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REPORT ON THE OUTLOOK FOR THE FUTURE OF GOVERNANCE

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This report of November 1995 summarises the discussion of a group of experts who were called together to discuss the emerging trends or issues of governance. It was prepared for the Ministerial Symposium on the Future of Public Services held 5-6 March 1996.

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Introduction

This report summarizes the discussion of a group of experts who were called together to discuss the emerging trends or issues that could have a substantial impact on the future of governance and in the OECD countries. They were asked to do this for two reasons: the first was to provide the basis for a strategic examination of issues of governance in OECD countries. This should help the OECD in general and the Public Management Committee in particular to design a work programme that is comprehensive, relevant and forward looking. The second was to provide the basis for a statement on the future outlook of governance for a dinner meeting of principles of the first OECD meeting at ministerial level on public management. This will take place 5-6 March 1996.

The group had seven members representing many professions, cultures and regions, and was chaired by the Secretary-General. It met on October 2-3, 1995.

MEMBERSHIP

Mr. Yves CANNAC, President of the CEGOS Group (Conseil en Management, Formation, Recrutement), author, and former Deputy Secretary-General of the Presidency of the Republic, FRANCE

Dr. Roberto CARNEIRO, Presidente, Televisao Independente S.A., and former Minister of Education and Sports, PORTUGAL

Prof. Yehezkel DROR, The Hebrew University, and Member of the Club of Rome, ISRAEL

Mr. Tetsundo IWAKUNI, Office of Iwakuni Tetsundo, former Mayor of Izumo, and Senior Vice-President of Merrill Lynch, JAPAN

Ms. Elisabeth REHN, Member of the European Parliament, and former Minister of Defence, FINLAND

Dr. Graham SCOTT, Graham Scott NZ Ltd, and former Secretary to the NZ Treasury, NEW ZEALAND

Ms. Barbara TORREY, Executive Director, Commission on Behavioural and Social Sciences and Education, National Research Council, and former President of the Population Reference Bureau, UNITED STATES

The report is a summary of the discussion. As such it is not meant to be read as a fully consistent or comprehensive set of ideas. Nor is it meant to reflect in detail every aspect of the meeting. Rather, it is designed to be a concise summary of the main points that were raised.

This report deals with uncertainty. It does not include forecasts or predictions. It rests on the assumption that governments can better prepare for future events if they consider contingencies, even while it is not possible to predict events. Organisations, especially governments, need to develop a vision of the future, define their missions in that context, and then develop strategies to carry out their missions. "Possibility Thinking" is the only way to cope with uncertainty. As one member put it, "Uncertainty is the price of freedom."

The group's wide-ranging discussion confirmed that the OECD countries are likely to be buffeted most by forces sweeping the world. While individual countries can expect to face a variety of internal pressures, many of these will, in part at least, be reactions to external forces. The broad similarity of most OECD countries in terms of economic structures, political traditions and levels of income make accommodation among them less difficult than with many other parts of the world. Moreover, the tradition of accommodation and consultation is stronger. Thus, the group focused most on the world forces that OECD countries will be facing and, in particular, the governance implications of them.

Emerging Trends and Forces

What are these forces? First, demography. It is now commonplace to note the ageing of the population in most OECD countries, but the continued population growth elsewhere will have spill-over effects. Second, economic globalization will continue relentlessly to generate new problems and issues, but there may be new pressures to resist continued internationalisation as part of the solutions. Third, technology will continue to raise difficult political and ethical choices. Because of their highly technical nature, they will be difficult to deal with in democratic systems. Finally, substantial shifts in relative economic and possibly military power will raise significant security issues.

Demographic shifts and effects on social change and political stability

Despite the slow-down of population growth in most non-OECD countries, their rates are still much higher than in the OECD. It took 124 years for the world population to increase from one billion people to two billion (1801-1925). It will take only 11 years to add the next billion. It took 58 years for the US fertility rate to drop from 6 children per woman to 3.5 children; it took South Korea only 12 years (1961-1973) which dramatically changed the dependency ratio. It took France 115 years for its population aged 65 years and over to increase from 7 percent to 14 percent of its total population; it is taking Japan 26 years today to make the same transition.

The social and economic needs inherent in these trends are very large and in some instances almost inconceivable. This is particularly true when considering the degree to which urbanisation is compounding the demographic problems facing many developing countries. It is unclear whether the new "mega-cities" will be engines of growth or major factors of decay. While the most dramatic examples of mega cities are usually associated with the developing countries, in fact a number of OECD countries have absorbed large populations from rural areas into their cities.

