

Unclassified

PUMA/A(99)1/REV2



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

OLIS : 18-Mar-1999
Dist. : 19-Mar-1999

PARIS

PUBLIC MANAGEMENT SERVICE
PUBLIC MANAGEMENT COMMITTEE

Or. Eng.

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**PUBLIC MANAGEMENT COMMITTEE
ANNOTATED AGENDA**

**19th Session of the Committee, Château de la Muette, Paris
25-26 March 1999**

The 19th Session of the Public Management Committee will be held from 9h30 to 18h00 on the first day, Thursday 25th March and from 9h00 to 17h00 on the second day, Friday 26th March.

Please note that on Thursday 25th March, the Netherlands Ambassador to the OECD, Mr. Egbert Jacobs, will host a cocktail in honour of the Committee Chair, Dr. Benita Plesch. It will take place at 18h15, at the Maison du Bénélux, 14 rue Octave Feuillet, 75116 Paris.

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ANNOTATED AGENDA

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Item 2.	Adoption of the Agenda	PUMA/A(99)1/REV2
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Item 5.	Approval of the Annual Report to Council	PUMA(99)3
Item 6.	Programme Management	
	<ul style="list-style-type: none"> • Status of implementation of the work programme • Oral briefing on questionnaire for activity on Ethics • Approval of questionnaire for activity on Citizens • Note the Calendar of Meetings 	PUMA (99)4 PUMA(99)5
B.	Development of Committee Mission 2000-2006	
Item 7.	Discussion on the new mandate	PUMA(99)1
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C.	Substantive Issues (time allowing)	
Item 8.	The Government Performance Project	PUMA(99)2
Item 9.	Trends in Public Sector Human Resource Management	
Item 10.	Contracting for Performance and Partnerships	
Item 11.	Governance issues emerging from the Regulatory Reform Activity	
Item 12.	Contribution to OECD horizontal activities: <ul style="list-style-type: none"> • Links between trade, Investment and development • Sustainable Development 	

ANNOTATED AGENDA

General

This proposed agenda was agreed with the Committee's Bureau when it met in Washington in February. The proposed agenda focuses mainly on the preparation of the Committee's next Mandate. The Bureau innovated by changing the way in which the Committee participates in the substance of the work.

a) *The Mandate*

As most OECD Committees, PUMA has a five year Mandate, which should be renewed at the end of 1999 for the years 2000/6. The Council has recently upgraded the process of renewal to make it more evaluative and assist in the process of structural reform of the Organisation. The renewal of the Committee's Mandate is an occasion to reflect on the substance of the work for the beginning of the millennium and to situate PUMA at the heart of the OECD's concerns with member and non-Member development.

b) *Substance*

In the past the Committee has addressed substance in Discussion Groups which were not connected to the Programme content. It has not generally contributed as a body to the substantive programme, although individual members have frequently participated in activities. The Bureau has suggested three reasons why the role of the Committee in substance should be strengthened. First, as its work shifts towards "governance", a high level input to the work is needed. Secondly, as one aspect of Committee "renewal" is to make greater use of OECD instruments (e.g. the ethics checklist) the Committee will need to take responsibility for deciding on how the instruments are to be used and on content. Thirdly, the Committee should use its sessions to examine important innovations or upcoming issues in governance. On the latter, the Bureau selected topics which are presented below. The Committee will be invited to decide on future topics during March session.

The proposed agenda is divided into three parts: Committee Business and Programme Management, Development of Committee Mission for 2000-2006 and Substantive Issues. The documentation for the Committee has been kept to a minimum and is mostly in the annotations to the agenda. The discussion note on the new mandate is issued separately.

I. COMMITTEE BUSINESS AND PROGRAMME MANAGEMENT

Item 4. Presentation by the Director, Mr. Jean-Jacques Noreau

Mr. Noreau was appointed by the Secretary-General from 1st March 1999. Mr. Noreau will brief the Committee on the OECD's expectations concerning the Committee.

Item 5. Approval of the Annual report to the Council

The Committee is obliged by the terms of its current Mandate to report annually to Council on the implementation of its work programme. There are no particular issues to signal in the report except for the delays caused by the budget crisis and the need to reprogramme in mid-year.

