration of various sectoral policies in order to achieve specific goals. As has already been mentioned in earlier parts of the report (see Introduction) sustainable development illustrates the need for coherent decision-making. But, despite specific institutional efforts, OECD countries are still characterised by a deficit of awareness and commitment and, despite specific innovations (see chapter II), priority-setting procedures and arbitration of conflicting priorities remain rather weak (OECD 2002*b*). The COMPSUS project developed by ProSus in Norway represented a first attempt to analyse the implementation of sustainable development within a comparative, cross-national research design. The conclusion of this study was that only limited progress had been reached on the specific challenge of integrating environmental policy.

Box 2: Environmental Policy Integration: Summary Conclusions from the COMPSUS Study

"With respect to intra-ministerial integration there is evidence that the processes have been more formal than substantive, and that environmental concerns continue routinely to be over-ridden by development interests. In some jurisdictions "integration" has been almost entirely at the level of rhetoric -- in Japan, for example, production oriented ministries and plans operate in parallel with organisations and plans centred on environmental sensitivity; and in the European Union the environment has remained essentially marginal to key spending programmes such as the Common Agricultural Policy and the Structural Funds. Even where the intra-ministerial integrative ideal has been more thoroughly pursued -- as in Norway or Canada -- the quality of the departmental engagement with environmental concerns or the broader sustainable development agenda is typically weak. With respect to the more complex issue of sectoral integration, similar sorts of criticisms could be made. In most areas of social decision making the environment remains an "additional" consideration. True, it is now often understood as a necessary consideration (rather than as merely an optional one); but it cannot be said that environmental impacts are being factored into sectoral processes from the outset."

Implementing Sustainable Development: Strategies and Initiatives in High Consumption Societies

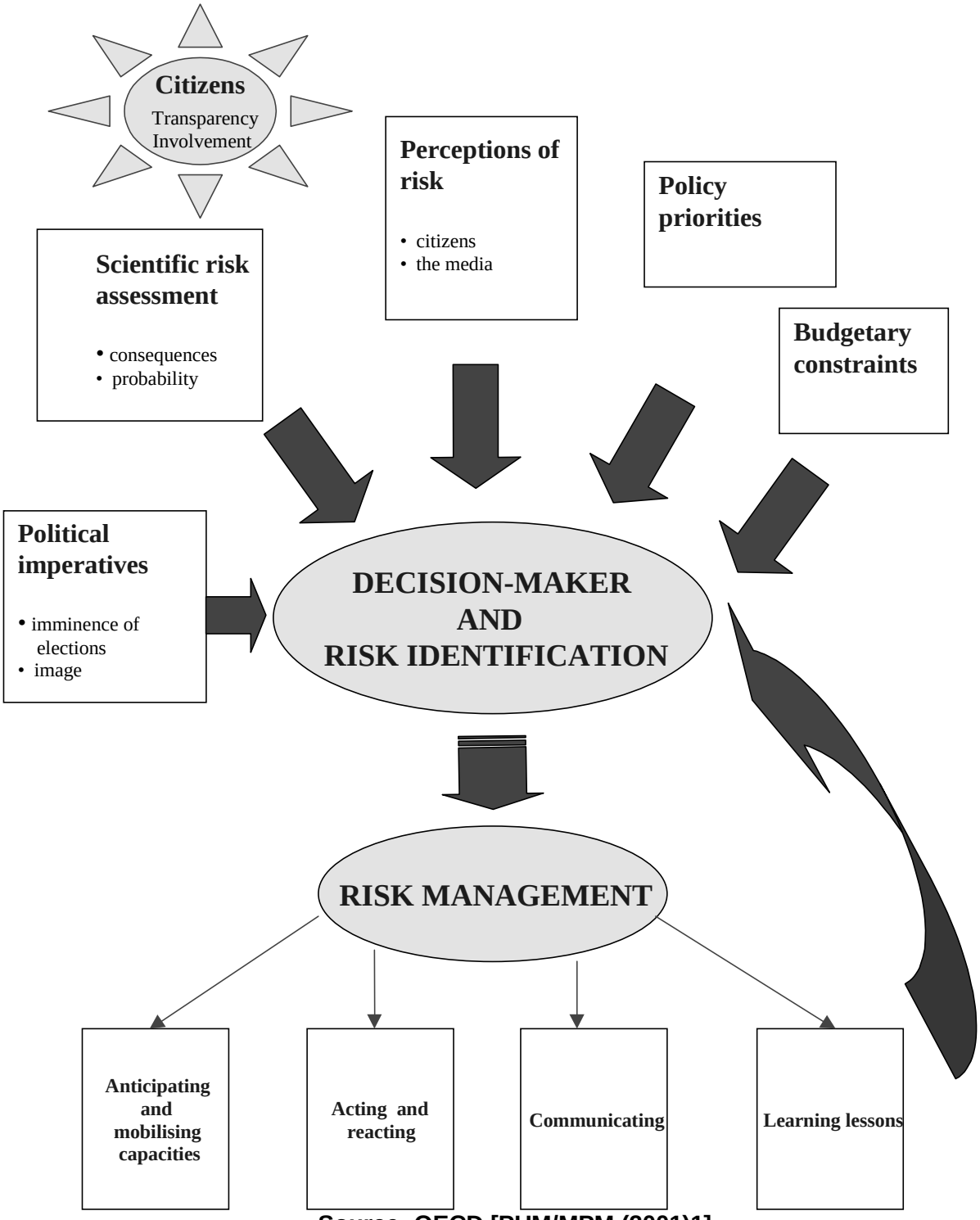
William M. Lafferty and James Meadowcroft (2000)

46. The limited "capacity to act" must be recognised as an inherent factor hindering progress towards coherence of public decision-making. A characteristic feature highlighted by the report of the Netherlands Scientific Council for Government Policy (WRR) in 2002 is precisely that the issue of the capacity to act is not formalised to any great extent (WRR, 2002, p 27). The report also underlined that the "cognitive and steering capacity of government is subject to significant limitations".

47. In recent years, the specific problems linked to this defective "capacity to act" became apparent through a series of crises, e.g. the contaminated blood crisis, foot-and-mouth disease, flooding, earthquakes, typhoons, BSE, terrorism and rapid global environmental degradation. These events revealed that one major feature of contemporary trends in risk management had been underestimated: risk management requires not only technical capacities, it also requires a capacity to manage a complex policy environment. While quick and cost effective responses are in demand, the "Government capacity to adjust to traditional and new risks seems increasingly challenged by modern complexities"[10]. These capacities are particularly challenged by the more complex environment in which decisions have to be taken and that are illustrated in Figure 2.

48. The challenge that risk represents for internal coherence could be summarised as follows: "Policy-makers can use a wide range of tools to manage risks, including the provision of specific goods, services, infrastructures, and information; norms and standards; tort law[11]; insurance and re-insurance regulations; economic incentives, deriving in particular from taxes and subsidies. Policy efficiency and effectiveness require that each instrument be used in the context where it has the most impact, and supports the action of other instruments. In practice, however, risk policies often lack such coherence". (OECD 2003)

Figure 2: The complexity of Risk Management: a challenge to policy coherence



Source: OECD [PUM/MPM (2001)1]

Vertical issues

49. Some critical governance challenges have emerged from OECD countries' evolution towards devolution and functional decentralisation of responsibilities and powers. These raise key issues about vertical coherence.

50. "Decentralisation" is a very complex phenomenon and it would certainly be difficult to provide a single and general explanation of the various experiences followed by OECD countries in recent years. In some cases decentralisation has certainly led to efficiency gains, in others the allocation of public resources appears to be less efficient as a result of the decentralisation process. In particular, concerns have been expressed in many OECD countries concerning the coherence of the allocation of tasks and resources across levels of government (OECD 1997).

51. For example, the effectiveness and efficiency of the mechanisms of fiscal federalism have been questioned. Some structural complexities seem to be inherent in the existence of shared responsibilities for tax collection and administration between levels of government. In Switzerland, the cantons have a legal obligation to collect the federal direct tax (FDT) on individual income, corporate profits and capital gains. There are 26 cantonal tax laws and as many tax administrations and no tutelage of the federal government over State and tax administration[12]. In addition, it has often been argued that specific mechanisms to ensure "coherence", such as equalisation schemes between state level entities of federal systems bring a disproportionate level of fiscal complexity when compared with their expected benefits (OECD 1997).

52. Similarly to the allocation of fiscal responsibility, the allocation of tasks is usually characterised by a high degree of complexity, and attempts to "rationalise" the allocation of responsibilities have usually not been very successful. In France, the decentralisation laws of 1982-1983 established rather well defined "blocks" of competencies. However the need to associate various levels of government to fund specific projects has tended to blur the theoretically well-defined allocation of tasks.

53. Disputes about the allocation of resource and tasks are very common. This tends to make already complex issues such as sustainable development even more difficult. In Canada, for example, jurisdictional disputes especially over ownership and control of national resources have exacerbated federal/local relations (OECD 2002*a*). But simplification is not an easy task either. One should certainly underline that in a number of cases decentralisation results not only from the desire to improve the allocation of resources but that it also reflects a specific political balance. This factor should certainly be included in a coherent management approach.

54. Compared to devolution of power to lower levels of government, the decentralisation of tasks to "arms lengths" agencies has resulted more clearly from efficiency preoccupations. However, although concerns about creating a more effective and simple government were expressed, it has also led to specific tensions. Complexity, in particular, has been one of the key features of the reorganisation process. In 2002, the OECD Public Management Committee published a review of development, in a selected number of OECD countries (Canada, France, Germany, The Netherlands, New Zealand, Spain, Sweden, United Kingdom, United States), with respect to the governance of public agencies and authorities (OECD 2002). The report stressed that "government reviews show that different goals have been achieved through these various organisational forms [agencies etc.], including efficiency and innovation (…). At the same time, in most countries, priorities have moved away from the need to create new separate bodies to the challenge of finding the right balance between accountability and autonomy, openness, performance management, as well as strengthening the steering capacity of central ministries (…).In some countries "whole of government" issues such as how to ensure policy coherence and a coherent public service, or how to maintain the clarity of the administrative organisational system, have also arisen as critical issues

Temporal Coherence

55. One of the greatest challenges for government is to balance short term pressures and long term objectives. Many areas of public policy, such as ageing of population, health, education, urban infrastructure, the environment, can only be addressed adequately over the long term. In order to promote socially, economically and environmentally sustainable development, politicians must put short term goals in a longer term perspective in the context of budget realities.

56. Because of pressures to find quick solutions to problems, policy processes have a tendency to neglect the longer-term. "Short-termism" results mainly from the imperatives of the political agenda and the electoral cycles (about 5 years). In a context characterised by faster circulation of information and sharing of knowledge and by greater stakeholders' involvement in policy-making, there is also an increasing pressure to speed up policy processes in order to find quick solutions to complex issues. Government is often obsessed by short term and "reactive" attitudes, as well as by the pressure from public opinion and the media looking for quick solutions to problems. The interrelation between the challenges of building coherent responses to the new multi-stakeholders environment is therefore becoming crucial.

57. Risk management also requires that more attention be paid to temporal coherence. Risk management can aim at controlling a risk at various stages of its development, when it is a hypothetical possibility, or when it is first observed, or when it is well known. As uncertainties are reduced and factors of risk unfold, regulations have to be refined, or sometimes dramatically modified. Such changes can be extremely costly if risk regulations have not been designed in such a way as to remain coherent through time (OECD 2003).

58. In 2001, the OECD looked at this specific issue of knowledge production and how it could contribute to sustainable development[13]. It appeared clearly that traditional management systems are becoming less and less effective for the definition of coherent longer-term strategic direction. In particular, the following structural deficits should be highlighted.

59. *The limits of mono-disciplinary ex-post approaches*: Traditional knowledge management systems are characterised by a predominance of natural sciences and a mono-disciplinary paradigmatic approach. Uncertainties are considered reducible through technological progress. Therefore, knowledge management systems focus on risk reduction that is obtainable through technological innovations, intervening primarily via ex-post regulation. This takes on the form of regulation or intervention only after the occurrence of an incident. The rise of technical assessment procedures since the 1970s is an example of this development. This approach has caused a high degree of specialisation in knowledge management systems because of the increasing complexity of the uncertainties within a subject area. For example, research on matters of sustainable development in the Dutch Ministry of Agriculture, Nature Management and Fisheries is conducted by 12 highly specialised research institutes with over 3000 specialised employees. The high degree of specialisation can result in inadequate knowledge for decision making and can also produce too much information, which further complicates the final decision making process. Further, the mono-disciplinary approach sometimes fails to meet the increasingly holistic objectives of government. Finally, the *ex-post* nature of this method can impair the development of quality regulations, which is of central importance in the creation of more sustainable policies.

60. *Rigid architectures based on strict hierarchies cannot solve all the problems:* Another structural deficit arises from the strict hierarchies of a top-down approach. These hierarchies are especially visible in planning processes and evaluation systems based on expert peer review, which are another manifestation of the mono-disciplinary approach. Research projects are often carried out by universities, leading to a dominance of primary research and the neglect of applicability. Similarly, this focus on primary research can lead to established innovations being disregarded, as many research organisations prefer to «re-invent

the wheel» rather than work with previously developed theories. Thus the « NIH Syndrome » (Not Invented Here) can lead to duplication and resource inefficiencies. Private sector attempts to counteract this development have met with similar difficulties. Increased private sector involvement raises fundamental conflicts over scientific neutrality, profit maximisation and the role of science as a public good. The resulting decision-making process has often been classified as being autistic and non-transparent. Due to the lack of participation by different scientific disciplines and relevant social stakeholders, the legitimacy of some decisions has been questioned.

61. *Knowledge supply is not adapted to the level of knowledge demand:* A result of the aforementioned structural deficits is the incompatibility between knowledge supply and demand. The fundamental problem of knowledge management systems is in the supply of policy-relevant information for the decision-making process, because not all forms of knowledge are relevant. Scientific findings may lead to general knowledge advancements, but their policy relevance or utility in social debates may be remote. Mono-disciplinary approaches can disregard expertise from different disciplines, thus rendering the knowledge supply ineffective and incomplete. Similarly, the demand for knowledge may include the need for methodologies and data which are either unavailable or unconfirmed and controversial. This is, for example, very much the case for policies linked to sustainable development: topics such as de-coupling economic growth from environmental degradation, consumption pattern changes, social development or the reform of subsidies are all highly complex and controversial subjects, hence related policy implementation requires adequate specific knowledge.

