



SIGMA

Support for Improvement in Governance and Management

A joint initiative of the OECD and the European Union, principally financed by the EU

Strategic thinking and strategic capacity for reform

SIGMA/EC networking

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Paris, 4th March

The organizers of the 3rd Sigma networking seminar acknowledge that the current economic crisis will further test the political and administrative capacities of the New Member States and offers an opportunity to continue the exchanges of previous seminars so that lessons can be learned from previous enlargements. Actually *the Balkans would benefit from a second mover advantage* but only if lessons can be learned. It is asked of the participants to reflect in a more structured manner on Public Administration Reform (PAR) policies and how best to support them.

The present panel, Session 2 - *the strategies for public governance reform* - clarifies that the purpose of the session is *to discuss strategy options for public governance reform within the context of European Integration*, and in particular the importance of:

- *Developing a concept of public governance that includes all horizontal administrative systems;*
- *Designing reforms which are the product of long-running trends and enjoy strong political support;*
- *Identifying the most relevant institutional drivers of reform*

My presentation on the theme ***strategic thinking and strategic capacity for reform*** will follow the recommended guidelines. As a previous remark, I would like to stress that my contribution is the result of personal experience rather than Academic research. .

Let me also enhance the idea that Public Administration Reform (PAR) is not an exact science. PAR is closely related with the historical, administrative tradition and the political process of each country. My attempt to summarize and identify main trends and solutions should be interpreted as such: a real «attempt» not the ultimate truth about Public Management Reform

I will focus on 5 subject matters :

- Strategic thinking;
- Long running trends in reform;
- Strategic capacity;
- Institutional drivers of reform and
- Brief conclusion

The following paragraphs will develop the five subject matters .

1. Strategic thinking

1.1 The first question that can be asked is whether ideology influences strategic thinking and options for reform. Is the strategy of reform the same under a liberal or social democrat government?

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Certainly, ideology influences strategic options. However, I'm not going to speak about ideology. As a matter of fact a second question can be asked: are there common features in Public administrations (PA) that have been dealt with, regardless of the ideology in power? Are there differences between public administration and private sector that always matter and have to be taken into account by public governance?

My answer is *Yes*.

PA has its own characteristics. There are differences between the public and the private sector.

One can speak about these differences under 6 topics:

- Public administrations have a service oriented mission to citizens and society. But what is at stake is not only service provision. One can argue that in some cases service provision can be achieved through a private organization. The main difference is that service provision in PA lies with values (impartiality, equal opportunities and justice) that are not pursued by the private sector, (oriented by the profit making principle). Those values are at the *core* of the public service as they can not be provided or guaranteed by the market;
- Problems to be solved by Public administrations cannot be solved by organizations and individuals in isolation: only a network of organizations and/or combined and interacting systems can deal with governance problems. Support to formulation of consistent and integrated policies, coordination and implementation capacities are demanded;
- Citizens have a triple role *vis-a-vis* Public Administrations: they are customers (users of services provided by the State), regulators of public choices (through democratic mechanisms of election and representation in the Parliament) and they finance public services as taxpayers.
- Administrations have a unique role in formulating and implementing public policies. Thus PA is the guardian of the relevant information, necessary to identify problems and solutions. PA retains «the memory» of administrative thinking, is the «owner» of capacities to formulate public policies. In our Democracies, that imply rotation in power, PA is the «memory» to governance. It also has to guarantee continuity in the service provision. Although it seems redundant, it is clear that continuity is expected when market failure or natural catastrophes occur.
- There are several Administrations within the general concept of PA. When speaking about PA one often uses the singular. This is not entirely correct. Administration is a *constellation* of organizations, different systems and subsystems, each of them with its own problems and solutions, interacting to solve problems. If one were to look at the global picture the problems are so complex, numerous and vast that sometimes reformers feel breathless and paralysed by complexity. Actually it is relevant for reform purposes acknowledging that Administration is not a *giant organization* but rather a network organization. If we break down *the total*, if we make it smaller, then it is easier to solve problems and find solutions;
- Public Administrations have at their service a group of professional civil servants, which are assumed to be competent and independent from lobbies and pressure groups. Professionalism is required both in the career and position systems. Issues such as the nomination and recruitment of civil servants and high civil servants based on merit are of the essence.