In the past the report was presented by the Head of Service. The Committee may consider being represented by the Director or directly by a Member of the Bureau.

Item 6. Programme Management

[NB. Normally at the Spring meeting under this item there would be a decision on the programme orientation for the following 2 years. This is replaced by the Mandate discussion -- see below.]

Consultation with TUAC will take place on 24 March and will be reported by the Committee officers.

The Secretariat will report on the implementation of the work programme and upcoming events. The Committee will be consulted on the creation of a System of Questions and Answers, a new service for its members. The calendar of meetings will be circulated.

Some ongoing activities require Committee input:

a) *Questionnaire on Ethics*

The Committee will note progress on the elaboration of the questionnaire to prepare the Survey requested by the Recommendation on Ethics in the Public Service.

b) *Questionnaire on Consultation with Citizens Groups*

The Committee is asked to consider a proposed questionnaire for the survey on "Strengthening Government-Citizen Connections," [PUMA(99)4] that has been developed in consultation with the new PUMA working group on this topic.

Objectives

This questionnaire aims to support development of a better understanding of the overall legal, policy and management framework in all OECD Member countries for providing information for citizens, consulting with the public, and promoting citizen participation in the development of public policies and services. It also explores the range of methods and tools, including the use of information technology, to achieve these aims, as well as approaches to evaluating their effectiveness. The results should be considered a first step toward achieving the activity's overall objective: to support government efforts to strengthen public participation, transparency and democratic accountability, and ultimately, policy effectiveness, through development of comparative information, analysis and advice.

Methods and timing of work

The PUMA working group on "Strengthening Government-Citizen Connections," composed of representatives of Austria, Canada, Czech Republic, Denmark, Finland, France, Hungary, Italy, Norway, Spain, Sweden, Switzerland, the United Kingdom and European Union met on 15-16 February to consider the overall programme of work for this flagship activity. Greece, the Netherlands and the United States also have agreed to participate but were unable to attend. The revised questionnaire responds to working group comments. Following PUMA Committee review and comment, the questionnaire will be sent to representatives of all Member countries for a co-ordinated government response by mid-May. Responses will be requested from "Citizens" working group members for those countries that are participating in the working group, and from PUMA Committee contacts or their designated representatives in non-working group countries. The working group participants have also agreed to consult with representatives of citizens in their countries as appropriate. These questions and related issues will also be pursued in greater depth through selected country case studies [PUMA/CIT(99)3/REV1] focusing on examples in particular sectors, and based on interviews with a broad range of participants in the policy process (government officials, non-governmental organisations, media, experts, etc.).

A second working group meeting to consider a follow-up questionnaire to develop indicators on the use of information technology to strengthen citizen access to government information and services is planned in June (see Annex A of the questionnaire [PUMA(99)4]). Results of the two questionnaires and initial case studies will be presented to the working group for consideration in late 1999. Additional details on the activity are available in the reference documents.

Action for Committee

- ⇒ To comment on the proposed questionnaire and identify areas where clarification may be necessary;
- ⇒ To agree to its dissemination to all OECD Member countries, and to provide assistance as necessary in the co-ordination of country responses.

Reference Documents

Overview of Work on Strengthening Government Citizen Connections	PUMA/CIT/(99)1/REV2
Draft Framework for Case Studies on Strengthening Government-Citizen Connections	PUMA/CIT/(99)3/REV1

II. DEVELOPMENT OF COMMITTEE MISSION FOR 2000-2006

Item 7. Discussion on the New Mandate

- Building on discussions at the last Committee meeting in October 1998, a background document, "Governance and Public Management" [PUMA(99)1], has been prepared which exposes preliminary thinking for the preparation of a new mandate for PUMA. :

Questions to Committee

- ⇒ What are the views of the Committee as to the suggested approach? Can PUMA move closer to core OECD outputs and help Member countries to translate policy advice into concrete action?
- ⇒ As the programme of work evolves, should greater attention be given to the governance dimension of sectoral issues and if so, which are the sectors PUMA should pay attention to?
- ⇒ When dealing with non-Member countries, what aspects of governance deserve priority attention?
- ⇒ Does the Committee agree on the suggested hierarchy of action and the approach to the delivery of the products?

