

Unclassified

PUMA(98)12



Organisation de Coopération et de Développement Economiques
Organisation for Economic Co-operation and Development

OLIS : 08-Oct-1998
Dist. : 12-Oct-1998

Or. Eng.

PUBLIC MANAGEMENT SERVICE
PUBLIC MANAGEMENT COMMITTEE

PUMA(98)12
Unclassified

REVISED PROGRAMME OF WORK 1999-2000

**18th Session of the Committee, Château de la Muette, Paris
28-29 October 1998**

The Secretariat has worked together with the Committee Officers to launch a process of "re invention" of the PUMA Programme of Work. This document provides the Committee with a new programme approach for 1999-2000.

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REVISED PROGRAMME OF WORK 1999-2000

1. Since the Committee last considered its programme, changes have taken place in PUMA's environment. First, the Russian and Asian crises have propelled governance further up the policy agenda. Secondly, there is a proposal for a significant cut in PUMA's budget. This was initially targeted at FF8m (-39%) and later reduced to a cut of FF5m (-24.4%) in 1999 (this may be compared to an Organisation-wide target of -10% over the period 1996-9).

2. As a result, the Secretariat has worked together with the Bureau to launch a process of "re-invention" of the Programme, and has produced a new proposal which is attached¹. The proposal is based on four main activities with 6 Working Parties. This proposal represents an initial budget cut of FF2m (-9.8%), implying a total volume of FF17.4m taking the 1998 budget as the baseline.

- The first tranche (FF2m) has involved cutting, from the previous Programme, all OECD-funded work on outreach, the full Survey of Public Management Developments, all work on intergovernmental relations and half of the communications programme.
- The second tranche (FF3m), which would be cut from the "re-invented" Programme would require elimination or substantial reduction in scope of one of the four activities and its associated "flagship output"; dropping at least one of the 6 Working Parties; and, reducing significantly the level of substantive servicing of the other Working Parties on which the knowledge base of the whole PUMA programme is based (for example, eliminating all analytical work on human resources management and budgeting).

3. The Committee had previously given priorities for possible marginal cuts against the previous version of the Programme. It is the Officers' view that second tranche cuts to the "re-invented" Programme should be made through discussion in the Committee. Thus, the main task for the Committee is to recommend to the Secretary-General an allocation of the extra FF3m cuts, and make any additional reallocations to ensure that resources follow priorities. These (re)allocations will need to compromise between the Committee's vision of what would be most useful for its component parts, and the Secretary-General's vision of what would be most useful to advance the goals of the OECD as a whole.

4. Even without budget pressure, further changes will be needed to the Programme. The attached Programme proposal should be seen as transitional. As long as the FF17.4 budget is maintained, the outputs proposed in this document will be produced. Over the next few months, the Secretariat and Bureau will engage in a deeper process of consultation with Member countries and other institutions to complete the "re-invention". Consultations with other Directorates of the OECD are already underway, and it is intended to propose an independently funded "High Level Group on Governance" in the OECD.

5. The Committee is invited to:

- **AGREE** the new Programme design, noting that further development of the Programme will be proposed for the Spring 1999 Committee meeting;
- **RECOMMEND** an allocation of resources to the different activities on the basis of a FF14.4 million budget envelope.

1. This document supercedes the previous Programme document PUMA(98)5/REV1 which was distributed in September.

REVISED PROGRAMME OF WORK FOR 1999-2000

INTRODUCTION

The 1999-2000 OECD Programme of work on public governance focuses on four main outputs which reflect both Committee and Organisation priorities. This programme document starts from the Secretary-General's note on strategic priorities, and demonstrates how public governance is relevant. It then looks at how the OECD's work on public governance can be made readily available to policy-makers, and its potential role within and outside the OECD area. The remaining sections describe the main outputs and the structure of the work programme. A final section looks at how the development of the Committee and its work programme will be pursued over the coming months. Budget information is given at the end.