The global call for coherence: delivering international commitments better

62. The inadequacy of international regimes to resolve, within a predictable timeframe, major problems such as war, poverty and environmental degradation, is a subject of daily and lively debate. However even the most vehement voices of criticism usually concede that the international “system” needs to be reformed rather than abolished. This is mainly because the global nature of the issues at stake and the internationalisation of economics and politics make it imperative to find *coherent* global solutions at the international level. In particular, one of the deficits of the international “system” is precisely the difficulty to cope with horizontal, vertical and temporal coherence. This problem is partly the result of the specialisation of tasks between international organisations, which still reflects the needs of the post-war period but has no internal flexibility to adjust to emerging challenges. There are, for example, no effective mechanisms between organisations (and even sometime within organisations) to ensure that priorities (e.g. growth and the environment) do not conflict with one another. In addition, the enforcement of broad and longer-term commitments is usually weak compared to enforcement of relatively simple single-issue international agreements.

Coherence and key global governance concerns

63. The need for specific mechanisms to build greater coherence of the international policy processes in a number of cross-cutting and longer-term issues has only recently emerged clearly. The first, almost minimal, concern expressed was the need to ensure better co-ordination of international policy processes. The United Nations Millennium Goals stressed, for example, the need “To ensure greater policy coherence and to improve better co-operation between the United Nations, its agencies, the Bretton Woods Institutions, and the World Trade Organisation, as well as other multilateral bodies, with a view to achieving a fully co-ordinated approach to the problems of peace and development”. (VII para. 30).

64. However, a diagnosis of the magnitude of the issue has yet to be made. Specific material on the good governance of the international system exists, but it is usually limited to a rather static analysis of

institutional developments., An overall policy oriented assessment of the international system's capacity to bring coherent responses to the most pressing agendas has, therefore, still to be conducted. Usually, analyses have focused on legal, jurisdictional and political barriers to the implementation of internationally agreed measures, while a more in-depth analysis of the sociological and organisational issues affecting international governance has been neglected. On the basis of this lack of knowledge one could seriously question the assumption that it will be sufficient to combine more political commitment with more favourable legal regimes (for example for arbitration of conflicts between states) to bring about coherent international policy decisions.

65. Environmental governance provides an illustration of the complexity of bringing coherent mechanisms to the international level. The international community has agreed to a considerable number of multi-lateral environmental agreements (MEAs). However it has been argued that their implementation is delayed by the complexity of international policy processes. For example, MEAs lack effective compliance and dispute settlement mechanisms. Substantive synergies and gains in implementation efficiency are not brought to bear due to unconnected decision-making processes. These weaknesses have led to calls for a more coherent system of environmental institutions, involving the major MEAs and organisations like UNEP, the CSD and other parts of the UN system dealing with environmental issues (UNESCO, WMO, WHO, etc.). This could take the form of a World Environmental Organisation. To be effective, the creation of such an organisation would need to overcome the technical difficulties of co-operation, co-ordination financing and legality (OECD 2001*b*).

66. Specific commitments have been made to improve policy coherence in some difficult but emblematic fields (poverty reduction, sustainable development), precisely where deficiencies of the international system became the most apparent,. (see box 3). However it is too early to predict what will be the outcome of this process.

Box 3: Poverty Reduction: the Commitment of the OECD Development Assistance Committee towards Policy Coherence

Poverty Reduction and Policy Coherence: A Global Challenge. The consensus in the international community on poverty reduction as a key global objective has widened and deepened over the last year. Development frameworks based around poverty reduction strategies at the country level are now the foundation for both bilateral and multilateral co-operation. The new guidelines agreed by the DAC and the untying of aid to the least developed countries contribute further important elements to this comprehensive approach. Participants welcomed this progress. Implementation is now the main challenge. This is requiring new approaches and capacities in development co-operation agencies and improved institutional co-ordination including between bilateral and multilateral agencies at the country level. In this context DAC Members recognised that substantial progress is needed on their contribution to making partnership principles work - including supporting poverty reduction strategies on a medium-term basis. Aid levels will have to reflect the needs of effective poverty reduction strategies. While a majority of DAC Members increased their aid effort in 2000, the overall ODA/GNP ratio fell. Participants emphasised the importance of building a broader consensus with Parliaments and public opinion on the need to reverse this trend, in the effort to achieve the agreed international development goals.

Source: OECD 2002

The challenge of implementing internationally agreed goals

67. While reaching a coherent policy process at the international level remains a challenge, the implementation of internationally agreed goals by authorities at national level is also a matter of concern. This creates a typical problem of vertical coherence.

68. At a formal level there is no apparent contradiction of international and national objectives. Internationally agreed principles and targets are negotiated and ratified by national authorities and legal steps are taken to ensure that the new international legislation is translated into domestic law. Usually provisions exist which give precedence to international law over domestic legislation.

69. In practice things are much more complicated. In order to follow a more sustainable development path, many OECD countries have for example committed to reducing their subsidies to energy production (such as fuel or coal), or to reducing and changing the structure of their support in some sectors (e.g. to agriculture) to reduce the negative effects on trade, the economy, and the environment. Progress, however, has been slow and a number of inconsistencies remain (see table 2)

Table 2 Trends in subsidy levels in OECD countries

	Billion US$		
	1990	Most recent data [date]	Comparison
Agriculture	351	311 [2001]	Equivalent to 1.3% of GDP
Marine capture fisheries	..	6 [1999]	Equivalent to18% of landed value
Coal production	11	6 [1998]	
Industry	44	..	

Notes: Data are not comparable across sectors. Agriculture: total support estimate for agriculture. Including market price support and general services support. Fisheries: government financial transfers to marine capture fisheries, does not include market price support. The 1999 data estimate excludes data for Australia, Belgium, Canada, Mexico, the Netherlands, Poland and Turkey. Coal production: producer support equivalent in selected OECD countries (Germany, Japan, Spain, Turkey UK). Industry: reported net government expenditures to Industry.
Source: OECD 2002*c*

70. Implementing the development agenda provides another good example. Development is at the heart of the international system. The need for development and poverty eradication is regularly reaffirmed by the international community (e.g. the UN millennium goals), and it was reaffirmed as the central objectives of the recent World Summit on Sustainable Development (Johannesburg, September 2002). This objective, however has not become central to the regional and national policy, and is usually downplayed by shorter term economic concerns. In fact, one of the main challenges of the development goals is that, although development is a high priority objective at the international level, this agenda does not have the same level of priority domestically. Those institutions which play a central role in the government machinery are usually not those responsible for development matters. Development agencies have a far less central role in the decision-making system than, for example, ministries of finance. Moreover, the traditional co-ordination mechanisms tend to work to the advantage of the "established and big ministries" versus "new and small ones" (see chapter 3) and this reality does not facilitate the implementation of international priorities.

71. Coherence between international commitment and national policies has therefore been recognised by governments and NGOs as a key factor to advance the development agenda. Regional organisations such as the European Union have also reaffirmed the need for more coherent development. There is an increasing need to promote overall coherence of national policies with regard to their impact on global poverty reduction.. Members of the Development Assistance Committee of the OECD (DAC) pledged in 2001, when endorsing the *DAC Guidelines on Poverty Reduction*, to elevate policy coherence for development as a general concern in policies and to develop the means necessary to promote it across their governments. Steps necessary to promote policy coherence suggested by this committee included political commitment to poverty reduction at the highest level, mechanisms for exchange and consultation within and across ministries, systematic vetting of legislation for its coherence with poverty reduction, and adequate staff resources to undertake the necessary analysis. Examples of specific trends and issues at the national level in Spain, the United Kingdom and at the regional level in the European Union are presented in box 4.

Box 4: Specific challenges to improve coherence for development
Selected examples

Spain is one of the few DAC Members to have explicitly integrated policy coherence in its legal framework. The Law states that the principles and objectives of Spanish development co-operation should be reflected in all other policies affecting developing countries. The Law also states that while the promotion of political, economic and cultural relations with developing countries remains an important aspect of Spanish development co-operation, it must be consistent with the objectives of sustainable development and poverty reduction. Spain has made significant progress in strengthening internal co-ordination but has yet to address policy coherence in a systematic way. The institutional co-ordination structures in place have recently played a useful role in promoting greater synergies among the different instruments and diverse actors within Spanish development co-operation. Some of them could possibly be used to support a more systematic approach to addressing policy coherence issues beyond development co-operation. The debate on policy coherence appears still to be at an early stage. In order to pursue the debate both within and outside the public administration, Spain first needs to strengthen its analytical capacities to determine the impact of various policies on poverty reduction. This would require allocating adequate staff resources to the MFA to carry out the policy analysis and propose the necessary options to other policy communities.

The **United Kingdom** has made a series of adjustments which reinforce its reputation as a leading donor within the international development community. Many of these changes constitute a significant departure from previous practices and bring the United Kingdom's programme into line with good practices internationally. The objective of the new approaches and ideas has been to make international development efforts more effective. As for other DAC Members, achieving policy coherence is a difficult task and will continue to require constant scrutiny. The Department for International Development (DFID) actively engages other policy communities across the United Kingdom government on policy coherence issues and decision making. DFID's monitoring and evaluation systems have evolved significantly in recent years. In many areas of activity, these systems are new and, so far, still not tried and tested. Where systems exist, compliance is an issue as there appears to be little ownership of these processes by DFID staff generally. Another matter for consideration is the institutional independence of *ex post* evaluations, the programme for which is presently determined by a committee comprising members of DFID's senior staff. In the longer-term, achievement of the international development targets in each developing country will provide a basis for assessing DFID's performance. This is not an easy task due to the difficulties of capturing data on changes in developing countries and establishing the links between those changes and actions by individual donors. Despite systems being put in place to improve performance assessment, it remains a challenge how to reconcile the targets embedded in the three-year timeframe of the Public Service Agreement with DFID's longer-term development objectives

European Union

The European Community is a large donor with global reach and specific capabilities through its regional partnership agreements, linking trade and political aspects with development co-operation. The European Community has substantially improved its development policies and strategies since the last review in 1998, and remains committed to implementing all the elements of its reforms in the upcoming years. The European Commission's ambitious reforms also aim to improve its capacity to fulfil its primary aim to reduce poverty through the European Community aid programme. Further to the positive steps already taken on policy coherence, the DAC noted the need to improve the coherence of a broad range of Community policies with its development objectives, with clear benefits for the world's poor. While commending the efforts in development policy and management reform, the DAC encouraged the Commission to promote further its comparative advantage, to increase its visibility in the field, and to focus on measurable results in its regional and country programmes.

Source: Development Assistance Committee (DAC) 2002

CHAPTER II

Government Strategies and Tools for policy coherence

72. While policy coherence is becoming an increasing concern at national and international levels, the extremely complex nature of the issues at stake leaves us with the question: what actions could contribute to improving policy coherence? A number of practices have emerged and have lead to specific developments to improve political leadership, foster policy integration and make effective use of traditional policy tools.

73. What should be the role of government in the effort towards coherence? When looking at the existing capacities to steer longer-term commitments it was underlined that "among the putative competitors as sources of governance it appears clear that the market, networks and sub-national governments are not good candidates to supply that sort of coherent direction. These institutions can perhaps manage the implementation of policy and may be able to set a direction for their own actions, but may not be able to provide any broader direction"[14]. Although governments encounter major difficulties in providing coherence, they are, however, perhaps the only set of institutions capable of providing the coherence that is desirable in public policy. When compared to other institutions it could be argued that there is no reason why state capacities should be considered to be less "coherent" than markets or other regimes**.** As a consequence it is the task of national governments to maintain together the strands of governance and to integrate what is being done in all the policy domains .

74. What can be done to improve the capacity of government to ensure greater coherence? The 1996 OECD report on "Coherence" (OECD, 1996) stressed the difficulties to achieve coherence, but at the same time identified specific "tools of coherence". The report brought the following conclusions (OECD 1996 pp.8-9):

- There is a gap between the need for coherence and the capacity to achieve it.
- Governing in a democratic system necessarily involves a degree of incoherence.
- No single policy-making system can guarantee improved coherence.
- There nevertheless exist good practices and "tools of coherence".
- The paramount tool of coherence is informed decision-making.

75. The report also provided a list of the specific "tools of coherence":

- Commitment by the political leadership is a necessary precondition to coherence and a tool to enhance it.
- Establishing a strategic policy framework helps ensure that individual policies are consistent with the government's goals and priorities.

- Decision-makers need advice based on a clear definition and good analysis of issues, with explicit indications of possible inconsistencies.
- The existence of a central overview and co-ordination capacity is essential to ensure horizontal consistencies among policies.
- Mechanisms to anticipate, detect and resolve policy conflicts early in the process help identify inconsistencies and reduce incoherence.
- The decision-making process must be organised to achieve an effective reconciliation between policy priorities and budgetary imperatives.
- Implementation procedures and monitoring mechanisms must be designed to ensure that policies can be adjusted in the light of progress, new information, and changing circumstances.
- An administrative culture that promotes cross-sectoral co-operation and systematic dialogue between different policy communities contributes to the strengthening of policy coherence.

76. These points provide, at a glance, a rather comprehensive view for the improvement of internal government coherence. Keeping in mind that this approach is strictly limited to the internal government process, these elements will constitute the basis of this chapter. The impact of wider governance concerns, which are essential characteristics of modern governance patterns, will be analysed in chapter IV.

The need for vision and leadership

77. Policy issues are becoming more and more complex for the reasons that have already been stressed: most issues on the government's agenda are multi-dimensional with numerous elements and linkages. They could be successfully addressed if different policy tools drawn from several policy fields were to be combined. The constantly changing environment requires flexibility. Government is acting under time pressure and problems often call for immediate action – decisions cannot be postponed to allow time to get more information, to make more thorough preparations and have more negotiations between the parties involved. However this complexity and the need for quick action on difficult issues should not be a reason for diluting the accountability of government. After all, government will remain accountable for the decisions made and their outcomes. This duty of action and responsibility to adjust to complex patterns requires paying specific attention to improving policy-making.

78. Two different elements could help achieve more coherent policy-making: efforts to strengthen the political and administrative interface, and efforts to support the capacity to develop visions and strategies.

A more effective interface between the political and administrative levels

79. Policy-making is not a predictable and time-limited procedure but an incremental, continuous and complex process with several internal and external intervening factors. Policy formulation, implementation and monitoring are on-going processes that influence each other. Because of rapid changes in the national and international surroundings, and of contradictory information about emerging societal problems, the decision-maker has to face uncertainty about the best solutions to issues. The involvement of a broad range of social actors from different jurisdictions in the policy-making process, and pressures from the civil society and the media representing competing and conflicting interests, imply that government must address multiple demands and must weigh incoherent or even conflicting goals and measures.

The primacy of politics and the need for a good political and administrative interface

80. The political level is responsible for identifying policy issues, designing strategies, setting targets and priorities, formulating responses, allocating resources, making judgements about outcomes and adjusting policies accordingly. This primacy of politics is crucial in a democratic system where politicians ultimately are responsible and accountable for what happens. Therefore achieving coherence is highly dependant on the political processes, which are not very predictable. Achieving internal coherence of public policies will be therefore more than a purely technical task.