Process for carrying forward the discussion

The exchange of views on the New Mandate will yield further guidance both on substance and process. The Secretariat will follow up promptly on the Committee discussions with a first outline of the mandate. In order to meet the end-of-year deadline, the Committee will have to agree the Mandate at its October meeting.

III. SUBSTANTIVE ISSUES

Item 8. The Government Performance Project

Background

The Government Performance Project identifies the following management areas as being crucial to rating overall organisational performance:

- financial management;
- human resource management;
- information technology;
- capital management;
- managing for results.

Questions to Committee

- ⇒ Are these the same five areas that Member countries would choose? Should they be weighted equally?
- ⇒ What is the value in such rating exercises? Why are such rating systems used so rarely in member countries? Should the distribution to grades be forced, so that there are always the same percentage of A's, B's, C's etc.?
- ⇒ Would it make sense to attempt to rate across national boundaries? Are there volunteers for this?

Main issues

Provided in PUMA(99)2.

Item 9. Trends in Public Sector Human Resource Management

1999 Edition

Background

Interface between public and private sectors is increasing in many OECD countries. Managers and decision-makers in the area of public personnel management are generally incorporating this new dimension into their management strategies.

The report will aim to:

- identify emerging practice in the management of public employees;

- explore the share of certain exogenous and endogenous factors in the impact on changes in employment relations in the public sector (e.g. conjunctural, national and institutional/structural, and general factors); and
- draw the attention of decision-makers in HRM to the new challenges they will face in the future.

Questions to Committee

- ⇒ What are the root causes that may explain the limits to the introduction of increased flexibility in the public sector labour market? [Examples could include the following: union positions; cultural values; perceived benefits associated with lack of flexibility; inability to change laws etc.]
- ⇒ At what stage are individual countries in integrating human resource management with budgetary and financial management?

Main issues

I. Public labour market

The report presents various scenarios concerning the functioning of the public labour market in OECD countries.

- Do the “megatrends” observed in the economy impact on public labour markets?
- Apart from globalisation and the introduction of new technologies which dominate the discussion, concepts like flexible organisations, change mastering, tendency to individualisation are relevant to the public labour market.
- The characteristics of changes in the public labour market are quite different from those in the private labour market. Are there emerging limits to the current public sector trends in flexibility and terms and conditions of employment?

Employment status in the Public Service

- Analysis of recent changes on the basis of the PUMA questionnaire on “Changes in Employment Status in the Public Service” (September 1998);
- What are the costs and benefits of providing employment stability in the public sector?
- What are the emerging forms of employment contract and career path?

Examination of the comparability in employment flexibility in the private and public sectors in OECD countries.

II. Recent development in people management in public services in OECD countries

Emerging issues; responses from countries; innovative systems; and promising practices.

III. Comparative analysis of HR systems in OECD countries

This analysis will be based on both qualitative and quantitative changes in the area of personnel management and related employment practices in the public sector. The following quantitative data will be used:

- changes in employment;
- turnover rates in public services;
- changes in personnel costs;
- changes in the ratio personnel cost/ final consumption expenditure.

IV. Conclusion

Strategic analysis of changes in public workforce -- recommendations for the future

Item 10. Contracting for Performance and Partnerships

Background

This paper informs the Committee on the progress of PUMA's outputs on the following:

- a) public sector performance contracting; and
- b) contracting for intergovernmental partnerships.

These two projects cover different aspects of the emerging trend in many countries to rely more heavily on the use of results or performance oriented contracts (or quasi-contracts) in the pursuit of public purposes. The first project, *Performance Contracting*, deals with performance contracting mainly from a national administration point of view. The second project, *Contracting for intergovernmental partnerships*, focuses on contracting between different levels of governance.