Another significant aspect of demography is the "explosion of diversity". As populations grow and crowd together their ethnic and cultural differences often seem to become stronger, not weaker. This is evident in the push for intra-culturalism (i.e. living together in a **new** society) over multiculturalism (i.e. assimilation). The "melting pot" model is no longer working. Examples can be found in both OECD and non-OECD countries. The importance of learning to value other cultures and learning to live together in the context of diversity is large and increasing. Responsibility falls on our most basic systems of socialisation -- school, media, family and government.

This is recognised in the recent concern over the concept of “social capital”. This refers to features of social organisation, such as trust, norms, and networks, that can improve the efficiency of society by facilitating co-ordinated action. OECD governments need to look beyond economics and recognize that social capital is essential to govern well. There also needs to be more attention to what kind of government structures function best with diversity. As societies become more diverse, is the same form of governance appropriate? Should homogeneous societies have the same governmental structures as heterogeneous ones?

In this respect, many of the countries of Africa seem particularly vulnerable. Democracy and the nation state are Western concepts that are coming under great stress in trying to cope with extreme diversity and tribalism where majority rule no longer suffices. Moreover, current stresses on the system forced by demographic shifts are exacerbating the conflicts between cultures, tribes and artificial divisions within nation states.

The stress among OECD countries on democracy reflects a traditional focus on Euro/American-centric paradigms. In viewing the non-OECD countries, it is important to be culturally open about methods of governance. However, there is also the danger that growing intolerance, and systemic alienation or lack of democratic representation for minority populations may result in increased religious and/or cultural fundamentalism.

Emerging Economies and International Trade

Many developing countries, particularly those in Asia and Latin America, have experienced rapid economic growth in recent years. As a result, more non-OECD countries are claiming a larger share of global power. The effects of this power shift can be felt, as well, in shifts in relative cultural strength and influence and, ultimately, are likely to lead to cultural conflicts. More broadly, these shifts are part of the broader world trend toward globalization of trade and financial markets. This can be seen in the international (and often free) flows of trade, capital, information, and people across political, social and economic boundaries.

In general, OECD countries have embraced these trends, as have many non-OECD countries. They have often done so, however, for different reasons. NAFTA, the European Union, the World Trade Organisation, as well as many smaller developments are evidence of this. This response is being challenged and could be reversed. Governments of OECD Member countries should not assume that steady movement in the direction of continued globalization is inevitable. Over time, voters may not see globalised free trade as working to their advantage. Member governments should anticipate pressures for protectionist stances through new regulations and “anti-dumping” policies. Regional blocks (e.g. formation of meso-governments between Nation States) may be used as devices to limit, rather than expand, globalization of economic activity. Such policies would reflect the recognition (and fear) that economic advantages will go to countries that are able to nurture a domestic climate conducive to productive corporate investment and, at the same time, encourage (through both their own financial policies and regulatory action) the massive accumulation of savings that can be invested throughout the world. Given such fears, it may be hard to convince OECD countries to depend on their capacity to foster and spread innovative, creative, entrepreneurial and, ultimately, more competitive business enterprises.

The kinds of actions outside the OECD that may be anticipated include:

- **unfair competition** where competitors relocate to developing countries with less restrictive labour policies (including child labour), and no commitment to labour representation or unionisation;

- **direct financial subsidies** to attract companies by further reducing production costs and increasing competitiveness in world markets;
- **social dumping** taking advantage of liberal migration policies (free movement of people across borders) and structural inequalities in the labour and production markets; and,
- **differing moral and ethical standards** regarding such issues as biotechnology and bioethics, safety, and humane working conditions.

Currently, international organisations are not equipped to handle these conflicts. **International** democratic governance seems impossible if **national** governance systems treat such issues as “foreign affairs”. Emerging economies may force these issues into the domestic agenda and reinforce the need for new multilateral and bilateral systems of governance and oversight.

The Challenge of Science and Technology

The sheer volume and complexity of science and technology creates new problems in government/political decision-making processes. Few politicians or members of the public are scientifically literate. Their lack of technical knowledge of science and technology is complicated by the lack of scientific consensus in critical areas. Moreover, it is no longer possible for any one individual or small group to have a clear overall picture of developments in all scientific areas. Governments have not devised ways to deal with this problem, and thus are not able to process the relevant data before taking decisions. Such issues as global warming or environmental risk assessments have become highly scientific but also have major political implications.