81. Usually, different organisations develop different approaches and viewpoints on issues. This is true at both political and administrative levels. Most OECD countries are run by coalition governments where different options are voiced, although a minimal consensus is usually maintained. Within the machinery of government the analysis developed by the Ministry of Finance usually differs from the views developed in sectoral departments. The lack of integrated policy creation typically results from contradictory policy outcomes (see below, *mechanisms for integration*). For any major policy reform and programme, commitment is critical not only from top politicians, but also from public sector managers, such as chief executives of ministries and departments, heads of central agencies, and other influential officials. To make sure that the momentum of change is maintained, the relationship between political and administrative levels should underpin high level policy performance in a flexible manner. An interface which functions well between politicians and officials is also a prerequisite for the integration of strategy, policy and management which is described later on.

82. Specific initiatives have been developed in some countries to strengthen the efficiency interface between the political and administrative level. In Belgium, the ministerial cabinet was the main structure which traditionally translated policy into administration.. This team of experts, hand-picked by the minister, and usually of the same political persuasion, would help devise policy. These ministerial cabinets have recently been abolished and replaced with strategic units to prepare policy options, giving more responsibility to the administration. Formerly, there were no clear rules governing the way these ministerial cabinets interacted with the permanent staff within the ministry. Moreover, the cabinets tended to exert much wider control over the ministries' operations, and played a much more "up-front" role in policy--making. This was often perceived by civil servants working in the services as a sign of low esteem, and sometimes gave rise to friction between a minister and the services under his responsibility. It also led to a lack of continuity in policy-making, as ministerial cabinets would come and go with ministers after elections. A minister now only has a small secretariat, to provide personal advice and handle administrative tasks. Policy-making has now become the task of two new bodies, which exist within each FPS (Federal Public Service, formerly Ministry):

- The strategic policy unit, which prepares policy work, analyses and evaluates current policy initiatives, and provides options for policy approaches.

- The policy council -- the bridge between politics and administration -- which advises the minister on strategy and policy and monitors the way the service's strategic plan is being put into practice. The policy council comprises the minister, the president of the FPS, directors-general from each service within the FPS, the head of the Strategic Policy Unit, and external experts on specific issues (Source: Copernicus. Reform of the Belgian Administration. Brussels 2002)

83. Sweden is characterised by specific mechanisms at the level of policy formulation, which associate the political and administrative levels more closely and ensure consistency of policy formulation (see box 5).

Box 5: Policy formulation in Sweden

Negotiations exist within the government to establish the government policy. Despite the absence of Constitutional provisions about preparing issues in the government (except that decisions should be made at Cabinet meetings), negotiations within the government are conducted according to certain traditional observances. Formal Cabinet meetings are usually held at least once a week. These Cabinet meetings are strictly formalised, and constitute a simple registration of decisions which have already been made. The government normally makes several hundred decisions in little more than 30 minutes. The real negotiations within the government take place during informal sessions of the Cabinet. The summons to these informal sessions are issued by the Prime Minister's Office. Votes are extremely rare at such meetings, and the normal procedure is that the Prime Minister summarises the debate after general discussion and establishes the government policy.

It is difficult to estimate the number of matters brought up during informal sessions of the Cabinet but it probably amounts to somewhere between 1% and 2% of the total number of annual decisions. It should be noted, however, that most government decisions are of limited importance; collective negotiations therefore often seem quite unnecessary. A couple of times a year, the government assembles for longer meetings which can last for one or two days. The existence of other forms of collective negotiations is the reason for the small number of questions presented during the informal sessions of the Cabinet. Most ministers usually take lunch together every working day, during which matters of common interest – appointments, for example – are discussed.

The method of *joint preparation* denotes negotiations where two or more ministries participate. This type of bilateral negotiation between ministers and ministries is obligatory when more than one ministry is involved, and usually includes the Ministry of Finance. This is because of an internal government regulation that joint preparation with the Ministry of Finance should always be held on issues which involve or might involve expenditure or concern organisational changes.

Furthermore, it is the common practice of the government and its offices that all government bills, answers to interpellations and questions raised in Parliament, written communications to Parliament and instructions to government com-missions should be communicated. This means that draft decisions must be circulated to all ministries before they are addressed at Cabinet meetings. If a civil servant or minister who receives a matter which is being circulated in this way objects to its contents, he or she should write comments to this effect in the margin of the proof and sign it.

Source: Distributed Public Governance. Agencies, Authorities and other Government Bodies. OECD 2002

Developing visions and strategies

84. A constituent element of political life is to shape the future, to find sustainable policy options and to be prepared for the unforeseeable. This requires a clear vision at the top of the political system in order to give sufficient impetus to expected changes. Public organisations should also be able to develop sufficient strategic capacities to give shape to this vision.

Visions…

85. The vision for the future of a nation can be defined as a balanced strategic view of the public interest. The more the issues are complex, the more the need for a relatively simple and understandable vision appears. It is the basis for providing direction. Government's vision, in order to be endurable, has to be shared by a clear majority of the relevant actors, and go beyond the electoral cycle and government programme. It addresses future issues on a cross-governmental basis and is revised frequently in the light

of new knowledge. Strategies consider alternative responses to salient future issues before they become urgent and translate visions into sustainable policy programmes and projects.

86. In order to translate a vision into effective measures, it must be supported by commitment and leadership. For example, a clear commitment to achieve sustainable development is recognised by OECD countries as essential to support a concrete strategy and subsequent action. In this context, stronger political leadership is needed to shape the debate on how to take sustainable development forward. Achieving clear commitment and leadership implies[15]:

- A clear commitment at the highest level to the formulation and implementation of sustainable development objectives and strategies.
- An effective communication of this commitment to the various sectors of government machinery and across levels of government.
- Specific efforts to bridge gaps between the administrative and political agendas.
- Expression of leadership through a sequence of priorities over time.
- Maintenance of a sense of urgency despite the longer-term nature of the issues related to sustainable development.

87. Some of these points could be relevant for any cross-cutting and longer-term policies and very similar conclusions were recently developed in the field of development and poverty reduction (OECD 2001*a*).

88. Developing "visions" is also necessary at a more operational scale. The life cycle of many investments, including investment in human capital, is long and must be guided by a vision that reaches beyond the government's term of office. It must also resist short term political pressures from the party partisans, from stakeholders with vested interests, from the public opinion and from the media. In this respect, well co-ordinated policy for the future is not always politically rewarding, as in the short term it can be assessed by some observers as mediocre and costly, even futile or detrimental. On the other hand, in order to improve public confidence in government policies, as in the case of pension policy, decision-makers have to pursue consistent policy with continuity of decisions and find long-lasting solutions.

… and strategies

89. Recent experience on public sector reform in OECD countries has shown that , most modernisation efforts in recent years have been focussed on service delivery. "It is however becoming increasingly evident that some of the most important changes in adapting governments to the changing needs of society are in "steering" - especially from a whole of government perspective. A central issue is what strategic capacity a government in modern society needs, and how the central agencies of different countries are adapting to build such capacity (OECD 2002)[16]". The public sector should be able to enhance its strategic capacities within the framework of the vision developed at political level..

90. In Ireland, the Public Service Modernisation Programme (also referred to as the Strategic Management Initiative) was originally launched in 1994. The purpose of the process was to achieve an excellent service for the and for the public. The Programme focussed in particular on cross-cutting issues between departments and offices. According to an independent evaluation, published in 2002[17], the civil service today is better managed and more effective than it was a decade ago. Civil service departments now possess an improved capacity to analyse their business environment, to evaluate strategic alternatives, and to present their analysis in a cogent and readable form. All departments and offices have complied

with the requirement to produce a Strategy Statement, a document that serves as their framework for action.

Policy Integration

91. However, visions and strategies are only basic prerequisites towards coherence. Traditionally, the usual procedures and mechanisms have been sufficient to deliver the agreed agenda. But when it comes to complex policies with high degrees of vertical, horizontal and temporal intricacies, specific mechanisms to integrate various objectives and policies are needed. OECD countries have applied three types of policy instruments which play a critical role towards integration: they have introduced new co-ordination mechanisms, they have experimented specific processes to steer integration and they have adapted traditional policy tools.

Mechanisms for improving co-ordination and consistency

92. One of the points that emerged from the evaluation of the above cited Public Service Modernisation Programme in Ireland was precisely that although strategic direction had been clearly established, effective cross-departmental co-ordination was still lacking. It should be strengthened in order to ensure that appropriate linkages and cross-cutting issues are effectively tackled in the context of the "Programme for Government". Similarly, the Finnish Government commissioned in 1999 a comparative international analysis on the central administration. According to this evaluation, Finland has successfully managed the economic recess of the 1990s. However, the study also revealed that several challenges lie ahead. It stressed that the central administration's capacity and flexibility will in the future be an important success factor of national competitiveness, and the promotion of cross-cutting co-ordination is central to this.. . According to the Ministerial Steering Group, in order to improve flexibility it is necessary to have a comprehensive approach and an efficient co-ordination of activities as well as an ability to respond to long-term challenges. Future objectives and strategies have to occupy a central role, and government must be able to achieve the goals set by co-operation across traditional boundaries.

Formal co-ordination mechanisms

93. OECD countries have a long tradition of formalised mechanisms for policy co-ordination, which mainly contribute to supporting the horizontal and vertical dimensions of coherence.

94. At the national level these mechanisms include (OECD 1996):

- Co-ordination mechanisms at the head of government, for example central support bodies (e.g. *Secrétariat Général du Gouvernement* in France).
- Councils of ministers, which meet on a regular basis.
- Committees of the councils of ministers, to co-ordinate defined policy fields (e.g. economic or social policy).
- A number of co-ordinating units, some of them being ad hoc, like advisory committees, task forces etc.

95. In most OECD countries, this architecture is mirrored by a relatively similar co-ordination set-up at the sub-national level. Co-ordination mechanisms at the sub-national level are especially sophisticated in federal countries (OECD 1997). It would be difficult to provide a single evaluation of this galaxy of

mechanisms and bodies. They usually serve the purpose of putting different sectors and interests around a table in order to make final decisions. The question is whether the quality of the final decisions and arbitrations reached through these horizontal mechanisms contributes effectively to solving policy conflicts in a coherent manner (see chapter III).

96. Traditional mechanisms of vertical co-ordination also exist to ensure a desired level of consistency across both levels of government. The mechanisms of Canada's "Executive federalism" provide an illustration of the highly developed systems of co-ordination between federal and provincial levels. Canada's system of co-ordination between national and sub-national levels is based on "functional federalism" mechanisms and "summit federalism" mechanisms (0ECD 1997; 0ECD 2002*a*):

- Functional federalism: ministers and officials, usually from corresponding federal and provincial departments, meet to share views on specific undertakings that require negotiation. These meetings are sometimes multilateral, involving the federal government and all the provinces. At other times they are multilateral-regional, bringing together a number of provinces with the federal government; and at other times they are bilateral -- the federal government and one provincial government. There are more than 500 intergovernmental meetings a year involving federal and provincial councils of ministers and committees of officials. Almost all of the meetings are "departmental", focusing on particular issues where the co-ordination of policy positions or programme delivery mechanisms is necessary. The meetings deal with diverse subjects ranging from law enforcement, through tourism, to budgetary policy.

- Summit federalism: this refers to the meetings of First Ministers (the term used to refer to the Prime Minister of Canada and to the ten Provincial Premiers and three territorial leaders). These summit meetings are always given a lot of publicity -- they are sometimes televised -- and they have at times been successful forums for the negotiation of difficult horizontal problems, namely problems that extend to more than one government department.. There have been more than 60 First Ministers' Conferences since Confederation.

97. Formal institutions also ensure vertical co-ordination between central units and arms lengths bodies. Given the hierarchical nature of the relationship between central and line agencies, consistency (rather than co-ordination) is usually ensured through specific inspectorates, or local representatives of the central government (e.g. the *Préfet* in France). Budgetary control mechanisms are also essential.

Including the "whole of government" dimension

98. In any case, "structure, while important, cannot guarantee successful co-ordination. Good co-ordination requires well-functioning processes" (OECD 1996). One of the limits of traditional formal co-ordination mechanisms is that they require a relatively simple decision-making system. An overall tendency in the public sector of many OECD countries has been an increasing degree of organisational specialisation, and a proliferation of independent and semi-independent authorities and agencies. This trend has been justified by the need to tackle emerging issues The growing need for specialised expertise has increased fragmentation inside organisations, and, for example, specialised units within ministries/departments tend to have a strong professional culture that discourages horizontal co-operation.

99. It has been already stressed that when it comes to dealing with complex and cross-cutting issues, government's capacity to provide adequate solutions to problems is increasingly challenged. The public sector should therefore improve its capacity to go beyond formal co-ordination mechanisms which usually focus on relatively narrow objectives and do not address the "wider picture". As a result, there has been an

increasing tendency in OECD countries to initiate innovative approaches to decision-making, sometime called a "whole of government approach". They focus on various elements[18]:

- Creating "super-ministries" that integrate a range of closely connected programmes otherwise administrated by separate organisations. "A difficulty with this approach is that it should be more than formal re-organisation but should be a basis for policy integration

- Creating ministerial overlords who impose some control over their colleagues. This could be implemented through the appointment of co-ordinating ministers from among the ministers in the government, or through establishing new ministers to act as watchdogs within sectoral ministries (for example "green ministers" to steer sustainable development).

- Creating a project-oriented style of government, with a set of results oriented and performance based policy programmes.

- Strengthening the co-ordinating and leadership role of the Prime Minister's office and the centre of government, which in most OECD countries carries out tasks like ensuring coherence, looking ahead, drawing attention to possible future problems and policy inconsistencies

- Ensuring that the civil service has a broad vision and a range of experience in different sectors. This presupposes the development of "joined-up" thinking between organisations.

100. Strengthening the co-ordination of public policies reveals an organisational dilemma. While decentralisation and devolution have taken place in government institutions, mechanisms such as those just cited suggest that a "stronger centre" will ensure effective policy co-ordination. The strengthening of the centre in order to steer co-ordination has in fact been a common pattern in many OECD countries. The centre of government (Prime Minister's Offices, Ministries of Finance, Civil Service Departments and their equivalents) has developed a critical role in asserting a necessary degree of overall control and central strategic steering, thus contributing to improving policy consistency (see box 6).

