

Session Notes

PUBLIC GOVERNANCE FOR INCLUSIVE GROWTH

Towards a new vision
for the public sector

Public Governance
Ministerial Meeting
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TABLE OF CONTENTS

PLENARY SESSION I	3
Why public governance for inclusive growth?	
LAB 1: VOICE	9
Engaging citizens towards inclusive growth	
Giving voice to the people... but when and to whom?	
Empowering the people... but how?	
LAB 2: DESIGN	15
Setting an inclusive growth vision	
How can policy be designed for inclusive growth?	
Moving forward to foster change	
LAB 3: DELIVERY	21
Moving beyond citizen-focused to citizen-driven public services to achieve inclusive growth	
Fulfilling the potential of public sector innovation	
Promoting an inclusive and highly skilled civil service	
LAB 4: ACCOUNTABILITY	27
Strengthening accountability through evaluation to support inclusive growth outcomes	
Achieving inclusive growth outcomes through evaluation and performance management	
Bridging the gaps to enable greater accountability	
PLENARY SESSION II	35
Setting a vision for achieving inclusive growth outcomes	
Fostering inclusive public service delivery	
Promoting accountability through a people-centred approach	
How can the OECD support this vision going forward?	



PLENARY SESSION I

Why public governance
for inclusive growth?

During the first plenary session, Ministers will be invited to share their views on how countries can strengthen public governance to achieve inclusive growth, and how countries can start designing, implementing, and evaluating policies with a new and broader focus.

Slow growth, high unemployment, widening inequalities and other scars of the economic crisis have focused the attention of policy makers on inclusive growth. A key issue is the capacity of governments to design and implement policies that can deliver stronger growth, while sharing the benefits of increased prosperity with all groups.

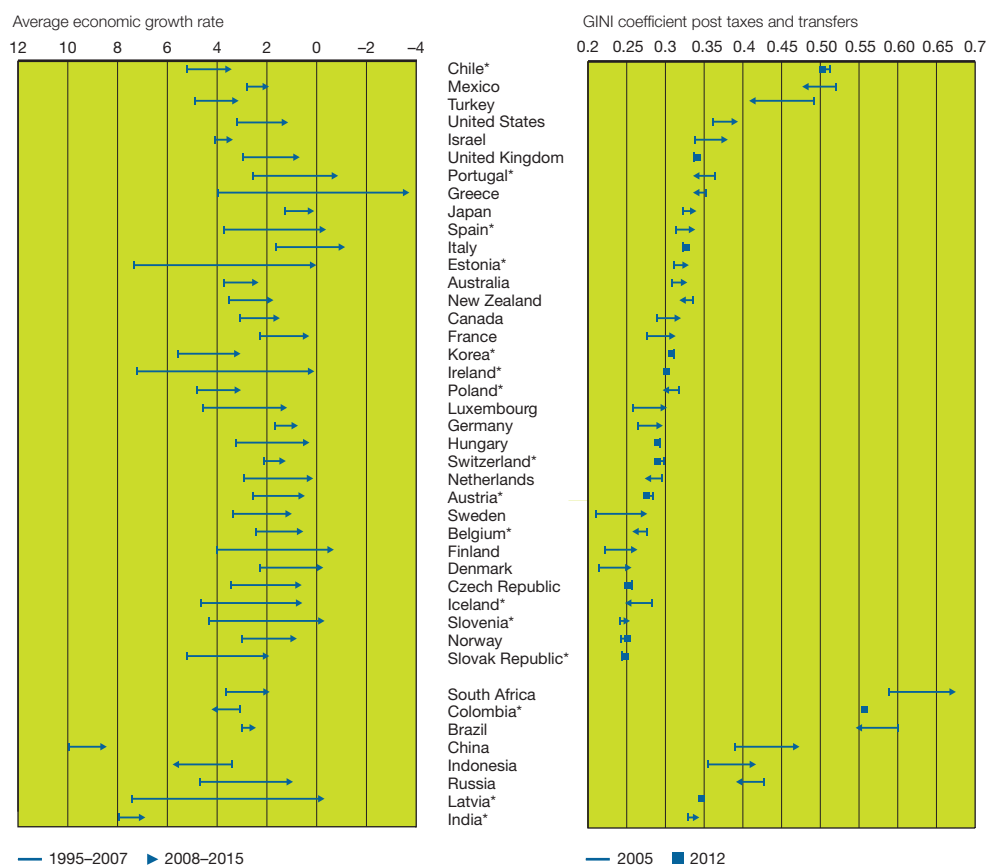
Many indicators testify to slow growth and widening inequalities in a large number of OECD countries. In 2011, the average net income of the top 10% of earners was around 10 times that of the bottom 10%, up from 7 times 30 years ago. In many OECD countries inequality is on the rise, while it has remained stable and has even been reduced in a few of them. In most OECD countries, growth has slowed significantly over the recent decade and has not returned to pre-crisis levels (Figure 1). In addition to increased income inequality, poverty is on the rise, particularly among children and youth. This has also impacted the social fabric of communities, reduced social cohesion and diminished confidence in public institutions.