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PUBLIC GOVERNANCE IN THE OECD

1. Problems of structural reform in the OECD areas, as well as crises in Asia and Russia, have starkly illustrated the importance of governance to achieving economic and social development in Member and non-Member countries. The Secretary-General identifies “good governance” as the third element of his “central approach to priority setting” [C(98)133].

2. But how does public governance fit into this picture of the Organisation? OECD is primarily concerned with how well the market-based decision system works to allocate resources efficiently. But the “public sector decision system” or public governance is the largest single decision system in OECD economies. Through it resources are allocated directly to production of public goods and services, income and wealth are redistributed, and decisions of the market system are modified to achieve public policy goals. The calibre of public governance has a dramatic effect on the economy and social welfare. But, even where goals of government intervention in markets may be clear, the difficulties of achieving them are great. Evidence of governance failure is common. The public sector decision making system has particular characteristics which make it unlikely that it will produce efficient decisions and less apt than the private sector to respond to adjustment pressure from the environment. Because of the mutual dependence of the two sectors, relative lags in public sector adjustment reduce national economic efficiency below potential.

3. The policy response to adjustment lags includes a mixture of sectoral and cross-governmental institutional adjustments (for example, institutional change underpins most health reform policies, the independence of central banks is a key to monetary policy, and reform of regulatory management systems is a component of widescale reform of regulation). Institutional reforms take place within a general governance framework which conditions overall performance and which is a vehicle through which governments pursue general as well as sectoral reform goals. The process and content of public sector actions are shaped by values of democratic governance that permit conflict mediation and sustain policy legitimacy. Observation shows that OECD countries have launched a broad array of public governance reforms which attract strong political interest. Given the high political, economic and social risks of governance innovation, there is a demand for better analytical frameworks and empirical information.

4. PUMA is the primary source of analysis and advice in OECD for monitoring and assessing the performance of public governance as a system. As well as carrying out its own programme, which reflects how Member governments conceive and implement institutional reform, PUMA contributes to both horizontal and sectoral work of the Organisation. PUMA also brings into the Organisation professional communities with the potential to reinforce acceptance of OECD’s substantive advice.

5. The interests of Members extend beyond the boundaries of the OECD area for economic, environment, security and humanitarian reasons [C(98)133]. OECD countries, bilaterally and through International Institutions, have accepted the responsibility to support reforms of governance in countries outside the OECD area. Experience of OECD countries is a major source of evidence and inspiration for reforms elsewhere. PUMA/SIGMA, in addition to SIGMA’s work for CEECs, is increasingly solicited as a partner by donors and recipients.

REACHING OUT TO POLICY-MAKERS

6. However significant the work of PUMA, it is of little consequence if no one listens. OECD is a policy advocacy body and PUMA must also seek to influence policy makers in line with the Organisation's overall goals. As governance reform has crept up the political agenda, political accountability for it has become more precisely defined - often at the centre of government. Moreover parliaments, the media and interest groups are becoming increasingly active. The audience is there, but if PUMA wants to be heard, it must raise its voice. Reform of governance has particular problems in its political dynamics and because benefits appear only a long time after the costs incurred. As the Secretary-General has signalled is the case for liberalisation policies, OECD can "help governments stay the course" also in reform of governance.

7. PUMA has launched initiatives to communicate through policy briefs, newsletters and the web site. These have been successful but may tend to preach mainly to the converted. How could PUMA market the message of reform more proactively? Two responses are suggested: first organisation of a new meeting at political level, for example a Ministerial symposium on governance issues; and second, extensions of initiatives to widen the audience. The latter could include:

- stepping up professional activity by answering more invitations from countries and organisations to participate in activities and provide support (on a cost recovery basis);
- engaging the media more actively for example by actively proposing "op-ed" pieces;
- selecting only a few flagship outputs which are topical and carry forward a longer term agenda;
- further developing the role of the Committee itself as a communications vehicle;
- linking up to other OECD outputs (for example the economic surveys).