1.2 Another aspect that is independent from ideology is related with challenges and demands that have to be responded by governance.

One has to consider that each country has its own reality, its own problems and solutions. They have to be responded to by their national strategy of reform. However there are challenges that demand attention from governments everywhere as they are contextual challenges of our globalized world .

Taking the risk of being too ambitious I would dare to share with the participants my own vision of these challenges around six topics, what I would call *An Agenda for governance in a changing world*:

- **Globalization and internationalization of economy and society:**

The heading needs further specifications: global movements around the world are not new. Being Portuguese, a nation of seafarers and discoverers, we perceive clearly that the contacts between cultures changed the Portuguese vision of the world and probably the world itself. That brings us to a different question: if globalized contacts are not new, what is new in our globalized world?

I would say that the novelty is *speed*. *Speed* of movements, of people, goods, money and ideas around the world, sometimes in real time, always within 24 hours or close. *Speed* liberates energy that has to be monitored by mankind. But it means also complexity, interaction of many actors at global scale. Nations learn to deal with this complexity. Efforts at global level (United Nations) or regional level (EU) to monitor complexity are still a learning process. Public administrations and their civil services and high civil servants have to support governments and international organizations in their policy formulation and even implementation. In Europe, Public Administration and Public officials are required not only to deal with the European dimension of our society but rather with a globalized dimension that became an overwhelming issue after the recent economic crisis.

- **Europeanization of public services**

The EU Treaty¹ provides for the founding principles of *liberty, democracy, respect for human rights and fundamental freedoms, and the rule of law, principles that are common to the Member States*.

Although the principles are *common to Member States*, there are no common rules in relation to Public Administration, actually a reserve area of each Member State. This means that the Union has no competences in relation to the organization and structure of national Administrations, which evolve from history, culture and the political process of each Member State. The Lisbon Treaty² provides for *competences not conferred upon the Union in the Treaties*. They will remain with Member States and, what is more, *the Union shall respect the equality of member States before the Treaties as well as their national identities, inherent in their fundamental structures, political and constitutional, inclusive of regional and local self government*.

The Lisbon Treaty³ takes a step further in relation to the common interest of the Union in what concerns administrative capacities and cooperation of Member States, providing for *effective implementation of the Union law by the Member States, and acknowledging that this is essential for the proper functioning of the Union*. *Effective implementation shall be regarded as a matter of common interest and the Union may support the effort of Member States to improve their administrative capacity to implement the Union law*.

¹ Article 6 of the EC Treaty. See also article 1a of the Lisbon Treaty

² Article 3a of the Lisbon Treaty

³ Article 176D of the Treaty on the functioning of EU (Lisbon Treaty)

In that legal context PA is a reserve area of each Member State founded on the common principles of:

- **Democracy and rule of law** which presupposes that administration and civil servants are compelled to act according to the law. The principle of legality lies with Democracy and rule of law, founding values of the EU⁴;
- **Administrative cooperation:** PAs are also meant to hold capacity to implement and enforce the Union law and to cooperate in the effective implementation of the Union law. Within the Union context, the implementation and enforcement of the EU legislation is of the utmost importance. Dialogue, consensus and a culture of negotiation is part of EU heritage.
- **False debate between State and Market**

For many years the discussion between State and Market was dominant in national and international *fora*. Nowadays I would say that the contributions of international organizations, World Bank, OECD and EU have a different approach.⁵

Actually the debate between State and Market can be looked upon as a false debate. One can say that there is a common perception that the end result of economy depends on the way the public, social and private sectors interact and complement each other.

The international financial crisis also made reformers revisit the role of the State. It seems that the State, independent from ideological beliefs, has to regain a strong and effective regulating role in the economic and financial sector. Rule of law and public interest are enhanced nowadays within the context of the economic crisis. They are revisited traditional principles with an importance and impact of their own. Public management is outside the market, hence market regulators do not operate in public services. Laws and legal and institutional controls have an irreplaceable role in controlling public institutions, their activities and proceedings.