Box 6: The strategic role of the centre of government for improving policy consistency

Centres (Prime Minister's Offices, Ministries of Finance, Civil Service Departments and their equivalents) are contributing to policy consistency through a various number of mechanisms. Their tasks usually include:

- Promoting a government-wide view and creating a strategic framework that supports cross-cutting action.
- Managing today's issues, within a strategic, long term framework.
- Managing unanticipated events, including risks and crisis
- Steering central policy processes
- Bringing actors together and building bridges across administrative sectors, public/private sector interface etc

101. The increasing role of the centre reflects the fact that "Authoritative central steering is considered necessary to uphold a government wide view of the public interest, as well as to ensure equity across regions and across demographic groups". (Bouckaert et.al 2000). Maintaining the right balance between central monitoring and the necessary autonomy of organisations appears therefore to be a key a criteria for effective co-ordination.

Towards Policy Integration

102. Moving to a coherence approach is particularly demanding in the case of complex problems such as cross-cutting or intergenerational issues. A coherence approach requires going beyond traditional co-ordination practices, which are usually moderately innovative: traditional inter-ministerial arbitrary methods hardly reallocate the established balance of power between departments. They tend to be most efficient at finding the "usual solutions to the usual problems". As a consequence, it may be difficult for formalised processes to cope with emerging issues.

103. The capacity to develop "quality management" is therefore necessary. This requires methods to equip government with more adaptability. Considering that one of the key challenges is the need to better integrate processes and policies (see chapter I), OECD countries have applied a variety of tools in order to achieve this goal. Policy integration could be defined as the creation of institutions, resources, and policy tools that allow economic actors to respond positively to pressures for enhanced performance at lower costs[19]. One of the conclusions to draw from the practices observed is that purely organisational solutions may be useful but not sufficient. Adaptability requires a re-engineering of institutions and a capacity to make better use of traditional policy tools in order to monitor policy integration.

Institutional building

104. The formal re-organisation of government structures is a traditionally tempting response to changing circumstances and new demands, in particular when pressure results from public opinion and politics requests urgent action.

105. Creating a new ministry is for example a traditional response to emerging issues. Environment policy and more recently sustainable development provide a good example of institution building. Ministries of the environment, for example, have been gradually introduced since the 1970s when the environment became a critical issue. Recently, in Japan, a Ministry of the Environment (2001) was established to replace the former Environment Agency. In 2002, France replaced the Ministry of the Environment by a Ministry of the Ecology and Sustainable Development to adapt to changing circumstances *(ministère de l'Écologie et du Développement durable*). The results of such policy processes are uneven. The impact of a new department will depend on how well laws and regulations are adjusted to the new circumstances, what level of authority is exercised by the new authority and whether or not it is able to play a strategic role in the government apparatus.

106. New commissions or select committees have also been introduced in a number of emerging fields. One of the major institution building process for sustainable development is, for example, the creation of Round Tables in many countries (see table 3). It should also be stressed that the impact of new institutions will depend on how strategically the new body is positioned in the administrative system of a given country and whether it has sufficient "teeth" to have an impact (offset by being held accountable) . It is interesting to note that there is usually a certain delay between creating a new institution and making it operational, and this factor should not be underestimated.

107. Another formal institutional change which has been used for integration is to merge or split already existing entities in order to improve the management of interrelated issues. Combining the portfolios of agriculture and nature conservation had for example a positive impact on the reform of Dutch Agriculture (OECD 2002*a*). However, the expected results of this type of restructuring should not be overestimated. In the United Kingdom, for example, observers have highlighted that "the creation of a Department for Environment, Food and Rural Affairs (DEFRA) brought together the government's responsibilities for agriculture and the environment, but at the same time split the environmental remit

from other DETR[20] functions such as transport. Therefore, to the extent that sustainability is promoted by bringing together environmental and sectoral policy areas, agricultural sustainability could have been promoted at the expense of other sectors such as transport. This highlights the need to promote sustainability across all departments, as it is clearly impossible to merge all sectoral departments with the environment department[21]".

Table 3: Institution-building for sustainable development:

recent trends in five OECD countries

Canada	Germany	Japan	Netherlands	United Kingdom
National Round Table on Environment and the Economy (1993). Commissioner for the Environment and Sustainable Development (1995). Canadian Environmental Assessment Agency (1995). Federal Climate Secretariat (1998).	National Council for Sustainable Development (2000). "Green Cabinet" (2000). Federal Energy Agency.	Ministry of the Environment (2001) Special Committee on Environment and Trade. Special Committee on UNCED Follow-up. Council of Ministers for Global Environment Conservation (1989). Council for Sustainable Development (1996).	Reorganisation of the Ministry for Agriculture. Reorganisation of the Environment Ministry (1991). Environment Inspectorate (1991).	Environment Agency (1996). Sustainable Development Commission (2001). Reorganisation of the DETR to DEFRA including nutritional consumer affairs (2001). "Green Ministers" Committee. Cabinet Environment Committee. Environmental Audit Select Committee. Agriculture and Environment Biotechnology Commission (2000). Department for International Development (1997).

108. Similarly, it is usual to create a new body to deal with an emerging issue.. For example, OECD countries have established a number of entities to deal with the emerging challenge of sustainable development, like roundtables and commissions, but in most cases this process has not led to any conclusive outcomes. The absence of complementary mechanisms and processes to steer this integration and make it effective had negative consequences on the implementation of the sustainable development commitments (OECD 2002*a*).

Institutional and policy re-engineering

109. In a context characterised by an increasing level of complexity, policy interconnectedness and emerging risks, incremental restructuring to adapt to each new issue emerging in the policy debate could become a questionable method. In particular, the estimate of the cost of introducing comprehensive

changes, including legislative and regulatory changes, redistribution of tasks, and institution-building is too often neglected, while potential benefits are not clearly assessed. In addition, restructuring should be real rather than formal and its cost should be estimated. The cost of ongoing restructuring may be too high and could generate inefficiencies, which are inherent to any administrative change. Similarly, risks resulting from organisational instability should not be underestimated. In a number of cases comprehensive re-organisation will help only for a limited time, especially because borders between policy fields keep changing and mismatch between administrative structures and policy fields will be a constant phenomena, calling for frequent adjustments. The gains obtained may be relatively modest.

110. The key issue seems to be rather to develop capacities to make the links between policy options and decisions more evident and to manage integration between activities[22] . The UK is implementing a holistic approach to sustainable development, which aims at balancing formal and practical mechanisms in order to make government more joined-up (see box 7).

Box 7: Holistic institutional approaches to sustainable development: the UK experience

A number of tangible steps have been taken in the UK to develop the institutional framework for sustainable development and the roles of different actors in it, including:

Central government: the 1999 strategy for sustainable development for the UK, highlighted the importance of challenging traditional 'silo' policy and decision-making processes. The concept of 'joined-up' thinking has been fostered, though it has been difficult to achieve. A parliamentary scrutiny committee, the Environmental Audit Committee, has been established; the remits of the Cabinet Committee and the interdepartmental committee of 'Green' Ministers have been strengthened; and the multi-sectoral advisory body, the Sustainable Development Commission, established. They seek to place sustainable development closer to the heart of government policy-making, and to decision-making in other sectors.

- *Regional government*: following devolution, good progress has been made in Wales, Scotland and Northern Ireland. In England, all regions now have regional sustainable development frameworks in place. These have been agreed by a partnership of regional bodies including Government Offices, Regional Development Agencies, local government and the business and voluntary sector. They will provide a strategic focus for the region, and form a link between national and local policy.

- *Local government*: has new responsibilities and opportunities through initiatives such as New Deal for Communities (tackling social exclusion), Best Value (improving local authority services) and community strategies prepared by Local Strategic Partnerships which involve local people in setting priorities (building on Local Agenda 21).

Source: OECD (2002*c*).

111. But should this institutional re-engineering be managed? There is certainly no general answer to this question, although one should stress the degree of sophistication of initiatives introducing a mix of formal and "behavioural" solutions. To be operational, these will require a specific steering capacity, as this was noted from specific initiatives aiming to implement sustainable development (see 2002*a*). In order to make multiple policy objectives consistent, countries already have a record of practices that increase cross-institutional co-operation. Some forms of joint handling of cross-sectoral issues may aim at creating a project-oriented style of government (see above section) and could be envisaged to steer integration:

- Standing cabinet committees and fixed-term ministerial groups
- Joint handling of salient issues by all Cabinet Ministers
- Tools like policy guidelines and checklists

- Co-ordination through committees and councils
- Cross-administrative projects and teams
- Special task forces
- Programme and portfolio management

112. Integration also requires effective steering mechanisms across levels of government (as suggested in box 7) in order to ensure a sufficient level of vertical coherence between levels of governments, as well as horizontal coherence at the sub-national level, both within the boundaries of a specific sub-national government and between entities of the same level of government. In order to overcome "the lack of co-operation and of shared strategy across jurisdictions", "the mismatch between roles and objectives at different levels of government", and "the compartmentalised approaches at each level", the OECD has suggested a tool kit of policy instruments and mechanisms at the local level. In addition to evaluation and good governance mechanisms, specific mechanisms include, in particular, promoting integrative rather than sectoral approaches, flexible spatial planning systems, harnessing and co-ordinating public, private and community resources, promoting area based approaches (see OECD 2001*b*, chapter 16).

113. In the case of cross-cutting issues such as poverty reduction or sustainable development, OECD countries experiences point in the direction of the need for a "focal point" to steer integration from the centre of government. For example the leading role of Cabinet should be clear and accepted by all ministries. This should include a critical evaluation of both the formulation of sectoral strategies and their implementation towards achieving a defined objective, including from the point of view of the enforcement tools used (voluntary agreements etc.). Sectoral ministries should introduce pluralistic bodies and monitoring mechanisms for the early "internal" discussion of their sectoral sustainable development strategies, using the most appropriate policy tools. Lead agencies (for example ministries of the environment in the case of sustainable development) could play an important role, mainly supportive, in this process.

114. In fact, although re-engineering of existing organisations, as well as institutional and policy processes, may once have seemed to be a secondary option, it also appears to have a more positive impact on temporal coherence. The preference for institutional and policy re-engineering versus organisational change increased during the experience of introducing policies to deal with intergenerational issues. In the case of policies to address sustainable development, the broadening of already influential institutions, for example the office of the Auditor General in Canada, as well as the design of specific financial, regulatory and budgetary tools, are expected to become strong drivers of change.

Adapting traditional policy tools

115. Traditional public policy tools, in particular those providing powerful central direction, e.g. budget processes, regulation and evaluation mechanisms, have a central role to play to support policy integration. In Finland, one of the concrete recommendations of central government reform conveyed in 2002, was precisely that the political monitoring and review process of the government's strategic guidelines and policy programmes should be tied to the budget framework method, so that the government handles its policy programmes and the allocation of resources as one entity once a year (Reform of Central Government. Memorandum 28 June 2002). Similarly, the French organic law of 1 August 2001 has modified the basic conditions of elaboration and implementation of the French National Budget that had been in place since 1959. One objective of the reform was to rationalise public expenditure, including through the use of performance indicators linked to public spending. The goal of ensuring greater policy coherence was part of the spirit of the reform.

Budgeting

116. To date, OECD countries' budgets have only a moderate capacity to foster temporal coherence. They are still enacted on an annual basis. This short-term time horizon is often criticised for impeding effective expenditure management, which was a reason for introducing or strengthening mid-term mechanisms such as multi-year budget forecasts. The primary goal of introducing mid-term budgeting (3 to 5 years) is of course to increase discipline over government expenditures. However, within a broader view on temporal coherence, improving the budget process in order to give a greater weight to priority goals and objectives for the mid-term could be envisaged. Longer-term budgeting (usually a decade and beyond) provides a strategic framework and creates a framework for longer-term thinking of key issues[23]. The objective of longer-term budgeting is to "identify and expose adverse expenditure trends at an early stage, i.e. to act as an early warning system". Potentially therefore, it plays a key role in supporting the objective of improving longer-term coherence.

Box 8: Generational accounts, an example of long-term forecast

During the 1990s, a number of countries began to present standardised calculations of generational accounts to measure the long-term sustainability of public finances. A generational account is the present value of expected current and future taxes paid net of individual age-specific government outlays received over the rest of life by a representative individual of a given age and sex. To calculate these generational accounts, information on current and future government outlays by age cohort is needed. Thus, the data requirements are substantial and important assumptions have to be made. In particular, generational accounts usually aim at showing the consequences of maintaining current fiscal policy. Therefore, tax rates and spending levels by age group are assumed unchanged. If the sum of generational accounts for all current and future individuals equals the present value of non-age specific government outlays and government net financial assets, then the government's inter-temporal budget constraint is met and current tax rates and government programmes can be kept unchanged in the future. If the balance is negative, however, the implication is that current fiscal policy is unsustainable and current and future generations will have to pay higher taxes or receive lower individual benefits."

OECD Economic Surveys: Norway. OECD 2002

117. The quality of "previsions" resulting from longer-term budgeting should not be overestimated. The numerous scientific, economic and social uncertainties may render the longer-term rather unpredictable. However one of the advantages of longer-term budgeting is that it is building concrete scenarios and financial estimates which could be crucial for taking a strategic look at government's action over time and prevent the temptation of "short-termism".

118. The budget process primarily reflects the priorities of the ministries of finance and treasury in the framework of general agreements made at cabinet level. As a consequence, budgetary processes have a tendency to focus on the restrictive objectives of economic stability. However, given its central nature in the policy-making process, budgeting could play a better role in the integration of overarching objectives into the government's daily work, for example, by supporting multi-sectoral objectives like those implied by the sustainable development goal. In order to examine the government's capacity to foster a broader agenda, a start could be made by examining the capacity of budgetary systems and procedures to integrate environmental and social priorities. A key question is what are the criteria governments use to justify proposals to parliamentary bodies so as to shift resources at the margin towards environmental or social objectives, and away from economic ones, or vice versa. Specific initiatives have been introduced to "green" taxation, budget and accounting in OECD countries (see selected example in table 4)

Table 4: Greening of taxation, budget and accounting. Selected experiences

Canada	Germany	Netherlands	United Kingdom
Proposals made by NRTEE to green 2000 budgets were used as a basis for improving the sustainability of the federal budget	Within the Ministry of Finance, the concept of sustainability was applied mainly to the long-term consolidation of the budget.	Green budgeting considered a key challenge for the future. New tax system (from 1 January 2001). The objectives of this revision include the promotion of sustainable economic development ('greening'). Also introduced an outcome and output focussed budgeting and management approach involving all government agencies	The 2001 Budget announced a substantial wide-ranging package of fiscal measures aimed at bringing about an urban revival. The Budget measures are also complemented by local taxation measures included for consultation in the Local Government Finance Green Paper -- including Town Improvement Schemes and a local tax reinvestment programme.

Source: OECD 2002

Regulatory instruments

119. In the 1980s when deregulation was a fashionable concept, one could have imagined a situation in which policy-makers would consider regulation to be a weak tool. In fact an evolution towards "re-regulation" of a number of sectors (e.g. environment, safety regulations) combined with the search for alternative regulatory solutions (e.g. negotiated agreements) have demonstrated that a diversified number of regulatory instruments are part of the tool kit of regulators. The impact of quality regulatory instruments on policy- coherence is potentially extremely significant.