BEYOND OECD

8. Globalisation presents OECD countries with both opportunities and threats. The best outcome, in terms of security, democratic quality, economic opportunity and closer integration, is secured when non-Member countries adopt broadly similar institutional arrangements - above all the rule of law. OECD, and particularly PUMA has an unrivalled knowledge of the institutional arrangements which link efficient markets with effective democracy. Access to this experience and active promotion of the values are the most important benefits which OECD can offer the large majority of the global population which does not live in Member countries. For this reason PUMA will need to devote more of its energy to supporting and collaborating within OECD (especially DCD) and other institutions working for world development.

9. Like the European Union, OECD was grounded in the post war ruins. Europe is now at another turning point. As events from Russia to Albania have demonstrated, the collapse of the old divide in

Europe is neither risk nor cost free for OECD countries. Ten years after the collapse of the wall, the main challenge for the post-communist world is radical transformation of the State. OECD/PUMA can play a significant role, and through its joint programme with the EU, is already doing so for central and eastern Europe.

FLAGSHIP OUTPUTS

10. “Reinvention” of the Programme has only started and this proposal must be seen as a first step in a process that will be completed in the next months in consultation with Member countries and widely in OECD. In the coming 2 years, the Programme will produce 4 flagship outputs.

11. **Assessment of public budgeting and management systems:** In 1999, PUMA will develop a framework for assessing the actual working of budgeting and management systems in Member countries. The framework will be available for Member countries to apply as self-assessment. It will be applied by the Secretariat in one or two country studies each year on a voluntary basis, starting with Canada in 1999.

12. **Review of implementation of the Council Recommendation on public service ethics:** In 1999, PUMA will produce a survey of institutions, rules and incentives in place Member countries to ensure integrity, and combat corruption. In 2000, these will be used to report on implementation of the Recommendation. (Ministerial Mandate).

13. **Survey of best practices in improving regulatory quality:** Led by PUMA, the OECD-wide horizontal activity will complete 8-9 multi-disciplinary country reviews of regulatory reform by 1999. Based on the lessons learned in these reviews, PUMA will produce, in 2000, a synthesis report on good practices and the gains achieved by quality regulation in OECD countries. (Ministerial Mandate).

14. **Policy guidelines on public participation in public policy:** Based on an assessment framework and surveys completed in 1999, policy recommendations will be drawn up to facilitate dialogue between NGOs and interest groups with governments and selected international organisations including OECD [C(98)133].

PROGRAMME GOALS AND STRUCTURE

15. The PUMA Programme has four main functions:

- a) Carry out activities which produce valued contributions to the Organisation
- b) Maintain Working parties which advance OECD’s agenda

- c) Contribute to OECD's wider work programme and corporate objectives including Outreach
- d) Support management change in OECD

16. The "Flagship outputs" are produced in the framework of activities. All the Committee's Working Parties will be involved in their production. The main operational and accountability structure of the Programme is 4 activities. These are described in the Annex. The Programme provides analysis substantive services to 6 Working Parties; it organises exchanges of experience; compiles and supplies information on Member country laws, organisation and practices on request; and carries out quick turnaround studies. A communications activity supports information sharing and actively promotes the Committee's goal of advancing governance reform.

17. The full range of activities proposed cannot be fully funded within the current budget. PUMA will seek additional funding through joint projects, voluntary contributions and fee for services. It should be noted that obtaining such funding is, in itself, resource intensive. Further cuts of the order of 15% would require a mix of savings including abandonment of one "flagship output", dropping one Working Party, reducing the level of substantive servicing to Working Parties, and further reduction to communications.

a) Carry out activities which produce valued contributions to the Organisation

18. In order to produce each of the "flagship outputs" discussed above, coherent programmes of action (activities) are carried out. In the activity framework, secondary outputs are produced, relations with other OECD Directorates and other international institutions are undertaken, and staff, experts, meetings and consultancy is managed. The activities are supported by communications which is referred to separately.