The relevance of these issues is acknowledged both by the EU Member States and international organizations (OECD, UN).

- **Scarcity of resources**
One of the problems that public management is currently confronted with is related with scarcity of resources and budgetary constraints. Budget constraints are everywhere in every country and they run in parallel with new demands from society.

One can make an attempt to identify reasons for budget pressure:

- Investment in infrastructure and environment protection is still needed;
- An ageing and elderly population is a common feature in the demographic growth of Europe;
- The recent economic crisis had a serious impact in unemployment and social expenditure.

These three main constraints are to a certain extent contradictory: more services and better services have to be provided with less money and resources. The European Union Stability Pact, although reviewed under the present crisis, continues to put limits to public expenditure and national debt. Hence the scarcity of resources and the control of public expenditure for restoring fiscal sustainability are high on the agenda of each European country.

⁴ See OECD study under the title European Principles for Public Administration(Paper 27/99)

⁵See Reports and documents such as the *State in a changing of the World* (World Bank , 1997) *Governance in transition* (OECD1995) and the *European Scenarios* of the European Commission (EU Commission , 1999).

- **New expectations** that emerge **from the New Information Technology (NIT)** and the need of knowledge management to deal with new technology is one of the public management challenges.

2.1 Long running trends in reform

In the previous paragraph we drew the context for PAR and *an Agenda for governance in a changing world*. In a nutshell: we tried to identify the special characteristics of Public Administration that differentiate PA from the private sector and to set up an Agenda for change. This contextual approach has an impact in strategic thinking in parallel with national realities.

Let us see now what are the answers, the main *long running trends* for reform.

I've selected sustained trends that have received political support by Governments for many years. Trends that seem to resist to *fashion* (and there are *fashions* in relation to PAR). Some of the continuous efforts presented in the following paragraphs mention a brief historical review. One can see that they have a weight of their own in the different PAR processes.

I would focus on four main trends related to:

- Citizen orientation
- Ethical values of civil service
- Professional Civil service
- Quality initiatives

2.1 Citizen orientation

Citizens, public interest and service orientation are building blocks for a new public administration.

In the seventies and even the first part of the eighties, administrative reform programs were mainly intended to deal with the questions of resources, structures, staff and equipment. Reforms were mainly oriented towards processes, procedures and means, instead of output, results and outcome.

In the second half of the eighties a new approach, more oriented towards citizens and society, began to be explored.

The Public Management Committee of OECD in 1987 published a book, which is, in my opinion, somewhat of a milestone for public management, entitled *Administration as a service the public as a client* in which the different approaches of OECD countries, the European Member States were described.

This trend can be considered a long running trend. Public Administration is increasingly concerned with the services that citizens and society expect and deserve. PAs and good governance are assessed according to capacities to meet citizens' demands. Thus public administration performance influences trust in government and has a political impact.

Actually if the improvement in service provision is not perceived one can say that PAR does not exist because society cannot assess what cannot be seen. Citizens and society should know what the reform trends to improve services are. They also should know what are the services they are entitled to.

This reform trend has an impact:

- in the legal system - namely provisions on how to deal with the public;
- citizen participation;
- courtesy (dealing with citizens in a courteous manner);
- easier physical access to services; solutions such as *one stop shops* are being explored in several countries.
- transparency and information to citizens, namely via NIT.

This theme is part of the PAR Agenda everywhere.

2.2 Ethical principles

The foreword of the OECD report on Trust in Government⁶ endorses the recurrent idea that the Public Service involves public trust. It is said *that Citizens expect public servants to serve the public interest with fairness to manage public resources properly on a daily basis. Fair and reliable public services inspire public trust, a favourable environment for business thus contributing to well-functioning markets and economic growth. Public ethics is a prerequisite to, and underpin, public trust and are a keystone of good governance.*

Actually the ethical principles of impartiality, legality, equity and justice are essential for citizens, society and for enterprises that appreciate to understand the level playing field for healthy competition. The fight against corruption is one of the challenges for the future.