To address these challenges, we need to focus not only on the “average” economic household, but also on the distribution of growth. This calls for “win-win” policies where growth and equity go hand-in-hand, producing positive outcomes for people across all groups of society. Policies should seek to improve not only income, but also inclusion and well-being. To this end, public governance will need to adopt new, innovative ways and integrated approaches to achieving multidimensional outcomes. Delivering on inclusive growth will also help governments focus on the broader challenges set by new sustainable development goals (SDGs), which call on all countries to promote social, economic and political inclusion.

ACHIEVING INCLUSIVE GROWTH: HOW CAN WE CREATE AN ENABLING INSTITUTIONAL ENVIRONMENT?

Inclusive growth policies seek to create opportunities for all segments of the population and distribute the dividends of increased prosperity, in monetary and non-monetary terms (OECD, 2014). Inclusive growth means that all people, independent of their socio-economic background, gender, place of residence or ethnic origin, are part of the growth process, and share the resulting dividends. Inequality is not just a matter of income. Employment, job satisfaction, participation in public life and health outcomes are also factors and are crucially dependent upon the delivery of accessible and responsive public services.

Figure 1. Growth slows and inequality increases in many countries after the crisis



Countries are ranked from the highest income inequality to the lowest based on the latest year available.

Inequality increases when the Gini coefficient increases.

Note: * Data on income inequalities for Austria, Belgium, Colombia, Estonia, Iceland, Ireland, Korea, Latvia, Netherlands, Poland, Portugal, Slovenia, the Slovak Republic and Spain data are for 2007, for Chile 2006, for Russia 2008 and for Switzerland 2009 rather than 1995. For the data on income inequality methodologies sometimes differ. For Brazil, China and South Africa (secondary data sources – income based), Colombia and Latvia (new income definition since 2012) and India and Indonesia (secondary data sources – consumption based). When consumption based data are under estimated. The Gini coefficient is a common measure of income inequality that scores 0 when everybody has identical incomes and 1 when all the income goes to only one person. For full figure notes see: OECD (2015), *In It Together: Why Less Inequality Benefits All*, OECD Publishing, Paris.

Source: OECD, Economic Outlook database; OECD Income Distribution Database.

The OECD approach to inclusive growth focuses on three broad elements: multidimensionality, distribution and policy impact (Figure 2).

Figure 2. What's new about inclusive growth? The OECD approach.

Which growth?

Moves beyond GDP as a measure of success, to target tangible gains in a range of outcomes that matter most to people's lives, including employment and health, among others

Places people well-being at the heart of policy making

Whose growth?

Looks beyond "the average person" to target expansion of the benefits of growth to all people equally

Makes distributional impact an explicit policy issue and objective

What outcomes?