Budgeting and Management

Subject: This activity targets processes and institutions which are responsible for cross-governmental policies for management - in particular, of financial and human resources. Governments are investing financially and politically in governance reform and can learn from the rigorous analysis of changed practice. The work is carried out with especially ECO, DAFPE, ELSA.

Objectives: Develop an assessment framework for single system reviews (flagship output); and inform public management policy choices by conducting comparative analysis of important changes in practice; and bring to light lessons from innovative practice.

Outputs: These include analyses of (1) approaches to measuring output for the general government sector with the aim of arriving at reliable estimates of aggregate output through time; (2) best performing expenditure management practices in a time of fiscal surplus; (3) the relationship between increased managerial flexibility and expenditure control; (4) methods to reallocate in accordance with priorities; (5) the use of legally separate (but government owned or controlled) bodies to pursue public purposes; (6) fiscal transparency practices; (7) lessons from managing public sector labour market adjustment; and (8) the future role and shape of the central personnel agency. A report bringing together performance contracting cases and analysis will also be completed early in 1999.

Working Parties: Senior Budget Officials, Human Resource Managers, Performance Management Experts.

Fostering Integrity and Combating Corruption

Subject: This activity responds to a mandate from the 1998 Ministerial and a Council Recommendation on “Principles for Managing Ethics in the Public Service” which reflects the concern of Members about the threat of corruption to security and economic policy interests. OECD is working on several fronts against corruption, but it is clear that the integrity of public services in both Member and non-Member countries is a crucial factor. PUMA’s previous work on “ethics infrastructure” provides a base for this work and responds to the perception that previous governance reforms may have increased the risk of various forms of abuse. The work involves all sectors of PUMA/SIGMA and is linked to work of other Directorates involved in the OECD’s anti-bribery activities (DAFFE, DCD, DC).

Objective: Report on the Implementation of the Council’s Recommendation on the Principles for Managing Ethics in the Public Service

Outputs: Report requested in response to the Council Recommendation (Flagship Output). It will review implementation of the Council Recommendation on public service ethics which requires production of secondary outputs including (1) standardised information on the institutions, rules and incentives in place to ensure integrity in the public sector; (2) since a large part of the impact is concerned today with raising awareness and explaining the Organisation’s overall approach (including the Bribery Convention), resources will be devoted to participation in national or international events on public service integrity and prevention of corruption.

Working Parties: Government Anti-Corruption Specialists (new Working party with 2 year mandate).

Regulatory Reform

Subject: This work contributes to establishing transparent regulatory regimes based on market principles that accomplish policy objectives while promoting structural change and vigorous competition. It aims to develop a basis for efficient and responsive regulation by changing incentives, capacities, and cultures in public sector institutions. PUMA is responsible for leading the OECD horizontal activity and for carrying out the work on public sector capacities to deliver good regulation. (Co-operation with ECO, DAFFE, Trade, DSTI, IEA, ENV). The PUMA activity also follows up in concrete terms the 1995 *OECD Recommendation on Improving the Quality of Government Regulation*.

Objective: To build a basis for deeper and more rigorous analysis of how regulatory capacities affect policy and economic performance; to promote change by improving self-assessment in countries.

Outputs: In addition to the survey on good practices in improving regulatory quality, (Flagship Output) (1) a report (subject to approval of Member countries) providing comparative benchmarks in many areas of regulatory quality; (2) a report comparing national regulatory and administrative environments for SMEs, based on a multi-country survey; (3) an assessment of improving the institutional basis for regulation in key infrastructure sectors; (4) a report on transparency of regulatory systems.

Working Parties: Policy officials responsible for cross-cutting regulatory reform policies.