Several OECD countries and European Member States identified core values of public service and took steps to ensure that these core values meet the changing expectations of citizens and society. Traditional values as impartiality and integrity are combined with new values such as efficiency, value for money, accountability and transparency.

Legislation on standards of behaviour as well as codes or recommendations have been issued. Communication of these values throughout the organization to inculcate ethical values and ethical standards in civil service and civil servants is part of the integrated approach that many countries adopt to deal with this issue.

Monitoring compliance and reporting, investigating and sanctioning wrongdoing, are also necessary to achieve results in this policy line.

As previously stated, the question of ethical values is at the core of public service. In 1998 OECD issued a recommendation improving ethical conduct in public service. In 2000 the above mentioned report on the theme *Trust in Government* was published. Also in 2000 the European Commission approved a Code of Good Administrative Behaviour.

I would say that this reform policy is certainly one of the long running trends in reform.

2.3 Professional civil service

Human resources management was always a topic for reform. Nobody denies that human resources management is a key element of PAR. It attracts a lot of attention because motivation of personnel is essential in order to carry through any process of change.

In the past, systems were designed in such a way that promotion policies, salary scales and salary increases could easily be applied. However these policies often tended to amount automatic career moves and promotions for civil servants. Thus this kind of policy attracted a goodly amount of criticism, facing also budgetary constraints and the requirement of meeting the criteria of the European Union Stability Pact.

Actually it happens that governments tend to adapt career systems, making them more flexible, merit oriented and closer to the private sector rules and regulations. A number of countries are now adopting position systems with an impact on the traditional statute of public servants. Rules and regulations related to control of recruitment and redundancies were approved in some countries. Pension schemes are also being revised, because of the pressure in social expenditure..

Certainly these measures seem necessary, and governments have to face a lot of social tension and conflict. Nevertheless I would say that in our Democratic systems a different challenge is facing reformers: to build up an independent and competent civil service, protected from lobbies and pressure groups while adopting a career or position system. Legislation is meant to design a civil service system that responds to the questions of equal opportunities, fair competition and merit. The training and

⁶ Trust in government : Ethics measures in OECD countries, OECD ,Paris, 2000

development of civil servants to prepare them to be professionals both fulfilling their missions and respecting their ethical standards is also at the top of the Agenda.⁷

Again, one can see that the concerns in relation to building up and improving a professional civil service are related to basic and core values of public service: equal opportunities, impartiality, integrity, legality and justice. In parallel, the question of scarcity of resources in a new demanding economic European environment with tight controls of budget deficit is always present, especially in the Euro zone.

2.4 Quality initiatives

QM is a concept that relates citizen orientation with human resources management and efficiency. It encompasses:

- Leadership
- Mission and Strategy of the organizations
- Resources
- People (internal and external clients, that is to say: civil servants and citizens and society)
- Efficiency and results

Quality management is a broad and comprehensive concept that in a certain sense can be seen as an «umbrella» of the previous trends.

The European Member States always paid attention to this theme, closely related to citizen orientation and quality of service provision.

In 1999, in Edinburgh, the informal meeting of DGs of Public Service (the so called EUPAN, European Public Administration Network) adopted the following declaration:

Every Member State has its own priorities and traditions. It would be desirable and contrary to the subsidiarity principle to try to develop a common program to meet these needs. Nevertheless the Director Generals believe that are some broad principles that can be applied to public administrations delivery across the EU. Director Generals recommend the following guiding principles (for endorsement by the Ministers) to inform the development of national programmes for improving service delivery:

- *Service providers should encourage the participation of users and transparency in public services: in consultation with users, they should set standards of service delivery and publish performance against them;*
- *Public services should review performance, provide feedback and innovate where possible, to meet the needs of citizens and business;*
- *Public services should demonstrate willingness to listen; they should consult users, and others with interests, about service delivery issues;*
- *Service providers should ensure that public services are receptive and accessible and they should offer guidance: they should make information widely available, in plain language, on the service provided;*
- *All services should have a well publicised complaints procedure, which provides the opportunity for appeal and follow-up;*
- *Public services should be delivered efficiently and economically;*
- *Where appropriate, providers should work closely together in partnership to ensure effective services for individual citizens and business;*
- *Where appropriate providers should work together at European level to ensure that best practices is shared and adopted widely where possible;*
- *Public servants should be trained appropriately to deliver service in accordance with these principles.*

⁷ Training and development is required to understand complexity and to act on behalf of public interest of our societies in a changing world. Internationalization and Europeanization of economy and society are currently demanding training domains.