Questions to Committee

- ⇒ Are the suggested case studies (see below) representative of emerging practice in OECD countries? How widespread is this practice?
- ⇒ Is there a trend for more or less legality and specificity in the contracts now being agreed?
- ⇒ Have there been any major accountability problems or failures experienced in Member countries with the types of contracting forms described below?

⇒ How does the case study method compare with other methods for bringing to light the major relevant policy issues for Member countries?

Main issues

A series of country specific case studies have been completed and an expert meeting held to explore practical experience and the feasibility of developing a broad set of “promising principles” for performance contracting.

This work is being complemented by an analytical review on the nature of performance contracting arrangements and to consider strengths and weaknesses of these arrangements in addressing issues of performance accountability.

The analytical review and major findings from the case studies will be brought together in a PUMA document. The case studies will be disseminated separately and made available on the PUMA Web Pages.

a) Public sector performance contracting

Problematique

A key principle of emerging public management practice is holding public servants accountable for the results (performance) of programmes and services, rather than the traditional bureaucratic focus of ensuring accountability through controlling inputs. The standard tool emerging is the performance contract. Such “contracts” allow one party to specify clearly their expectations and seek from the other party information on whether these expectations are being met.

This project explores the growing use of performance contracting as a tool to enhance performance management and accountability and the potential of these arrangements to cope with accountability requirements and assist efficient delivery in public service organisations. The project examines the specific use of performance contracting across countries. The case study is being supplemented by the analytical review to assist determination of what form and degree of specification of performance contracting is likely to work in different circumstances. It will look at the limitations of performance contracting and the preconditions for successful performance contracting.

Preliminary Findings

Summary of Project Progress

There was a high degree of consensus from experts and the literature that many of the gains from contracting can be achieved from well specified quasi-contractual agreements involving conditional delegations of resources and delegations of authority that include a mix of resource and management factors linked to performance specifications. Going the extra step either to attempt legally enforceable contracts for performance, or even quasi-contractual agreements with a very high level of specificity, can impose significant additional transaction costs and risks, and may be counterproductive to the long-term relationship between the parties to the agreement. The project examines the appropriate degree of specificity given these wider goals.

Issues such as these will be discussed from the perspective of both theory and practice in order to provide a broad policy framework where readers can weigh the variety of managerial, practical, financial and legal issues attached to different types of contractual arrangements in different institutional settings.

Country Case Studies

An expert network was created drawing from the membership and referrals offered from PUMA's Performance Management Working Party. Case studies were provided by nine countries, as follows:

Australia	Centerlink and the Department of Social Services
Belgium	Emergence of public sector performance contracting in Belgium and Flanders
Canada	The Canada-Alberta Agreement on Labour Market Development
Denmark	Contract Management in Denmark: case study of the Danish National Board
Finland	Finnish performance contracting system: case study of the Ministry of Social Affairs and Health
France	Contracting and Management of Local Services in the Directorate General
New Zealand	Contracting for results: Case Studies of the Ministry of Justice and the Department of Courts
Norway	Use of Performance Contracting in Norway
Spain	Performance Contracting and Inter-governmental Agreements in Spain

Analytical review

The aim of the review is to set out a framework for countries to better understand and assess why and how different approaches to performance contracting arrangements might be more or less appropriate for different purposes.

Different forms of contracting (enforceable, conditional, implied/informal) have different attributes and costs, and are suited to different institutional settings. Indeed, the role and limits to performance contracting are themselves a critically important determinant of whether public sector activities are handled through markets or within hierarchies.

The issues will be examined in terms of different types of public sector interactions and institutional viewed from a number of different analytical approaches, such as: classical contractual law; new institutional economics (transaction cost approach); legalistic contracting approach; agency cost approach; and contracting in a public law setting.

Each approach suggests a number of general principles for designing efficient relationships between the parties.

Clearly, it is not possible to generate detailed templates for the different types of performance contracting relationships (budgetary, individual, organisational, inter-governmental, with corporatised bodies, etc.) due to the variety of legislative and contextual situations individual to each Member country and level of government. However, there is scope for developing broad principles for framing and designing the performance contracting relationship. The situations provided in the case studies will allow for a practical reflection of how such principles might be applied and what their limitations will be.