120. The use of regulatory impact instruments has for example demonstrated that "high-quality regulation is increasingly seen as that which produces the desired results as cost-effectively as possible." (OECD 2002*b*). Regulatory Impact Analysis (RIA) has a potential for highlighting more explicitly the inter-linkages between various policy options and contributing to the wider cost/benefit analysis. As a decision tool, regulatory impact analysis contributes to (OECD 2002*b*):

- Systematically and consistently examining selected potential impacts arising from government action;
- Communicating the information to decision-makers

121. Improving coherence through regulatory instruments is facilitated by the more common use of RIA in OECD countries: more than half of the OECD countries had adopted RIA programmes by 1996 against only two or three countries in 1980. With a view to using impact assessment for improving coherence, the challenge will of course be to design tools which are not too complex and over-burdened (e.g. setting criteria and requirements which are too wide and contradictory).

Box 9: Getting the maximum benefit from RIA: best practices

1. Maximise political commitment to RIA.
2. Allocate responsibilities for RIA programmes elements carefully
3. Train the regulators.
4. Use a consistent but flexible analytical method.
5. Develop and implement data collection strategies.
6. Target RIA efforts
7. Integrate RIA with the policy-making process, beginning as early as possible.
8. Communicate the results.
9. Involve the public extensively.
10. Apply RIA to existing as well as new regulation.

Source: OECD (1997), Regulatory Impact Analysis. Best Practices in OECD Countries, Paris.

122. One aspect of the move towards more "quality regulation" is the increasing number of specific regulatory or quasi-regulatory instruments which can be used to achieve a defined goal, such as voluntary agreements, auto-regulation of a specific sector, and negotiated agreements. This reflects the fact that traditional regulation has been increasingly perceived as not being the most effective instrument to resolve some issues. An example of this emerged clearly from the review of policy tools to achieve sustainable development in Japan (OECD 2002*a*). In order to improve the capacity to regulate longer-term issues such as sustainable development, the experience of some OECD countries suggests exploring a sound use of a variety of regulatory instruments, from less binding to more binding tools (see box 10).

Box 10: Developing effective co-operative management: the Netherlands experience

The environment sector

Since the formulation of the first National Environment Policy Plan, new instruments have emerged for developing environmental policy. These could lead to a new, more open "policy style" contributing to sustainable development goals. These instruments contribute to a review of the relation between government and stakeholders and between stakeholders themselves. The main instruments include:

- Target group consultation.
- Covenants.
- Emissions trading.

Environmental policy focuses on improving a sense of responsibility rather than compliance (e.g., company and personal liability, research and information obligations) and on creating a framework for improving knowledge-based and impartial decisions, mainly through:

- Regulations requiring companies to employ staff with adequate expertise.
- Environmental impact assessments.
- Company environmental management systems.

The agriculture sector

Historically the agriculture sector was a highly regulated sector, and farmers had to comply with numerous rules. In the beginning of the 1990s this management model came increasingly under question on the basis of three major government failures. Firstly, for about ten years regulations were not sufficient to solve the manure problem (phosphates). Secondly, one minister had to resign, because of the failure of the quota system in the fisheries, and thirdly, the use of hormones in the calf industry could not be controlled by regulations, while the activism of

consumer organisations had more tangible effects than government intervention. These failures called for new modes of government intervention in the sector and in particular for more adapted steering:

The reform of the decision-making system implied a new methodology for developing regulations. Traditionally these regulations were elaborated on the basis of agreements between the Ministry of Agriculture, Nature Management and Fisheries and the farmers. Wider consultation bringing together farmers' organisations, environmental organisations and central and local officials has been introduced, to come to a shared view on the magnitude of the problems;

On the basis of these discussions it remained a government responsibility to set clear goals. However, consultation with the various stakeholders has also been developed for implementing the goals, and decentralised implementation by the stakeholders themselves has been introduced.

Increasingly farmers and environment groups sit and discuss issues together. The decentralisation process has taken the form of more provincial intervention in rural policies and transfers of budgets from central government to provinces. One of the *rationales* behind this shift is the emerging idea that government should not make things so much "its" problem when in fact it requires the participation of society to be handled. One of the *benefits* of the process is that it allowed the evolution of the traditional position of the Farmers Unions. The main *challenge* that is related to this new approach is, how to keep steering and oversight functions, whilst giving more responsibilities to stakeholders in the policy process. *Lessons for government* include the need to formulate clear goals, the focus on sound processes, and the need to keep government pressure in order to maintain a balance between ambition and feasibility.

Evaluation

123. The key role of evaluation may sometimes be underestimated when looking at integration mechanisms. The instruments presented below have been identified as key tools to improving policy integration for sustainable development (OECD 2002*a*)

124. Reporting, programme review and evaluation mechanisms are in fact the main traditional mechanisms to ensure temporal co-ordination. A sound mix of internal and external evaluations are an essential component of coherence although it has some specific implications. A recommendation made by the Finish government in 2002, was the need for evaluation. "A combined strategy and framework review will evaluate the results attained and compare the cost-efficiency of different action models. The examination will form the basis for any necessary re-allocation of activities and resources". (Reform of Central Government. Memorandum 28 June 2002)

125. Some institutional developments are taking the direction of more policy integration through both external and internal evaluation. In order to take better account of sustainable development, the creation of the Canadian Commissioner for the Environment and Sustainable Development is a novelty. This independent federal body is charged with a yearly "Green" report before the federal parliament, on federal government performance on environment and sustainable development issues, especially the implementation and attainment of the government's sustainable development goals. It not only monitors the government, but can also recommend better practices. Other institutions can also fulfil specialised duties such as the Canadian Environmental Assessment Agency, which is charged with environmental impact studies and advises the federal government. Independent bodies such as the various national councils on sustainable development are multi-stakeholder discussion forums designed to initiate public debates and advise the government on policy matters.

126. In the United Kingdom, next to the "Green" Ministers Committee, the Performance Innovation Unit is also responsible for sector specific internal evaluation. Even if not specifically concerned with sustainable development issues, this Unit is charged with reviewing overall departmental policy coherence under the heading "Joined-Up Government".

127. In order to meet the challenge of coherence better, it is suggested that a balanced use be made of various policy instruments to foster integration according to specific sectoral and national contexts. In the case of sustainable development it has been suggested, for example, that the following instruments should be used in a combined way in order to ensure sufficient impact.

- Greening of accounts and budget
- Greening of government operations
- Performance management systems
- Environmental impact analysis
- Evaluation and systematic cost benefits analysis
- Accountability mechanisms

128. If the direction is rather clear, the issue that remains is to provide a reliable evaluation of progress achieved. This would imply developing mechanisms to assess integration. A preliminary framework for integration would imply combining the review of the main instruments at the disposal of decision-makers, with respect to the various stages of a policy cycle, from preliminary screening to assessment (see table5). Such a framework could be the first step towards a more comprehensive assessment of coherence. This will be discussed in chapter III.

Tools	Co-ordination	Budget	Regulation	Evaluation
Screening	.	.	.	.
Focus	.	.	.	.
Institutions	.	.	.	.
Quant. assessment	.	.	.	.

Table 5: Assessing integration: a preliminary framework

CHAPTER III

Overcoming barriers to coherence

129. Maintaining a sufficient level of policy coherence is a goal which has to be considered according to a given situation. There is no "model" which would help define the optimum level of coherence to be applied in all circumstances. A number of mechanisms which contribute to policy coherence were highlighted in the previous chapter: effective co-ordination practices, policy integration through budget and regulatory tools, targeted policy evaluation and impact assessment. They all contribute to improving the coherence of specific policies and may help to ensure that choices and practices are more coherent. However one should not be over optimistic about the "automatic" impact of these policy instruments.

130. Some of the barriers to coherence derive from the fact that it is technically challenging to achieve internal coherence of government processes and institutions. This results from the difficulty of assessing policy coherence and bringing about organisational change. Although they appear to be difficult to knock down, these barriers to coherence could be partly overcome through governance practices which are more receptive to social concerns by opening up decision-making practices and improving knowledge management.

Coherence at what cost?

131. Achieving coherence in many cases, "requires agreement on unacceptable levels of incoherence" (Loquai 1996). It appears that the more the issue is complex, multi-dimensional and requires urgent progress to enhance policy coherence, the less acceptable would be the costs associated with the efforts to achieve coherence. In this context trying to achieve a perfect level of policy coherence between organisations, across levels of government and over time, would seem simply over-ambitious. The failure of policy planning in the 1970s provided a good illustration of the practical difficulties encountered when trying to pursue an unrealistic "bureaucratic" agenda. In a number of cases the externalities associated with unrealistic efforts to achieve coherence, through tighter control mechanisms, would create more damage than a "let it go attitude". It is therefore essential to draw the line between realistic and over-ambitious efforts to reach coherence.

The problems of evaluation

132. One of the most striking practical limits to coherence results from the difficulty of evaluating complex policy developments. Although there is no panacea in this matter, valuation systems which concentrate on specific policies or specific programmes, and which develop qualitative evaluation, may be more successful than attempts to assess the "coherence of the system as a whole" and to develop quantitative evaluation.

133. Efforts to promote a "whole of government approach" have led to the possibility of introducing assessment of the overall policy coherence of a given "system". To date, there is little evidence that this type of evaluation is reliable, and a number of very obvious limits need to be carefully considered. First of all, it should be emphasized that given the level of complexity associated with the notion of coherence, it may be difficulty to generate a set of data to support assessment processes. Secondly, initiatives to promote a whole-of-government approach have usually stemmed from the diffuse perception that the "system" does not work properly, rather than from statistical evidence. Thirdly, given these uncertainties on the magnitude of the issues, efforts to evaluate coherence at the level of the whole of government may become an exercise in political communication rather than a reliable assessment process. In any case the cost/effectiveness of such evaluation processes should be estimated.

134. To date, the most common type of evaluation has paid attention to the coherence of certain policies and programmes. A systematic use of assessment of policies and programmes may be more successful than ad hoc evaluation of the coherence of the whole of government. Two different kinds of evaluation exist, internal coherence evaluation and external coherence evaluation:

- Internal coherence evaluation looks at the "internal" coherence of the programme's various parts, at the consistency between needs and broad objectives and between needs and specific/operative objectives. It also looks at the coherence between the objectives to be pursued and the availability of funding (the financial plan), as well as at the coherence between the objectives and the various means of implementation (envisaged instruments of dissemination, selection criteria etc.).

- External coherence evaluation is based on the various levels at which policy is implemented, international, regional, national and sub-national. The objective of the evaluation is to check the compatibility between priorities and the rationale underlying other policies along with respect for commitments at national and international levels.

135. The form that this evaluation could take is an important issue, and namely, whether it could be of a quantitative nature. It is a particular challenge to produce sufficiently comprehensive quantitative data to assess the coherence of specific sectoral and cross-cutting programmes. One of the main obstacles to gathering quantitative data to appraise the coherence of programmes is due to the fact that to estimate the degree of coherence of a policy necessarily requires the capacity to pull together some data that may not seem, at first glance, to be related. For a number of issues, this may not be so much of a problem, as for example with the inconsistencies of the EU agriculture model which became so obvious in the 1990s that the need for a more coherent approach was largely shared. On the other hand in the case of horizontal policies, i.e. sustainable development, detailed quantitative targets are already so difficult to establish that evaluating the level of policy coherence against specific quantified "coherence goals" may be particularly challenging.

136. Over time, obstacles to quantitative evaluation could certainly be a barrier to the analysis of policy coherence. An alternative option would be to encourage more qualitative approaches to evaluation of the coherence of policies and programmes. But this of course has its own problems, in particular the fact that information on the quality of policy process should be sufficiently substantiated and reliable. In Canada, the review of the Draft Environmental Assessment Framework for Trade Negotiations in 2000, illustrated the challenges related to policy coherence evaluation both from a quantitative and a qualitative point of perspective (see box 11).

Box 11 Lessons from the review of Canada's Draft Environmental Assessment Framework for Trade Negotiations (2000)

At the end of 2000 Canada organised a consultation of its Draft Environmental Assessment Framework for Trade Negotiations, which provided the opportunity for the various stakeholders to provide the Canadian government with comments. Meetings were also organised. This process has stressed very clearly the difficulty to introduce policy coherence evaluation. For example, many stakeholders acknowledged the difficulty in undertaking an environmental assessment of trade negotiations due to the limited availability of data concerning the impact of trade on the environment and the variety in analytical methods to assess such impacts. While the Framework presented to stakeholders emphasised quantitative analysis, a number of individuals and organisations stated that qualitative data should also be considered. This also corresponds with several comments that stated the Framework should adopt the "precautionary principle" in the analysis. That being said, there were also a number of respondents who stated that the framework should only be applied using proven well-established scientific data and should avoid using the "precautionary principle." A number of submissions also suggested additional areas of data research such as the analysis of trade and consumption patterns, studies on the positive environmental impact of trade, sectoral analysis, as well as research on specific issues concerning trade and the environment (i.e. subsidies). Some recommended that both *ex ante* and *ex post* analysis be undertaken, and that local and indigenous knowledge should be used as forms of additional analysis. A number of individuals stated that, regardless of the form of analysis undertaken, economic and environmental objectives cannot be analysed separately and must be recognised as intricately interconnected.

Recognising many of the difficulties associated with limited data and analysis problems, respondents noted that there were conceptual difficulties with how the Framework would be practically implemented. This led some groups to state that the framework was unlikely to lead to the identification of significant environmental impacts, thus questioning the credibility of the entire exercise.