Scientific research and development will be even more important in future governance systems because of the continually increasing volume of scientific discoveries and technological developments that have public policy implications. However, this trend is taking place in the context of privatisation and smaller government. The challenge ahead for OECD countries is to determine who in their societies is going to make scientific and technological decisions and, to the extent it is the public sector, how to integrate scientific expertise into public policy decisions.

Security

Man-made issues such as terrorism, tribal and cultural conflict, and fundamentalism have become more globalised. Migration, cultural and social conflicts and the portability of these issues across geographic borders raises the profile and immediacy of these issues for OECD countries. In relation to tribal conflict and terrorism there are serious concerns about increased availability of sophisticated weapons (ironically these weapons are increasingly available as a result of the resolution of international cold war disputes). On the other hand, human rights values have also become more globalised, more widely shared and more clearly developed across countries than ever before. The result of this might be more positive outcomes for security of groups and individuals. Tensions can be expected to continue to arise between those who “have” (money, access to the system, access to public service) and those that “have not”. The spread of capitalism and economic development process yields new kinds of “have” and “have not” conflicts at a global level.

Externally generated issues such as those affecting the environment or public health have also become more global in nature. These problems are difficult to deal with on the State or regional basis and

may be more controversial because dealing with them internationally may conflict with traditional views of State sovereignty.

The Changing Context

Communications

Communications technology will have its greatest impact on the working environment: new types of jobs, new work patterns, even a “dematerialisation” of work--that is more work with ideas and concepts, and less with the physical manipulation of materials. This will create new employment opportunities, but also new threats to unskilled people less capable of functioning in these new working environments. New opportunities will exist for combining work with household tasks (e.g. childcare) and distinctions between work and leisure time will be less clear. This will create a range of challenges to conventional government services associated with traditionally defined work, such as unemployment compensation, workman’s compensation, and regulation of working conditions.

Communications technology could eventually erode the notion of “Nation State” as an important social unit. The traditional local or national community sense may gradually weaken. As people are no longer bound by physical borders, a “virtual” community will rise. It will also become possible for all kinds of groups dispersed in physical space to have their own means of communication (through internet, low orbit satellites, special interest TV-channels) and create/reinstate their own group feelings.

Governance and market economies

The broad theme adopted by many developing countries is market-based, entrepreneurial economic development rather than democracy. The rapid growth of market-economies is having profound effects on social and political structures in these countries. Those at the political level are, in many cases, being dragged along by forces they cannot control (but must portray as if they can control them). Many of them, however, are losing control altogether. The result is a proliferation of “failed” nations -- those that cannot develop even minimally effective governmental structures. These countries are in a hopeless mismatch between what government aspires to do, what its population needs or demands, and what it can do. Some governments have difficulty with even the most basic levels of services such as fresh water, sewage and food, let alone more complex policy needed for such areas as education and economic development. Some of these governments are hindered by corruption, nepotism and ineffective civil servants. Others lack infrastructure and capital needed to move forward.

This loss of control on the part some governments of non-OECD Member Countries has important implications for OECD countries. This is because increasingly Member governments, economic institutions and citizens will have to work with or within environments that are very different from those they are used to. A community of mutual interest is being formed by a growing capitalist middle-class around the world that has the same consumer wants and is moving toward the same political wants; however, many non-OECD countries lack the tools and the capacity for western-style systems of governance.

As OECD countries become increasingly entwined with other economies, they will have to confront public administration problems of ethics, corruption, underpaid and under-qualified civil servants -- all factors that contribute to poor quality government in many non-OECD countries.

The Challenge to Governance

Overview

The gap between the expectations of people and the capability of governments will widen. In response, governments will have to make further efforts to be more effective, efficient, and slimmer. Moreover, a new sort of relationship between the government and the public will have to be put in place to maintain desirable governance. In such fields as education, the environment, anti-discrimination, women's rights, more is expected from government actions. The changes in family structures will force governments at the local community level to restructure their support systems (education, health care, basic income, etc.) so that families can continue to fulfil their fundamental roles. But while more demand is put on governments on the one hand, the possibility of governments obtaining means to carry out additional functions is negligible due to restricted resources available to them. New, smaller government will not necessarily be a synonym of "efficient" or "effective". In some cases, government programmes will end or be curtailed even where the government is actually doing very well.