Following this concrete declaration, the Ministers in the Vienna meeting (Winter of 1999) endorsed the above mentioned guiding principles and invited the DGs to develop an Assessment framework.

The actual CAF (Common Assessment Framework) was approved in the spring of 2000, during the Portuguese Presidency, and is now widely used and adopted by The European Member States.

A CAF Resource Centre was established in EIPA, Maastricht; the Innovation Public Services Group (IPSG) was set and recently, in November 2009, a European Public Sector Award (EPSA) was attributed with the active involvement of the Swedish Presidency and the European Institute of Public Administration in Maastricht.⁸

Again, quality management can be seen as a spread and recurrent long running trend in reform.

3. Strategic capacity

We have seen the context of strategic thinking, we have set what we called *an Agenda for governance in a changing world* and we have identified long running trends for reform. Let us look now at the capacities that seem to be required to develop and implement a PAR policy.

3.1 Firstly, leadership of reform:

Leadership to conduct a public management programme support is necessary. The cooperation that must be achieved between different Ministers and Departments can only become reality with top level political support and involvement.

PAR, especially when inspired by citizen orientation, is not about an isolated and central unit of reform. PAR is about all the systems in PA. Citizen orientation has to do with communication with society. Reform message and culture has to be spread out everywhere in all the Ministries and in all services and Departments having a direct interface with citizens and enterprises. Thus the reform process gains when embodied at the highest level of government: the PM or other political appointee that receives highest appreciation and regard not only from political actors, but also from PA and society.

The highest political leadership and attention influences Ministers and the Departments they lead. It also influences motivation, culture and behaviour. If initiatives are taken at the highest level they tend to be followed and implemented.

3.2. One PAR policy, one voice

Some structural solutions of reform foresee shared responsibilities between Ministers and Ministries. However, competences should be clearly defined. It matters that the innovation process (and I am not referring to the permanent human resources management follow-up and control by central institutions, namely ministries of finance) is sustained by one voice in the Council of Ministers, Parliament, Society, users participation *Fora*, trade unions, media and public administration. One voice that can disseminate the reform message but can also be the mediator, the negotiator of the process of change in different circles. A voice that can be respected when both the follow-up of reform initiatives and the assessment of progress and failures, have to be done.

3.3 High level expertise and competence

Capacities for reform lie often with a leading group of experts. Competent teams/services able to drive reform are assets and strengths for the reform process. They have different roles:

⁸ Member States had set up in 1981 the European Institute of Public Administration in Maastricht, with a view of developing training, research and consultancy in the field of Public Administration and European Affairs. EIPA is an intergovernmental organization, actually a foundation under Dutch law. The Board Members of EIPA are representatives of Member States (generally they hold the position of Director-Generals of Civil Service) and the Commission.

- Providing information to the politicians and proposing reform policies and initiatives to them;
- Stimulating and facilitating cooperation through Departments and different Sectors;
- Coordinating different initiatives;
- Maintaining the coherence of programmes and
- Finally evaluating progress and results.

One can ask where such a Team/Department should be placed within the Government's macro structure. The answer lies with the previous remarks: if leadership is assigned to a high level politician, then the team/department in charge of the reform process should report to this high level politician.

4. Institutional Drivers of reform

When speaking about *institutional drivers* I am referring to institutional variables driving change. I would identify them as :

4.1 High level political support

It may seem repetitive and redundant, but high level political support is both a strategic capacity and a driver of reform.

As previously said, the team/structure that conducts reform is more effective when reporting to a high level political appointee.