Source: Internet site of the Department of Foreign Affairs and International Trade, Canada http://www.dfait-maeci.gc.ca/tna-nac/comments_report-e.asp

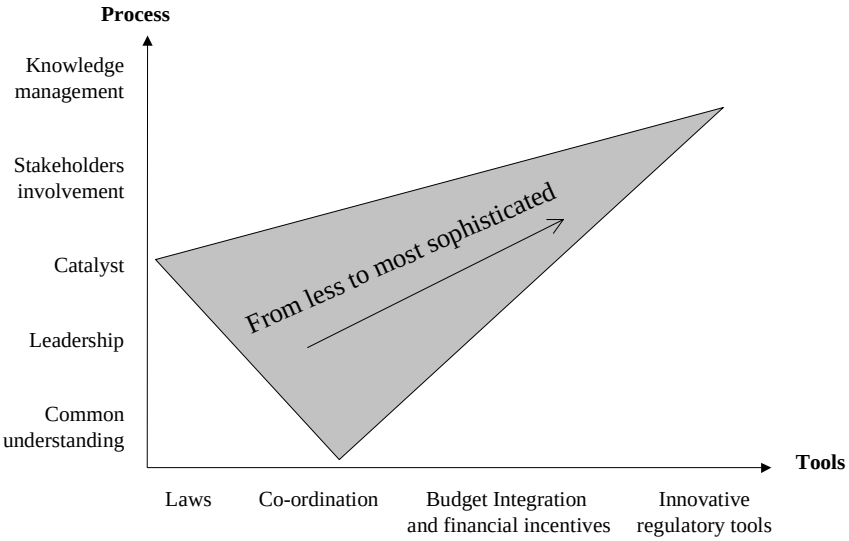
137. A precondition to any qualitative evaluation would be to include cautious *ex ante* analysis of the costs and benefits of the assessment project. The specific characteristics of various policies certainly do not allow one fits all "recipes" to be used. A first step towards developing an assessment framework could be to look, in a given context, at the quality of the different tools presented in Chapters I and II. It is suggested that a review be undertaken of the legal, co-ordination, budgetary and regulatory instruments from the perspective of how well they could contribute to achieving greater coherence. In most cases it appears that a cumulative use of the various instruments will contribute better to achieving coherence.

138. In order to perform this review of policy instruments, critical attention should not only been paid to the intrinsic quality and effectiveness of the instruments themselves. The nature of the policy processes to which they are to be applied also matters, and it would be essential to address the following questions:

- Is there a common understanding of the purpose of using this specific instrument?
- Is there clear leadership within government and a "catalyst" in charge of monitoring the use of the policy instrument?
- What is the nature of the involvement of stakeholders in the policy process?
- Is knowledge well managed in order to ensure progress?

139. A matrix is presented in Figure 3, which combines these different elements.

Figure 3: Qualitative assessment of coherence: a proposed framework



140. Although there is to date no overall framework for qualitative evaluation, concrete achievements have already been made in specific policy fields. An evaluation framework for European Union policy co-ordination was for example suggested in the 1990s. This took the form of a policy co-ordinations scale (Metcalfe 1994,) with the objective of measuring and comparing policy co-ordination capacities in EU Member States, especially in establishing national positions in international issues. This framework is not limited to EU international policy and it has been suggested that the co-ordination scale could also be used in other public policy fields, where organisations must work together to serve policy aims, which go beyond their own particular objectives (see also Metcalfe 1996). This policy co-ordination scale, has been used for Figure 4. We called it “policy integration scale” because it is going beyond the narrow definition of co-ordination provided for in the present report (see chapter I).

Figure 4: Policy Integration Scale

Note: The policy co-ordination scale presented in was built after a research completed by Prof. Metcalfe (1994). It is cumulative in the sense that higher level co-ordination functions (top of the scale) depend on the existence and reliability of the lower ones (bottom of the scale). For example, the establishment of governmental priorities depends on the inter-ministerial communication and consultation practices and on the willingness of ministries to seek consensus and settle conflicts. Co-ordination is time-consuming and expensive, and if a simpler method of co-ordination suffices, there is no need to use a more complex one. But when more complex co-ordination problems arise, there should be higher level co-ordination capacities in reserve to deal with them.

The limits to organisational change

141. The Policy Integration scale (see figure 4) suggests that a precondition to coherence is to ensure a changing work culture within organisations. This conflicts with the observation that the capacity of current efforts to produce significant effects on organisations remains limited. These limits stem partly from the very nature of organisations, which has been extensively analysed since Max Weber24.

142. One trend that emerges from most contemporary analysis of organisations and organisational realities is that it should be seen less as a simple functional or "mechanical" phenomenon (i.e. the Taylorian view of the world where management of organisations would be an engineering exercise), and more as a sophisticated "self-organising system". There is more and more agreement that the notion of "organisation" implies the complex interaction of people, activities, formalised and informal structures (OECD 2001a). Values, norms and assumptions about the mission and ways of conduct of a given organisation, which are shared by its members, constitute the basis of the underlying culture of an organisation.

143. The existence of such a "sub-culture" should not be minimised when looking at the nature of organisations, as these elements may have a decisive impact on an organisation's performance. The cultural dimension becomes especially relevant in the course of an organisation's transformation, and attempts at major changes will likely require changes in the organisation's culture. One of the

preconditions for a successful transformation process is commitment from all parts and levels of the organisation .

144. One of the implications of coherence is that the quality of interaction between various organisations is effective. When trying to make several organisations work well together, the inertia of already established practices in an organisation's sub-culture should be taken into consideration. At the same time the fact that some decisive change may occur due to an organisation's internal agenda, which may affect the coherence of the whole interaction process, should also be taken into consideration.. Unfortunately, a key common element of the various efforts to improve policy coherence and meet the agendas of specific policy fields is that "reforms" still focus mainly on changing formal institutional practices rather than on looking at the interaction of various organisations. The concrete initiatives highlighted in Chapter II have typically strengthened or established the formal co-ordination of policy processes, or have initiated innovative policy instruments. However organisations' practices usually tend to remain relatively unaffected by these formal institutional innovations.

145. Drivers of change are probably more subtle: they include the modification of societal norms and patterns etc. Usually these changes result from specific developments in society which have more impact on organisations' culture than formal institutional restructuring. Decision-makers will need to understand the dynamics of change within organisations in order to ensure that their own efforts to promote change match the new reality.

Box 12: The potential impact of e-government on governance practices

The greater use of internet technology in government's work and transactions is affecting the relationship between various governmental and non-governmental actors. It may shift some deeply rooted practices and have a more decisive impact on governance than some of the formal changes introduced to modernise the public sector. In terms of governance, effective e-government practices may in particular:

- support the design of citizen-orientated web services, with the effect of aggregating services across public agencies through common portals.
- encourage new services, in the form of a one-stop menu that guides the users to the proper actor, allowing citizens not to be concerned with the organisation of government.
- provide portals with access to public as well private services.

This evolution will require practices that foster coherent processes within government. A precondition for integrated electronic services is for example the restructuring of the back-office functions and processes in the agencies responsible for the services. Close co-operation and top-level commitment is therefore needed. It may require more than formal institutional restructuring. It may both call for a change in working methods between and across organisations and at the same time provide the impetus for this change.

At local level, e-government also provides a tool for local development, and requires at the same time new governance methods. "One-stop agencies", which bring together on the internet various government services, could be opened to specific target groups – investors and property developers -- to ease their way through the urban bureaucracy. Especially, e-government should serve the needs of local small and medium size enterprises, as they are limited in terms of their own resources and information for doing business." (DT/TDPC/URB(2002)2).

Organisations are sophisticated social systems made of formalised institutional settings, but they also include an informal dimension. The need for flexible processes becomes even more pressing in networked societies.

146. This reality suggests that, in many instances, specific institutional efforts to achieve coherence should be supported by changes of management and practice which take into account wider social trends and concerns . This includes enhancing the capacity to anticipate forthcoming development, managing

risks and opportunities better, and reallocating resources more quickly in order to fund emerging priorities. It may be more promising to pay attention to the necessary cultural changes than to look at "structures" only. However evaluating the magnitude of changes to be achieved is a tremendous challenge, as is understanding the effects of self-sustaining societal changes on governance.

147. In this context, managing organisational change is largely about maintaining a balance between the cost of incoherence and the cost of specific measures towards coherence. The example of agriculture policy provides a good picture of the difficulty in striking this balance. In many OECD countries agriculture is, for example, subsidised by public funding (in Europe, about half of the EU budget is allocated to agriculture), while its ability to meet the needs of present and future generations (e.g. quality products) has been increasingly questioned. In recent years it has been suggested that societies in fact meet the cost of agriculture twice, firstly as taxpayers and then as consumers who pay a higher price for food than that which would be established by the market. This analysis called for reform of the existing models, in particular the European agriculture model, in order to introduce some form of obligation of high quality management and competitiveness. The reform of the EU Agriculture Policy offers a good example of a reform driven by the recognition that the cost of incoherence in this sector has become higher than the cost of change.

More complex and more fragmented decision-making

148. The fragmentation of policy-making is adding complexity to the rigidity of organisations. Policies are usually developed in sectoral "silos", with only limited communication between sectors at the policy formulation stage. Various public bodies have their own constituencies with various backgrounds, objectives and sub-cultures. The loose co-ordination processes aiming at consistency between various policy goals (see chapter I) affect decisions at a rather later stage of policy developments and are driven mainly by efficiency concerns. Arbitrages between ministries and organisations, usually driven, at the national level, by the Prime Ministers' Office and the Minister of Finance, and at sub-national level by their counterparts, work relatively well to ensure the control of resource allocation , but are not sufficient to support integrated policy-making of key objectives.

149. The tendency towards fragmentation in the public sector has vertical and horizontal dimensions. Difficulties in achieving coherence have been noticeable across ministries and agencies as well as across levels of government. The issues related to horizontal fragmentation within one level of decision-making have already been reviewed in earlier parts of the report. This section will focus on the parallel policy fragmentation which is taking place across levels of government and across sectors.

150. The general trend towards devolution of responsibilities to the sub-national level is usually motivated by a mix of political and efficiency concerns (OECD 1997). Although decentralisation may have contributed to foster policy innovation and to improve effectiveness, it has also created a number of challenges, the most pressing being fiscal and co-ordination issues. While implementing decentralisation policies, a number of OECD countries have been confronted with a coherence challenge, namely the difficulty to maintain the balance between established relationships and emerging practices across levels of government. The degree of cohesion of their political and administrative systems has sometimes been questioned.

151. The point has been often made that too tight a control from the centre may limit the capacity of local actors to develop solutions to their needs, which is an argument calling for decentralisation reforms. However, in a number of cases, the formal reallocation of responsibilities may not be sufficient to provide a rapid change of already established practices. Recent examples from territorial developments in Korea highlight the difficulty of managing relationships across levels of government. The government in Korea

has traditionally been heavily centralised. During the 1990s Korea underwent a decentralisation process. The transfer of responsibilities from the central to the sub-central government level was accompanied by a fiscal reform giving limited tax autonomy to local governments. However, despite formal decentralisation, the deeply rooted habit that central and local governments do not meet as equal partners has been maintained, and the central government's detailed control mechanisms have remained a significant feature of Korean multi-level governance. This situation of a decentralisation process paralleled by tight control practices has created a kind of "institutional instability", which has been the source of inconsistencies, despite expectations that the decentralisation process would be a factor contributing to efficiency and coherence.

152. Should decentralisation be carried further? Should the trend be reversed? The Korean example suggests that specific mechanisms to guarantee cohesion may be more essential, in a number of cases, than further reforms going in one or the other direction. One of the conclusions of the territorial review of Korea published in 2001 is that, in order to manage change from a centralised to a decentralised system, innovative horizontal approaches introducing a new style of governance may needed, in particular to bridge spatial development with social and economic development. "An institutional framework for better cross-sectoral co-ordination needs to be elaborated to intensify horizontal and vertical co-ordination and partnerships at the local level needs to be institutionalised as well." (OECD 2001d).

153. It is only recently that initiatives have been introduced to specifically address the coherence challenge brought about by decentralisation. According to the OECD Territorial Review of Mexico of 2002 "the present administration of Mexico has shown signs of a commitment to bring [longer-term] regional development to the forefront of the public policy agenda for the first time in a comprehensive manner, and to give greater weight to space-based policies vis-à-vis the traditional sectorial approach [which is segmented and short-term oriented]. This is most clearly exemplified by the salient incorporation of regional development policies into the National Development Plan, by the appointment within the Executive Office of the President of the Office for Strategic Planning and Regional Development, and by the presentation of the National Programme for Urban Development and Territorial Planning (PNDU-OT)". It is of course too early to evaluate the results of this initiative .

154. This tendency towards complexity and fragmentation of the decision-making processes is also noticeable in the relationship between public and private sector organisations. In addition to the increasing number of private organisations performing public tasks, a major trend has been towards the emergence of a "third sector" (not-for-profit organisations). Although government has progressively removed itself from service delivery, it plays a significant role as purchaser, regulator, contract manager and evaluator. The allocation of tasks between a number of public, private and not-for-profit entities is becoming challenging as government must continuously identify grey zones and risky areas. Anticipation and prevention of possible problems and failures that may result from ineffective reallocation of tasks is also a key concern of OECD countries. For instance, in publicly funded services government has to cover itself against risks such as poor service quality, cost increase, service provider domination and discontinuities in service delivery, and security and integrity hazards. This "watchdog" function could become extremely costly to perform as the allocation of responsibilities is becoming more and more fragmented.

Building knowledge for decision-making

155. In a number of key areas where coherence has been difficult to achieve (e.g. sustainable development) it has been suggested that one of the reasons why inconsistencies were so difficult to overcome was linked to deficiencies in knowledge production and circulation (see OECD 2001b and OECD 2002a). Sound and reliable knowledge is a key condition for decision-makers to form their decisions and choices. In a number of critical cases the knowledge which should help support the necessary

change of governance practices is still insufficient to provide the basis for sound, reliable and widely accepted decisions. Efforts should be concentrated at the early stages of policy formulation, precisely when priorities and direction are being shaped. Strengthening the knowledge basis of decision-making at early stages of the decision-making process could :

- Shape the conditions for a sound production of policy relevant knowledge including through including citizens' perceptions and views better.

- Strengthen access to knowledge through developing internal government capacities to deal with knowledge.

Improving knowledge production and dissemination

Designing specific mechanisms to generate and confront knowledge

156. Compared to the complexity of the institutional and societal environments, Technological change could be seen as a way of simplifying the complex institutional and societal environments. It would be common sense to consider technological change as a source of simplification for policy processes. There is some truth in this view. For example the fact that government services are more and more available on line could help to speed up processes and simplify procedures (see box 12). However, more and quicker access to information does not automatically lead to better understanding of the issues at stake. Larger quantities of information can lead to greater uncertainty, rather than to greater knowledge: "Uncertainty is a prime result of what has come to be called the information explosion. With a large pool of information, interpreted in multiple ways [and one could add, by multiple actors], the impression can grow, among those not dedicated to a particular interpretation, that no one really knows what is going on or what to do about it" (Donald 1988).

Box 12: Key Types of Knowledge Required for Policy-Making

- Strategic: analysis, forecasts, scenarios, models
- Public concerns and priorities
- Scientific and technical knowledge
- Knowledge on what works, evaluations
- Emerging knowledge, tools to scan ahead, early warning systems
- Performance data, feedback and evaluations to adjust policy

Source: [PUMA/HRM(2001)3]:

157. In order to tackle the problems on the political agenda successfully, governments are urged to mobilise rapidly high-quality knowledge that will support critical choices. To frame visions and formulate long-term outlines of national success factors (the essential components of coherence), they must have at their disposal tools to detect and anticipate new trends. In other words, government needs intellectual capital, strategic and analytical capacity to understand, assimilate and use scientific knowledge. However, basic difficulties result from the fact that:

- Decision-makers frame and reshape policies in a situation frequently characterised by uncertainty about the problem.