Timeline

Outputs from this activity are now being finalised and are being circulated for final review.

b) Contracting for intergovernmental partnerships

Overview

A series of intergovernmental case studies were completed and an expert meeting was held to discuss the practical experience and the feasibility of developing intergovernmental contracts to improve the accountability for tasks that the national government transferred to higher or lower levels of government. The approach used for the production of the case studies was innovative, using the perspectives of representatives of various levels of government. A “neutral” expert with experience in the field put the case study in a broader context and assured a balanced assessment of the partnership.

The work is being completed by an analytical review on the nature of contractual intergovernmental arrangements to assist consideration of the strengths and weaknesses of such arrangements in managing accountability in an efficient way.

In the first instance, the case studies and the summary report will be published as general distribution document and be published as a commercial book in partnership between the OECD and the Research Institute for Public Administration in Speyer, Germany.

Problematique

Forces of globalisation and localisation are inducing national governments to shift many tasks upward to international organisations (or similar) and downward to provincial and local government. Mismatches between financing, policy and management competencies can give rise to delivery problems, and the contemporary use of contracting is designed to assist managing this risk. This project analyses how administrative decentralisation can be managed to ensure that the transfer of authority from one level of government is used in the way intended and achieves the results sought.

Findings

There was a high degree of consensus from experts and the literature that grants combined with well-specified quasi-contractual arrangements can allow for managerial flexibility and, at the same time, assure accountability. Emerging performance partnerships between levels of government promise to blast through traditional agency relationships and replace them with efficiently designed and managed contracts.

But the promise is still to be delivered in some cases. Authorities are still generating the skills to create these efficient contracts, including the provision of a high trust environment.

Case Studies

Although the number of case studies was relatively small, the number of perspectives provided due to the innovative compilation method made them particularly rich.

Czech Republic, Germany and Poland	Administrative Co-operation in the Euroregion Neisse-Nisa-Nysa
Spain	Inter-governmental “Partnerships” on the Local Level in Spain: “Mancomunidades” and “Consortia” in a Comparative Perspective
Sweden	Devolution of Labour Market Policies from the Central Government to the Local Level in Sweden
Switzerland	Devolution of Education Policies from the Federal Government to the Cantons in Switzerland
United States	The National Environmental Performance Partnership System (NEPPS) between the States and the US Environmental Agency

Timeline

Outputs from this activity are now being finalised and are being circulated for final review.

Item 11. Governance issues emerging from the Regulatory Reform Activity

Background

This paper suggests to the Committee some preliminary conclusions of wider importance to governance issues arising from PUMA's work on regulatory management and reform.

Regulatory reform is an innovative and fast-moving field. PUMA's emphasis is on regulatory quality -- combining both good regulation where needed to protect health, safety, and the environment and to enhance the functioning of markets, and deregulation where free markets work better. The PUMA work has focussed on helping governments develop new capacities and identify best practices for improving the quality of their regulatory decisions. The intent is to establish a longer-term basis for efficient and responsive regulation by changing incentives, capacities, and cultures in public sector institutions, based on competition, juridical, and public management principles. Recently, PUMA has begun to use the country review process to develop comparative benchmarks of relevance to regulatory quality capacities, to build a basis for deeper and more rigorous analysis of what works, to improve the basis for self-assessment, and to enhance international information exchange and transparency.

To have maximum value, the PUMA regulatory work should be aimed at improving the totality of the OECD's policy advice to countries, and at complementing work in other parts of the Organisation such as trade, competition policy, environment, and macro and micro economic assessment. This requires

that the relevance of the regulatory work to PUMA's and the OECD's mandate be assessed, and areas where synergies are strongest be strengthened. This paper presents some of the issues of broader interest that are emerging from the regulatory work.

Questions to Committee

- ⇒ What are the impacts of long-lasting policy and institutional rigidities in the regulatory area on economic and policy performance? Are there lessons of relevance to other areas? How can countries build and sustain adaptive capacities to respond to changing conditions? Does the concept of "contestable policies" hold wider value?
- ⇒ How can policy co-ordination be improved so that a coherent package of reforms can be developed, launched, and modified over time? What are experiences with co-ordination between levels of government, and any new processes or institutions that might be needed?
- ⇒ How do governments define policy transparency? What are the current problems in this area, and what steps should be taken to improve transparency for market actors?