Policy formulation is easier (there are no intermediate interlocutors between services and political level), the approval is faster (especially when there is one voice to defend draft legislation, projects, measures and initiatives in the different political circles, whether they are the CM, Parliament or trade unions), respect is more easily obtained, monitoring and evaluation is more efficient as sectoral services and initiatives are scrutinized at the highest level.

4.2 Communicate with citizens and society

Reforms pay attention to the citizens and to the relationship between Citizen and State. Reforms, where introduced and enjoying political support, are primarily based on the concept that society will only view the Administration and the State in a favourable light when improvements in public service become a reality.

This major objective requires fundamental change in administrative culture and mentality, in which political leaders, decision makers, society, citizens, economic agents and public servants all have a role to play. It seems essential to attract the participation of all these groups to achieve a considerable improvement in public service.

Hence, raising public awareness of a reform can be a driver for change. Communicating progress and success to citizens, business and society can release a positive energy. Being open to listen to constraints and failures contributes to public trust, the basis for change.

Actually if the reform process is not perceived, it means that in practice it does not exist to citizens/customers. What they cannot see, they cannot understand or assess.

On the other hand the prestige of the reform and civil service depends on the way it is perceived and acknowledged by the public.

Thus, communication can be a driver for change.

4.3 .Engage civil service

Again, this may seem so obvious that it might not be necessary to mention.

Nevertheless civil servants should be for the reform, not against the reform. They are the ones that interact with citizens on a daily basis. Their openness, competence, information capacities and understanding of situations are at the forefront of the reform process. Indeed, public servants are the «faces» of the reform.

Civil service managers and senior civil servants are a privileged target group as they are in a good position to drive change.

In order to engage high civil servants and civil servants, several possibilities are available:

- Involve them in the process of change, both at central level (with the trade unions) and at local level;
- Disseminate the reform strategy;
- Communicate achievements and also constraints that have to be overcome;
- Develop a training policy Agenda that fits the reform Agenda;
- Support sectoral reform initiatives;
- Reward innovative services and civil servants.

A motivated civil service helps sustain the process of change. It brings continuity to the intuitional process of change, even when a democratic rotation in Power takes place.

5 .Brief conclusion

A lot has been said but a number of conclusions should be highlighted.

To conclude, let us focus on the question: Is there a European convergence in PAR?

OECD and European Member states have different traditions and solutions. PA is a reserve area of each Member State. Nevertheless one can see a number of trends that drive to convergence (process of becoming rather than being):

- Common pressures and constraints were acknowledged. European Public Administrations have to be prepared to deal with the new challenges of globalization, the regulating role of State, citizen orientation, scarcity of resources and NIT;
- Within the Union context, the implementation and enforcement of the EU legislation is of the utmost importance. The Lisbon Treaty takes a step forward in acknowledging the importance of the implementation capacity of each Member States' Administration, enhancing administrative cooperation. Dialogue, consensus and a culture of negotiation is part of EU heritage;
- Quality and service orientation to citizens and society is the overwhelming force to reform public management ;
- At the very core of a reliable public service are the values of impartiality, equity and justice. The added value of efficiency - the so-called *value for money* - is a new value with an ethical dimension, demanded by the better use of public resources, financed by the tax payers;
- Building up a professional civil service, competent, neutral and impartial, protected from lobbies and pressure group is still an institutional concern, present both in a career or position system.

Allow me a final personal remark: when looking at PAR overviews (this included) it often seems that reformers are seeking radical and extensive processes of change. However the answer is probably simpler than it seems. In most European countries there is no absence of *great reforms* in search of an ideal state. Nevertheless, a more modest level of approach seems to be lacking. Doing what has to be done, every day, in a simple, quiet and discreet manner, paying tribute to the traditional values of public service, in combination with a quest for efficiency and *value for money*, can also be an answer. When it comes down to it, providing what "the State can offer best: the classic virtues of security, honour, stability, and fulfilment"⁹(Dreschler, 2005).

1. ⁹ Drechsler, Wolfgang. 2005, The Re-Emergence of Weberian Public Administration after the Fall of New Public Management: the Central and Eastern European perspective. Haldskultuur, vol. 6, p. 99.

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Lisbon, 21.02.2010