Policy Effectiveness through Democratic Decision-Making Processes

Subject: The long-term focus of this work is upgrading capacities of governments to formulate and decide on effective public policy. In the 1999-2000 period the activity will centre in particular on the

effect of interest representation on the policy capacity of Member governments. It will involve drawing on the experience and information of several Directorates in the Organisation, and contributing to their work.

Objective: Assess government and international organisation practices for citizens consultation, and review the role and functioning of interest groups including their impact on government policies.

Outputs: In addition to the Policy guidelines on public participation in public policy (Flagship Output), the activity will produce (1) a survey of information disclosure and consultation policies and practices among governments and the principal international organisations; (2) an analytical framework to review experience and good practice in transparency and openness; (3) review of the impact of new information technologies on consultation and information policies, especially in relation with (4) review of the role and functioning of interest groups and NGOs in the consultation/information process, including current practices by countries and international organisations, and the difficulties both sides face when dialoguing. This will include case studies on 4 countries and two international organisations on dialogue practices with NGOs and interest groups.

Working Parties: Heads of Prime Ministers Offices and Secretaries-General of Governments.

Symposium on Strategies for Government Review and Reform. This Symposium will take place as planned in 1999 [see Annex D of PUMA (98)13].

b) Maintain Working parties which advance OECD's agenda

19. The Vinde report suggested that the main networks of professionals working with PUMA should be converted into "Working Parties". Working parties (WP) are necessary for achieving PUMA's goals; as well as contributing to the work they are consulted on all relevant outputs. In addition, under the activities the Programme provides substantive services to the Working Parties; it organises exchanges of experience; collects and supplies essential information on Member country laws, organisation and practices; and carries out quick turnaround studies. The Working Parties offer a channel to governments for other OECD work and an input to the OECD policy development process. PUMA will maintain 6 professional communities which are:

Heads of Prime Minister's Office and Secretaries-General of the Government

20. The senior officials from Member Countries' Centres of Government (Cabinet offices, Secretariats General of Government) meet once a year, at the invitation of one of them, to discuss governance issues of common interest or issues cross-cutting the traditional boundaries of government agencies such as information policies, the management of government transitions, the management of long-term "mega" policies.

Regulatory Management and Reform Group

21. This WP oversees the PUMA work on regulation. The Group brings together policy officials responsible for cross-cutting and horizontal regulatory reform policies, and hence has a key role in influencing the work of the Organisation in this area. The Group developed the *1995 OECD Recommendation on Improving the Quality of Government Regulation*, which has been used by many countries as the basis for new disciplines on the use of regulation. Members of the WP made up the

majority of the Ad Hoc Advisory Group on Regulatory Reform that advised the OECD on the content of the 1997 Ministerial Report.

Senior Budget Officials

22. Senior Budget Officials are heads of the expenditure management function in Member countries, observers from Chile and Brazil and the Head of the IMF's Fiscal Affairs Division. The WP considers issue-driven papers, country system reviews and evolving approaches being adopted to manage emerging expenditure risks. A special focus of the Working Party is how the institutional design of budget decision processes influences expenditure management.

Human Resource Managers

23. This WP is a merging of the Pay and HRM networks. It consists of representatives from central personnel and public sector labour market organisations. The WP considers issue-driven papers concerned with the changing public sector labour force, the management of the senior public service, the interaction between the public and private sector labour pools, and tracks trends in public sector pay and employment.

Public Service Integrity and Anti-Corruption Officials

24. In 1999 a WP of anti-corruption officials from Member countries will be set up, to overview and provide guidance to PUMA work in this area, and to allow its members to exchange views and experiences. The WP will contribute to the OECD-wide effort in the fight against corruption. Given the cross border nature of corruption, the Working Party will work closely with other International Organisations and non-Members.