Governance implications of the regulatory reform work

The country reviews and other work on regulation suggest some themes of potential interest to governance.

Substantial inefficiencies stem from durable regulatory and institutional rigidities in the public sector that block adaptation to new conditions and needs. Improving capacities for dynamic policy change may be just as important as ensuring optimal policy design at a point in time. Governments spend considerable effort improving new policy content and design, but less time questioning the value of current government actions. Policy rigidities are quite durable – in the regulatory area, many countries are just now examining regulatory regimes that have been in place for many decades and that were designed for very different economic and social conditions. Yet technological change and globalisation will increasingly reward dynamic regulatory efficiency. Hence, flexibility and capacity for regulatory adaptation are important in today's regulatory regimes.

A question often asked in OECD countries is how reform can be initiated and sustained against powerful special interests who benefit from existing regulatory practices. Experience suggests that one element of the capacity for change is contestability of regulatory policies. Contestability can be driven by open processes, multiple actors, and administrative, political, and external channels for challenge. This seems to run counter to traditional approaches to policy-making based on clear accountability, hierarchical structures, and consensus, and its implications should be explored.

Improved policy co-ordination is essential to constructing the policy framework for market performance. Regulatory reform has the greatest benefits when it is comprehensive in nature – since the likelihood of success is increased by including at the outset the full mix of policies (such as regulation, tax policy, corporate governance) needed to gain full benefits of reform. Further, simultaneous implementation of reforms in different sectors generates the synergistic effects seen in other countries. Finally, many failures in regulatory reform are due to inadequate co-ordination of policy linkages. During a period of thorough, broad and rapid reform, countries have great difficulty in maintaining and ensuring the coherence and quality of changes realised across policies and sectors. Co-ordinating reforms requires reformers to cut across segmented government structures, which increase transactions costs and upfront

delays. Co-ordination continues to be important as countries monitor the impact of reforms, and carry out mid-course corrections that may cut across jurisdictions and be time-sensitive.

Another important aspect of co-ordination involves various layers of government. Progress in decentralising and deconcentrating regulatory powers to bring them closer to citizens and business may also create potential concerns about the future coherence and efficiency of the national regulatory system. Federal countries in particular must work harder to establish quality regulation and maintain it over time. Static losses from uncoordinated actions at lower levels of government can be large and durable.

Transparency of the public administration is a core factor for economic performance, yet the concept is poorly understood. All countries agree on the need for transparency. Transparency in regulatory decisions and application helps to cure many reasons for regulatory failures: capture and bias toward concentrated benefits, inadequate information in both public and private sectors, policy rigidity, uncertainty, corruption, and lack of accountability. Transparency is particularly important for “outsiders”, such as new entrants and foreign traders and investors. Moreover, transparency helps create a virtuous circle -- consumers trust competition more because special interests have less power to manipulate governments and markets.

Yet regulatory transparency is, in general, not well understood. In practice, it involves sharing of information, but also deeper issues of the nature and use of administrative discretion; organisation of decision processes, institutional design and capacities, relationships with regulated groups, other stakeholders, and semi-governmental bodies, dispute resolution or mediation, and clarity of policy mandates and accountability for results. More attention may be needed to identify the key administrative factors in transparency, and approaches for improving transparency in relations with market actors.

Item 12. Contribution to OECD horizontal activities

a) The Committee will be briefed on PUMA’s contribution to the preparation of the OECD Ministerial report on the links between *Trade, Investment and Development: the Challenges of Policy Coherence in a Global Economy*.

b) The Committee will be consulted on issues concerning the horizontal activity on Sustainable Development.

Question to Committee

⇒ What possible approaches could be developed to policies dealing with Sustainable Development?

Reference Document

Trade and Investment and Development: the Challenges to Policy Coherence in Global Economy

SG/LINKS(99)1