Redefinition of the role of the government is vital. In this respect, there is probably a minimal consensus that the first goal of the government is to provide public safety, national security and justice, and that it has basic responsibilities for equality of opportunity. Government's role beyond those requirements needs rethinking. A strategy must be developed to put in place a system where the society looks after itself. Societal assets must be fully utilised.

There is the related question of what size of the public sector is best in order for national economies to keep competitive in the global market of increased competition embracing high growth in non-OECD countries.

Governance for a knowledge-oriented society

The knowledge-oriented society will create more demand for knowledge-based skills which are usually acquired through education. But there are still now a substantial number of people who do not finish basic education. This will create a sort of "dual society" in which people are divided between "have" and "have not", thus leading to social exclusion. While this is true in general, it is particularly true in two quite different respects: the situation in emerging economies, and the situation as regards women. As a result, one of the most important governance issues that will emerge from the trends and forces of the coming decades is also one of the oldest: providing education. Equitable distribution of education, particularly for women, combined with equitable access to the labour market, is linked to economic liberation, population control and higher quality of life. Similarly, equitable distribution of knowledge and education is critically important as regards the role of women in the political process of decision making. How much governments of OECD Member countries can do about this beyond their own borders is open to question, but it is clear that the problem of under-representation of women in the processes of governance is particularly important in the developing world.

Media and communications

Continuous media exposure of the Executive, the Legislature and the Judiciary will require response. For example, focuses on corruption and faltering moral conduct of (some) people working for public institutions may intensify, trials may turn into morality shows, and the quality of public debate may be severely threatened. Governments will have to deal with highly educated citizens who have access to vast amounts of information. Governments will no longer be the first to find out about new events, but will

have to be the first to react. Constant publicity will be a fact of life, and policymaking “behind closed doors” will become virtually unacceptable. In this atmosphere of immediate accountability, the existing pressure on governments to concentrate on short-term issues will only intensify.

Communications may foster two conflicting trends in governance. One will be the tendency of people to identify with like-minded or culturally similar colleagues regardless of where they are placed in the world. This will weaken national cohesion and governmental authority. At the same time, a growing number of world-wide interest groups and an increase in the number of international issues that used to be treated as “internal or domestic affairs” of countries will create pressure for co-ordinated world-wide action by nation states. Thus the pressure to do more may accompany a decreasing capacity to act.

Placing the government closer to people

The recent tendency in many OECD countries to try to put the government nearer to the public and make governmental bodies more responsive to the needs of people is likely to be intensified by the forces and conditions outlined above. How to do so will be a major challenge in public management reform. But devolution of power either to lower hierarchical levels within the central government or to lower levels of governments will solve problems only at the expense of creating new ones.

Devolution of power to local governments is appealing because they are more closely located to the public both in terms of physical distance and mentality. Hence, they are in a good position to be responsive to the needs of people. However, a tough question of how to achieve equality between local governments will come up, given the great differences in the financial capacities and managerial skills of local governments. In addition, there will be an issue of how the central government will be able to carry out a strategic role and maintain social and political cohesion in a decentralised environment.

Devolution of power within an organisation to the local level which is closer to the public, including more use of the market mechanisms (e.g. privatisation and user charging) will entail a major power shift in the society from “voters” to “users of the services”. It may well be that this will hold a substantive implication regarding social cohesion as economically more powerful business and individuals gain in relative influence over activities that are, or were, in the public sector.

More direct public participation in politics will be desired by the public. But it is not clear that more direct participation is always desirable or justified. Technological advancement will make “electronic voting” on details of issues feasible, and it is very probable that electronic voting will be put in place by the public pressure. It is less clear that this is really desirable, or that it will improve the quality of democracy.

The capacity of the government to think strategically

The capacity of the government to think strategically and look ahead beyond immediate concerns will be critical in the continuously changing environment of the future. But by nature, democracy tends to employ the short-term perspective rather than the long-term one. For the reasons stated above, the pressure to focus on the short term will increase, not decrease. OECD (and other) countries need to resist this pressure, and consider urgently the need to strengthen their capacity for strategic thinking. This might require establishing new institutions (without, however, reviving the old planning agencies). Where these institutions are placed should reflect the widely diverse political and administrative structures of individual OECD countries. In some of them, these institutions might be placed around either the Prime Minister, the President, or the Minister of Finance. Other countries might find “Think Tanks” or advisory councils more effective. OECD should sponsor a new research and training academy in support of such institutions.