Performance Management Experts

25. The Performance Management WP met regularly until 1997. It consists of officials responsible for increasing the performance orientation of government. It is proposed that the WP will meet less often, but exchange information as an Electronic Discussion Group.

c) Contribute to OECD's wider work programme including Outreach

26. PUMA participates in several horizontal activities of the Organisation. It has lead responsibility for the OECD's work on regulatory reform, which is also a follow up on structural adjustment. The work on the public sector labour market is part of the follow through to the "jobs study". The Service will continue to participate in work on ageing, including monitoring the 1998 Recommendation. The activities on regulation and policy making will be used to support the OECD work on sustainable development. PUMA's work is also relevant to OECD activities on health and policy coherence. The Service will make a significant contribution through its programme on public service integrity to the OECD's expanding work in fighting corruption.

27. PUMA contributes to the regular on-going work of the Organisation, for example working with the Economics Department on budgeting and public expenditure issues. Other main targets of such collaborative effort include economic reviews, environment and the governance dimension of development policy.

28. As its principal outreach activity, PUMA will continue to support the joint EU/OECD SIGMA Programme. Demand for PUMA inputs from non-Members and donors is growing rapidly. Since the Committee has consistently given outreach lower priority, costs incurred to satisfy this demand will have to be fully recovered from OECD or external sources. Management and staff will be involved only to the extent it is possible without prejudice to the regular work programme. One mechanism for satisfying the demand is open information, and the PUMA/SIGMA web sites have become very popular, but their development will be restricted under the current budget. However, the next two years, information and other mechanisms, especially collaboration with global and regional institutions will be built up to satisfy the demand. Collaboration is already on-going with the World Bank, IMF, Asian Development Bank, European Union and bilateral programmes. The Service has been contacted by South Africa, Caribbean region, and Latin American regional bodies as well as by individual countries.

29. Support for Russia is signalled as a major thrust of the OECD 1999-2000 strategy. It is evident that economic failure was in large part a result of institutional failure. PUMA/SIGMA will be involved significantly in this work.

d) Support management change in OECD

30. The OECD is going through a reform programme which mirrors many of the public management reforms seen in member countries. The programme includes reform of HRM and expenditure systems, devolution of authority for resource utilisation, better performance management. The Service's input is solicited by the managers in the Executive Directorate and by Members of the Committees which oversee the reform process. The inputs sought include both information on Member country experience and direct advice. This activity will be continued.

TOWARDS A "RE-INVENTED" PROGRAMME - NEXT STEPS

31. The present programme proposal is transitional as a deeper process of reflection goes on in respect of OECD interest in governance and PUMA's role. This will proceed on 3 consultation tracks:

- with the Committee and other interested parties in countries;
- within the OECD to identify interests and synergies;
- through independent experts including a possible High-level Group on Governance.

32. It is proposed to work with the Committee during this process, and to make a further report back to the Committee at its Spring 1999 meeting, with a view to a full report for an OECD Ministerial.

RESOURCE ALLOCATION

PUMA Activity Costs 1999 (1)
(Thousands of FF)

<i>Activity</i>	<i>Direct costs</i>
Budgeting and Management	6,342
Fostering Integrity and Combating Corruption	3,200
Regulatory Reform	3,700
Policy Effectiveness	4,200
 Total	 17,442
 Further cut needed (2)	 <u>- 3,000</u>
 Total	 14,442

Direct costs include staff costs and budgets managed by the Service such as consultants and official travel. Centrally managed costs incurred within the Service are allocated to the activities on a pro rata basis.

(1) These figures do not include the A6 post of Head of Service. This has been suppressed under the Special Departure and Renewal Programme (SDRP), and is awaiting a separate decision on SDRP replacements for 1999. This means that at present the total reduction for PUMA comes to F. 6,091m (30%).

(2) The Public Management Committee had previously given priorities for marginal cuts against the previous version of the Programme, circulated as PUMA(98)5/REV1. The Committee will be asked to recommend to the Secretary-General an allocation of the extra FF3m cuts, and make any additional reallocations to ensure that resources follow priorities.

ANNEX - EXTENDED ACTIVITY DESCRIPTIONS

To be circulated separately.