- Mainstream scientific communities have a tendency to minimise the importance of innovations.

- Decision-makers operate under time constraints and live under constant information overload, which makes decisions difficult to achieve.
- Dissemination of expert knowledge -- i.e. the general accessibility and the use of scientific expertise by all groups of stakeholders-- has led to a race for expertise which does not necessarily improve the quality of the debate and may harm the credibility of scientific data.

158. Scientific "evidence" is less and less available in order to manage the complexity and unpredictability of the long-term effects of many critical issues. In addition, most decisions involve stakeholders with different values, backgrounds and objectives. Institutions' limited capacity to deal with the range of perspectives on the issue, as well as an inability to absorb complexity and to manage change, will be at odds with the need for a mutual understanding among the different disciplines, audiences or constituencies involved in strategic choices.

159. Informed decision-making is therefore extremely challenging. Scientific knowledge should be the basis for raising awareness in different constituencies about solutions to a given problem, but one should not expect science to provide all the answers. Since conclusive scientific evidence will not be available for many of the decisions to be made, including for decisions with major global consequences (one typical example is climate change), it is crucial to ensure that sufficient debate occurs to confront values, perceptions and views. In this way the decisions taken would be more universally acceptable. Reports into BSE and FMD both highlighted this failure. The associated loss of confidence, in particular, the lack of confidence in scientific arguments, has led to major changes in the use of scientific advice, and the willingness to make the scientific debate more transparent. This is exemplified by the approach adopted by the United Kingdom's Agriculture and Environment Biotechnology Commission on Genetic Modification (Box 13).

Box 13: Agriculture and Environment Biotechnology Commission

The Agriculture and Environment Biotechnology Commission (AEBC), provides a framework for integrating knowledge in a new policy field. The commission was set up in June 2000, to advise the government on any GM issues that have an impact on agriculture and the environment. It is also looking at the ethical and acceptability issues surrounding GM technology. The members of the Commission come from a wide range of backgrounds with experience of consumer and environmental issues, as well as farming, science, ethics and the biotechnology industry.

The remit of the Commission is to:

- Offer strategic advice to government on biotechnology issues which impact on agriculture and the environment.
- Liaise closely with but not duplicate the work of the other two bodies which together with the AEBC form a new strategic advisory framework. They are the Human Genetics Commission (HGC) which advises on genetic technologies and their impact on humans; and the Food Standards Agency (FSA) which includes within its responsibilities all aspects of the safety and use of genetically modified food and animal feed.
- Keep under review current and possible future developments in biotechnology with actual or potential implications for agriculture and the environment.
- Advise government on the ethical and social implications arising from these developments and their public acceptability.
- Consider and advise on any specific issues relating to relevant aspects of biotechnology as requested by the government.

As part of this process the Commission is expected to:

- Identify any gaps in the regulatory and advisory framework.
- Consider the wider implications of the lessons to be learned from individual cases requiring regulatory decision.

- Advise on any changes which should be made to government guidelines which regulatory bodies are required to follow.
- Make recommendations as to changes in the current structure of regulatory and advisory bodies.
- Co-ordinate and exchange information with the relevant regulatory and advisory bodies.
- Seek to involve and consult stakeholders and the public on a regular basis on the issues which it is considering.
- Operate in accordance with best practice for public bodies with regard to openness, transparency, accessibility, timeliness and exchange of information.

Source: UK Case Study on Governance for Sustainable Development, OECD, 2001

160. Better inputs from scientific research in policy decisions will require that governments stimulate the production of scientific data in a number of key disciplines, and that they set clear and transparent rules for "assessing knowledge". Governments should therefore:

- Fund research based on a range of paradigms and options including "dissident opinions";
- Stipulate that scientific institutes should reflect broader societal concerns, where appropriate; and
- Organise public discussion guided by concrete scenarios on conflicting information and knowledge.

161. Improved scientific input to policy developments for the longer term requires investment in specific research fields. In addition to improving links between the scientific community and policy makers, changes in government practices will be required to assess possible options before taking decisions on complex, longer-term and cross-cutting issues. The methodological limits of approaches such as contingent evaluation, as well as the fact that scientific uncertainty is sometimes played down in the evaluation of effects, may require a "precautionary" approach to be taken in a number of areas. Efforts are also needed to develop a multi-disciplinary and holistic evaluation of costs and benefits. It is therefore crucial to implement the following points.

- The mechanisms of knowledge production should be sufficiently transparent, and if possible, supported by arbitration processes for managing conflictual knowledge.
- Government should ensure that a framework is in place to allow discussions to focus constructively on areas of disagreement, by developing scenarios and options.
- Sufficient attention should be devoted to ensuring that the flows of information between the scientific community and decision-makers are efficient and effective.
- Research policies should encourage and facilitate networks of scientists and support the development of "joined-up" research between disciplines.
- Specific efforts should be made to support forward-looking and policy-relevant knowledge, in particular through assuring the 'right mix' between public and privately funded investment in research.

Box 14: Strengthening Strategic Policy in the Dutch Ministry of Agriculture, Nature Management and Fisheries

In 1994, the Ministry of Agriculture, Nature Management and Fisheries established a small Strategic Policy Division (currently composed of 6 people) to help develop a vision for the longer term. The role of this unit is to question "business as usual" in order to generate innovative thinking and to encourage various parts of the Ministry to deal with emerging issues. Its role evolved. During the first five years the Division was very much "process oriented",

focussing on how to integrate new issues into the policy process and helping management teams within various directorates (mainly through organising meetings) to develop scenarios and to better connect outside pressures with policy options. It is now entering a new phase, since staff from this unit are now considered to be sufficiently trained to analyse signals from outside. The focus is now more on substance, and the division is putting specific topics on the table where it feels that important developments are happening or that "taboo topics" require discussion. Directly connected to the top level, it has a key role for promoting new concepts. One recent example was on the sensitive food safety issues. The Division developed forward-looking arguments for co-managing food safety between the public and private sectors. The Strategic Policy Division is key to developing the future agenda of the Ministry of Agriculture, Nature Management and Fisheries.

Among the main issues that it identified were:

- IT and governance.
- Consumer concerns.
- Food agenda for the future.
- Innovation policy (government role in innovation).
- Development of rural areas in the Netherlands and abroad (include co-operation with developing countries).
- Crisis management (mainly how to read the signals of a potential crisis).

Source: OECD 2002

162. Within this framework, one concrete way to advance the "knowledge integration" agenda is to develop integrative assessment. Defined as the "interdisciplinary process of combining, interpreting and communicating knowledge from diverse scientific disciplines", the main aim of this approach is to provide more adequate information to decision-makers through the supply of value added knowledge rather than traditional mono-disciplinary assessment. In this context, the role of the State changes from the traditional, direct active State to a more indirect, passive role in which the State acts from «behind the scenes» as an incentive giver and director, negotiating compromises between the different interests present in society (Kasemir et al. 1999 pp. 3-6). Some experience has already been had using the integrative assessment approach, for example, reaching a more sustainable development. The ULYSSES project and the VISIONS project both played a pilot role within the framework of the European Union.

163. The international nature of most issues, coupled with the limits of national capacities to grasp "mega issues", also calls urgently for more effective international co-operation to produce knowledge on issues such as sustainable development, migrations, development, ageing, major health related risks, the fight against terrorism etc. The aim is to pool resources and to create knowledge production capacity on a global scale. Improving the quality of international processes may require the initiation of international dialogues between epistemic communities, political institutions and stakeholders to strengthen national decision making on these "mega issues. At the moment it is usually only sectoral and narrowly defined interests which prevail in international negotiations. Enhanced transfer of knowledge and a stronger role for international and multinational organisations that could act as forums and initiators for this international communication process should become an essential dimension of the coherence agenda. They could also be a potential driver of change.

Involving civil society more effectively

164. A corollary to the design of appropriate knowledge production mechanisms is the need to involve citizens more effectively in order to improve the quality of government's receptiveness to societal needs. One of the characteristics of modern governance is the emergence of citizens in the national and global policy debates through organisations which seem to jeopardise established mechanisms of consultation between government and social partners. The fact that various interests are increasingly making their way through the debate, at the sub-national, national, and global levels requires specific capacities, not only to

better manage interactions with civil society, but also to understand the complexity resulting from a new type of "networked society".

165. Over recent years, one of the challenges of public sector modernisation has been to adjust to multiple and sometimes contradictory demands from citizens. It seems that there is an increasing disconnect between the expectations of citizens and policies, and this trend could be considered as a sort of "societal fragmentation" factor. This complexity is reinforced by various factors, including new expectations connected to more differentiated lifestyles, new working methods etc. The management of these new societal trends has been a key concern of OECD countries over recent years (OECD 1996, OECD 2001a).

166. The situation is similar in the private sector (which is increasingly performing public tasks) because a precondition for competitiveness and success in the knowledge-intensive economy is collaboration and networking. Taking into account innovation systems from the private sector shows that the speed of change in international markets and in science and technology, along with the diversity and specialisation of knowledge, create uncertain and rapidly changing environments. In stable environments it may be sufficient for firms to engage in stable relationships with a small number of partners, whereas firms in dynamic environments need to continuously explore multiple contacts and even accept a certain degree of redundancy in their external linkages, in order to cope with their evolving but largely unpredictable knowledge needs. (OECD 2002 x)

167. In a complex policy context, such as ageing or sustainable development, it may become increasingly difficult to meet trade-offs or consensus building for longer-term and horizontal policies, mainly because values and perceptions among individuals become differentiated. Conflicts often emerge from this complexity that render any decision difficult to reach in a multi-stakeholder environment. Here again, addressing various citizens' expectations requires not only a capacity to ensure formal co-ordination of policy processes, it also requires an improved integration of citizens' perceptions of issues and responses. One of the challenges of a multi-stakeholder environment is that government should act as both actor and director. In an environment where decision-making is becoming complex and fragmented, government must be an active actor of consensus building in the "myriad of actors".

168. There is "no longer one principal who articulates the goal, wishes and assignments, but instead a number of principles which direct the process" (WRR 2002, p. 40 referring to Hazeu 2000: 98ff). This makes achieving coherence even more problematic. It seems clear that more flexible structures make policy integration much more difficult, and government has to steer networks composed of different groups and partners from a wide range of formal jurisdictions, rather than rely on the more direct command and control style. "The establishment of informal co-operative relationships between organisations may be considered as a useful alternative, and tripartite organisations willing to play a bolder role locally may prove a helpful asset in fostering an integrated approach to policy." (OECD 2001f). Networking is needed to bring together bodies of relevant knowledge in disparate organisational entities. Networking and sharing information and understanding that facilitate co-operation within and among groups is crucial at all levels of government and administration.

169. The review of the experience of five OECD countries25 with respect to their practices of governance for sustainable development showed that:

- Major barriers to coherence over the longer term are strongly rooted in the differing stakeholder perceptions of the issues involved.
- Conflicting interests are often at stake in critical policy discussions, and trade-offs remain a major feature of policy-making.

- Efforts have already been made to address this problem, in particular when agreement on a common interest can be identified, but this evolution remains embryonic in most cases.
- Governments have an important role to play in addressing the major conflicts of interests among stakeholders, in particular by involving them in constructive discussions on these issues.
- There is a demand for innovative decision-making mechanisms that associate the private and public sectors as well as NGOs.
- Information and communication about government measures will not be sufficient to reassure stakeholders about the complex and controversial sustainable development agenda.
- Business, trade unions, NGOs and citizens' associations should be encouraged to engage actively, and governments have the responsibility to ensure that these consultation and participation processes feed effectively into decision-making processes.
- Public consultation and participation should not become formal exercises, nor should they be an excuse for deferring decisions when faced with sensitive trade-offs in policy choices.
- Government 'culture' is still evolving towards more participative approaches, with greater transparency in decision-making processes (OECD 2002a).

170. OECD countries have made some efforts to improve the resolution of controversial issues, in particular when agreement on a common interest is difficult to reach or when the inconsistencies of some choices become obvious. This was, for example, the case in Canada, where diverging analysis resulting from conflicting environmental and economic interests could not prevent the dramatic fall of existing levels of fish stocks on the Atlantic coast. In order to resolve the crisis, an effort was made to encourage a more coherent public response through better co-ordination between state and provincial administrations. Environment Canada and Fisheries and Oceans Canada initiated seven federal-provincial environmental agreements. These were made under the Canadian Environmental Protection Act (CEPA) and the Fisheries Act and cover activities such as inspection, enforcement, monitoring and reporting. Two of the agreements included environmental protection as a stated objective. The other five agreements mentioned environmental protection in their preambles. Another example of federal-provincial co-operation is the Canadian Council of Fisheries and Aquaculture Ministers. Sub-agreements on Environmental Assessment were also concluded on a bilateral basis with British Columbia, Alberta, Saskatchewan, and Manitoba, and negotiations are under way with Ontario and New Brunswick. A second effort was made to launch multi-stakeholders processes in order to raise the profile of the issue and to raise awareness on the producer side. One of the effects is that the Canadian fishing industry is committed to the achievement of sustainability in marine and freshwater fisheries. For example, it has developed a Code of Conduct, consistent with the code of the FAO, for Responsible Fisheries Operations as an essential step in pursuit of this objective.

171. A crisis situation can also provide the opportunity to develop longer-term solutions: in Dutch agriculture, the inextricability of the manure problem in the 1980s was an incentive to find a sustainable solution. The problem was so difficult that a short-term trade off between government and farmers was no longer socially acceptable. The pig policy went through three phases that illustrate the different decision-making models:

- Step 1 (the "not so consensual" model). Collusion between farmers and government, the result being that sustainable solutions were not found. Behind formal consensus, strong opposition from Environmentalists and other groups.

- Step 2 (the "authoritarian" model). Constraint imposed by government to achieve what was supposed to be the "right solution". *Ex-post* contestation and bargaining from farmers was successful in paralysing implementation .
- Step 3 (the "modern governance" model). Initiation of new decision-making methods based on *ex-ante* co-operation and negotiation between stakeholders, followed by clear decision and commitment and longer-term implementation plan. This model worked because the process was managed sufficiently in advance.

Box 15: Establishing a sound infrastructure for citizens' involvement: some key questions

A sound infrastructure for citizen involvement in multi-stakeholder consultation and participation should address the following questions:

- Has the legal framework been reviewed and adapted in order to provide clear legal provisions for consultation and participation?
- Are there clear guidelines on when, with whom, and how consultations should be carried out?
- Is a case-by-case approach to policy development being developed at all levels and on the various dimensions of the issues, and is the public involved in this?
- Are mechanisms in place for the evaluation of and feedback on consultation, and for monitoring the influence of participation on decision-making?
- Is transparency ensured? For example, has restricted information been made the exception, not the rule, both in principle and in practice?
- Are transparency mechanisms being reinforced at different levels of government about key decisions?
- Do effective mechanisms exist within government or independent organisations for informing citizens/consumers about the consequences of their decisions?

Source: OECD Checklist on Improving Coherence and Integration for Sustainable Development, OECD 2002

172. Finally, it should be stressed that increased participation goes hand in hand with the need for increased transparency in the decision making process. In many cases, intermediary results about solutions to an issue could generate public debate between the responsible project panel and the general public. This would allow for project redefinition based on the public's views and opinions. It might also lead to an increased public awareness of issues related to critical longer term problems (sustainable development, major risks, ageing etc.) which are often neglected by the general public and the media. Increased transparency would also contribute to legitimising decisions and strengthen the political commitment to achieving more consistent decisions.

Support from internal government practices

173. The shift towards more open and participatory policy processes for the production of knowledge should be mirrored by a change of attitudes and culture from inside government. This is a necessary condition for improving the circulation and use made of this policy relevant knowledge. Organisational culture is an important factor in the successful implementation of policies that reach across traditional organisational borders, and the shift towards co-ordinated measures should be compounded with renewal of the administrative culture.

174. A change in the policy-making environment often requires a radical approach and courage. The challenge is to overcome hindering factors such as long standing traditions, historically developed attitudes and expectations - enduring cultural change cannot be made quickly or easily. Even more difficult are obstacles like rivalry between departments, agencies, and individuals who may be tempted to hide relevant information. For example, an organisational culture that supports high performance in the agency, but only

in the agency, may undermine the government's overall performance, and thus constitute a barrier to coherent decision-making.

175. Managers do not have the monopoly over horizontal work carried out by the entire personnel. Moreover, a holistic approach cannot be commanded from the managerial level but must be adapted at every level of government / agency. To be effective, co-ordination has to be "bottom up" allowing and nurturing shared thinking and collegial working at "shop floor" level, and at the policy formulation stage. Such a mechanism also contributes to a shared accountability for results.

176. Government must strengthen its capacities for internal learning and collaboration when trying to introduce a more effective relationship with other actors, especially in a multi-supplier environment. "Relationship management" becomes a core competence in public service. It will require using the following tools:

- Networks across administrative sectors.
- Skills to address cross-cutting problems and issues / training
- Capacity to reflect on intersectoral issues and assess overall implications of sectoral policies.
- New technologies as facilitators.
- Incentives, rewards (remuneration, professional career paths) that reinforce a horizontal approach.
- Adaptation of knowledge management systems and the quality of information to decision-makers.

177. In 2002 the OECD carried out a survey of Knowledge Management Practices for Ministries/Departments/Agencies of Central Government, which conveyed some messages to decision-makers on knowledge management practices[26] . Some of the learning presented in the survey shows some trends which could well be critical for improving the quality of the early steps of the policy processes. They convey key messages for improving support from government on managing knowledge better:

1. Knowledge Management (KM) ranks high on the management agenda of a majority of central government organisations.
2. Central government organisation are making concrete efforts to improve their KM practices (though traditional tools such as training and innovative tools such as collaboration in the elaboration of policies).
3. Cultural change is taking place through a more positive impact of knowledge sharing on career development, opening up of management practices and opening up of the public sector to the private sector.
4. Good KM practices might be best enhanced by long term behaviour reflecting trust among civil servants, team spirit and selflessness.
5. KM should be supported by a relatively stable organisational and cultural environment rather than institutional change.

CONCLUSIONS AND RECOMMENDATIONS

178. Achieving coherence appears to be a process which involves on the one hand, specific instruments to improve co-ordination and, on the other hand, consistency of selected policies. Tools need to be carefully applied in order to avoid undermining each others' effectiveness. Attention should be paid to the level of ambition and the toughness of the instruments. This requires judgement and patience in a context which is increasingly characterised by the perception that quick solutions must be found .

179. Specific policy tools should be complemented by a capacity to conceive more comprehensive actions. To be effective, coherence requires that behavioural changes be fostered within government. This will be possible through a commitment to improve knowledge management methods, including through a more open interaction with civil society.

180. Given the complex and multiform nature of policy coherence, it is not the purpose of this section to provide prescriptive recommendations, but rather to offer suggestions to policy-makers drawing on the analysis presented in the report. Guidelines have already been developed by the OECD for the pursuit of specific goals, in particular for poverty reduction and development and for sustainable development. They provide inspiration although they do not cover the entire range of the issues for which policy coherence is essential.

181. Although it would be difficult to provide the reader with a detailed prescription on how to deal "generically" with coherence, OECD countries' experience reflects their concern that specific attention has to be paid to governance practices to achieve complex policy goals. This draws attention to the main obstacles to be overcome at the domestic level and provides support for addressing the institutional challenges raised by the pursuit of sustainable policy development. These institutional challenges involve not only government but all stakeholders, including the business community, civil society organisations and other citizens' associations.

Main Recommendations

182. The "lessons" presented in the present report constitute some of the fundamental elements that need to be borne in mind when trying to develop a policy coherence agenda. On the basis of this analysis, guidance is presented below in the form of an outline presenting different recommendations which are mainly directed to national governments:

Recommendation I*: There should be a common understanding of the issues at stake*

183. The fact that policies are becoming increasingly multi-sectoral and multidimensional requires more attention to be paid, at the policy formulation stage, to whether issues are adequately brought into the general policy debate and into the sectoral policy agendas.. Governments should ensure that the complex realities of a given policy are well understood. In particular the short-term and longer term economic, social, or environmental consequences of a given policy should be clarified and communicated. This would imply addressing the following questions:

- *What efforts have been made to provide clear, widely accepted and operational policy objectives?*

- *Are the policy goals sufficiently clear and understood by the public?*

- *Is the objective well understood by public organisations and across levels of government?*

- *Are the benefits of the policy proposal made evident with clear examples supported by statistics?*

Recommendation II: ***A clear commitment and leadership should be sustained***

184. Clear commitment and leadership within government to achieve a specific goal is crucial., Communication of this commitment is also essential to support the development of a concrete strategy and subsequent action. This commitment should come from the top, but it is also essential to develop leadership and capacity throughout public sector organisations.

185. This is particularly challenging when policies are multi-sectoral or longer-term oriented, given the potential for conflict among various interests both in the public and private sectors. Strong political leadership is needed to shape the debate on how to take policies forward. This leadership has, in turn, to address problems that result from 'silo' thinking, from a reluctance to cede decision-making authority, and from "short-termism". The following questions need to be addressed to achieve clear commitment.

- Is there a clear *commitment at the highest level for the formulation and implementation of the policy objectives and strategies?*

- *Is this commitment effectively communicated to the various sectors of the government and across levels of government?*

- *When gaps exist between the administrative and political agendas, are specific efforts made to bridge them?*

- *Is leadership expressed through an established sequence of priorities which are monitored over time?*

- *When issues require a longer-term commitment, does government maintain a sense of urgency over time?*

Recommendation III: ***Conditions should be in place to steer policy integration***

186. A critical evaluation of both the formulation of sectoral strategies and their implementation should be in place, including from the point of view of the enforcement tools used (voluntary agreements, etc.). When a policy goal becomes a national priority it is particularly important that strategy enforcement be monitored through an overarching institution acting as a "catalyst".

187. Increasing decentralisation of power is a feature of most OECD countries, and maintaining the right balance between local autonomy and central steering capacities is a major challenge for managing across levels of government. Specific attention should be paid to translating international, national and sub-national strategic policy directions into measures that can be implemented at lower levels. This requires

paying attention to the risk of fragmentation and overlap of responsibilities, and providing incentives and support to foster the necessary behavioural changes. In addition, decentralisation should not take place at the expense of accountability and institutional stability. The following questions need to be addressed to achieve policy integration of a specific goal.

- Is there *an institutional "catalyst" (ministry, select committee, etc.) in charge of enforcing a cross-sectoral strategy?*
- *Is this "catalyst" located strategically within the government machinery (e.g. at the level of the Prime Minister's office)?*
- *Are there specific reviews of laws and regulations to check whether they conflict with overarching priorities, and are key objectives embedded in new legislation and regulations?*
- *Are there mechanisms to ensure effective feedback between different levels of government?*
- *Are organisations moving from narrow sectoral perspectives (e.g. agriculture, industry, transport, etc.) to a more "issues-oriented" agenda (e.g. mobility, poverty reduction, etc.)?*
- *Are regular government exercises (e.g. the budget process) used to foster coherence ?*
- *Is there a clear framework for assessing the performance of public organisations with regard to overarching objectives*?
- Are *there evaluation and reporting mechanisms to support "coherence appraisal" within the public sector (i.e. indicators of progress, cost/benefit analysis, impact assessment)?*
- *Does government make effective use of these evaluation and reporting mechanisms?*
- *Are external and independent auditing and reporting mechanisms sufficient?*

Recommendation IV*: Knowledge management should be encouraged and sufficiently open*

188. Improved scientific input to policy development is necessary and requires investment in specific research fields where scientific evidence is lacking. In addition, it is essential to improve links between the scientific community and policy makers. This will require changes in government practices to assess possible options before taking decisions. Efforts are also needed to develop a multi-disciplinary and holistic evaluation of costs and benefits.

- *Are the mechanisms transparent, supported by arbitration processes for managing complex and conflictual knowledge?*
- *Does government ensure that a framework is in place to allow discussions to focus constructively on areas of disagreement, by developing scenarios and options?*
- *Is sufficient attention devoted to ensuring that the flows of information between the scientific community and decision-makers are efficient and effective?*
- *Do research policies encourage and facilitate networks of scientists and do they support the development of "joined-up" research between disciplines?*

- *Are specific efforts made to support forward-looking and policy-relevant knowledge, in particular through assuring the 'right mix' between public and privately funded investment in research?*

189. Stakeholders should also be engaged in appraisal and evaluation systems, as required. Information and communication about government measures will not be sufficient to reassure stakeholders about increasingly complex and controversial agendas. Businesses, trade unions, NGOs and citizens' associations should be encouraged to engage actively, and governments have the responsibility to ensure that these consultation and participation processes feed effectively into decision-making processes.

190. Public consultation and participation should not become formal exercises, nor should they be an excuse for deferring decisions when faced with sensitive trade-offs in policy choices. Government 'culture' is still evolving towards more participatory approaches, with greater transparency in decision-making processes. A sound infrastructure for citizen involvement should address the following questions:

- *Has the legal framework been reviewed and adapted in order to provide clear legal provisions for consultation and participation?*

- *Are there clear guidelines on when, with whom, and how consultations should be carried out?*

- *Is a case-by-case approach to policy development being developed at all levels and on the various dimensions of the issues, and is the public involved in this?*

- *Are mechanisms in place for the evaluation of and feedback on consultation, and for monitoring the influence of participation on decision-making?*

- *Is transparency ensured? For example, has restricted information been made the exception, not the rule, both in principle and in practice?*

- *Are transparency mechanisms being reinforced at different levels of government about key decisions?*

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ENDNOTES

1 . 1996 DAC report on *Shaping the 21st Century: the Contribution of Development Co-operation*

2 . The "Brundtland Commission" defined sustainable development as development that meets the need of the present without compromising the ability of future generations to meet their own needs (WCED, 1987)

3 . Reference of 2001 Ministerial press release

4 . This definition was proposed in an internal document of the OECD, PUMA(2000)7

5 . This is mainly due to the fact that the 2001 definition was restricted to a particular issue (development co-operation) and consequently did not address some general aspects of the coherence challenge, such as the decisive impact of the contradictory interests of the various stakeholders from the private sector and NGOs and the difficulty to monitor complex intergovernmental processes across levels of government. The importance of multi-level mechanisms and the key role of aspects appear very obvious, for example, when considering the sustainable development agenda.

6. *Public Sector Modernisation: A ten year perspective*, OECD document PUMA(2001)13

7 . This is conclusion is emerging from recent considerations of the Public Sector modernisation agenda in OECD countries. See for example the OECD document COV/PUMA(2002)2

8 . The OECD is for example developing a project on e-government which will help to identify some of the key consequences of the internet revolution for governance.

9 . A recent illustration of this evolution was provided in the UK government report on "Quality of Life Counts" (2001This report can be accessed from http://www.sustainable-development.gov.uk/sustainable/quality99/pdf/index.htm

10 . See for example OECD document PUM/MPM (2001)2

11 . Law of "civil responsibility"

12 . However this institutionalised complexity is somewhat tempered by specific formulas for co-operation between the three tiers of government (The Confederation, Cantons, and Communes). For more information: www.desequilibrefiscal.gouv.qc.ca/en/pdf/dafflon.pdf

13. A Seminar organised by the OECD on 22-23 November 2001 on "Improving Governance for Sustainable Development"

14 . See "Adapting Government Practices to the Goals of Sustainable Development" by William M. Lafferty , in documents from the Seminar on Improving Governance for Sustainable development (22-23 November 2001): http://www.oecd.org/oecd/pages/home/displaygeneral/0,3380,EN-home-333-9-no-no--no,00.html

15 . See for example the OECD *Checklist on Improving Policy Coherence and Integration for Sustainable development*. Op. Cited.

16 . Reference: GOV/PUMA/MPM(2002)5

17 . Evaluation of the Progress of the Strategic Modernisation Initiative/ Delivering Better Government Modernisation Programme, Dublin.
http://www.taoiseach.gov.ie/department/publications.asp?lang=ENG&loc=21

18 . The first four points are also suggested in Bouckaert et.al., 2000

19 . See for example the definition of environmental policy integration in ADB 2001 :"Policy integration is defined here as the creation of institutions, resources, and policy tools that allow economic actors to respond positively to pressures for enhanced environmental performance at lower economic and social costs".

20 . Which was the former Department for Environment and Transport

21 . This point was stressed in a contributing paper to this report on "Sustainable agriculture in the UK" (by J. Medhurst, GHK, Birmingham, UK).

22 . This point was also stressed in a contributing paper to this report "critical factors for improving policy coherence" (by P. Virtanen, Net Effect, Helsinki, 2002).

23. See for example the document prepared for the discussions of the 26th meeting of the Public Management Committee [GOV/PUMA(2002)1]

24. It is difficult to capture a universally agreed definition of organisations. A usual definition of organisations is that it is a group of people who work together to achieve specific goals. Mainstream literature is also suggesting that organisations are more than a mere collection of people and processes, more than the sum of its parts.

25. Case studies of governance for sustainable development reviewed the experiences of Canada, Germany, Japan, the Netherlands and UK (2002*a*)

26. See OECD document: GOV/PUMA/HRM(2003)2