Quantitative links between multidimensional outcomes and policy variables allow identification of synergies among policy levers and facilitates compensatory action, with mitigation to ensure inclusive growth

Requires *ex ante* assessment of trade-offs and complementarities leading to greater transparency, social dialogue and accountability in policy making

Multidimensional
(More than
income)

Distributional
(More than the
average)

Policy Relevant
(Informed decision
making)

Delivering inclusive growth will not happen in a vacuum: it is intimately related to how governments work and how policies are designed, implemented, delivered and evaluated. First and foremost, it requires inclusive institutions capable of significantly improving access to public services such as education, health, employment, social safety nets and justice. It requires giving a voice to all while paying special attention to potential gaps such as the lack of gender equality in public life. Good governance can help restore confidence in public institutions, and increase the effectiveness and impact of public spending.

To achieve inclusive growth for citizens, public governance requires a robust, joined-up approach focused on clear strategic goals and measurable outcomes. This approach needs to be applied **throughout the policy cycle**, giving citizens a **voice** in the **design** and **implementation** of public policies, including service **delivery**, and ensuring **accountability** through policy evaluation. An inclusive growth focus requires that governments address complex challenges in policy assessments *ex ante*, gauge policy impacts in new ways, and assess complementarities and trade-offs across sectors and policies.

Shifting objectives toward inclusive growth outcomes requires that governments enhance their capacity to work together within and across government. It entails developing an integrated approach to the policy cycle, where decision-making is based on high-quality information and data, and where vision, incentives and delivery mechanisms are aligned. Ultimately, institutions and governance practices need to be underpinned by openness, transparency, integrity and accountability.

Ministers will be invited to discuss what has to change so that governments can start working in an integrated fashion in the following dimensions:

Giving a VOICE

To deliver inclusive growth, governments need to better understand citizens and engage with them concerning their needs and expectations. This approach has to take into account the needs of all groups of society, and include a fair representation of both men and women. Decision-making processes should facilitate inclusive problem identification and decision making that can generate an overall vision for inclusive growth at the macro level and more effective, tailored policies at the micro level.

Getting the DESIGN right

Achieving inclusive growth will involve choosing the right instruments, aligning objectives and searching for improved coherence and co-ordination across policy areas and levels of government. This includes better understanding and forecasting demand in order to assess policy trade-offs. As highlighted in *The OECD Principles of Budgetary Governance*, budgets need to be aligned with strategic priorities. This requires maximising the value of impact assessment and evidence-based decision-making processes and connecting the *ex-ante* and *ex post* dimensions. The *OECD Regulatory Policy Outlook* assesses the recent trends in the use of the tools for regulation.

Ensuring capacity for DELIVERY

Delivering on inclusive growth objectives will depend on the delivery of public services through a coordinated approach with steering from the centre of government. Motivating the civil service and engaging civil servants is crucial in this process, involving monetary and non-monetary incentives, building skills and strengthening capacities. Mobilising innovation can help ensure that services meet real needs and are accessible across social groups and locations. This involves creating the conditions for a data-driven public administration, reinforcing information-sharing systems and platforms and building a “world-class civil service”.

Strengthening ACCOUNTABILITY

Ensuring inclusive growth requires that reliable results are generated and integrated into the policy cycle, where evaluation feeds into planning and implementation. As noted in the *OECD Regulatory Policy Outlook*, using the tools of evidence-based decision making allows governments to better assess the impacts of policies across dimensions and social groups. This means not only being able to identify what works and what does not, but also to accept failure as a step towards innovation and improvement.

Public governance has an essential role to play in delivering inclusive growth, providing an **anchor in a political and institutional environment that supports and shapes the mutually agreed outcomes**. Well-aligned co-ordination mechanisms can connect vision with action and enable the delivery of joined-up outcomes across administrative silos. Openness and accountability in decision making can help ensure that the needs and concerns of all citizens are reflected in policy decisions. Yet safeguards must also be in place to prevent policy capture. Meaningful engagement can lead to better-targeted, more effective policies and policy implementation. A policy-making process that is informed, inclusive and designed to aggregate and balance competing interests creates a solid platform for ensuring that well-being is at the heart of economic policies.

Getting the right mix of public governance mechanisms and processes to underpin inclusive growth will not be an easy task. Powerful and well-organised interests are often in favour of maintaining the status quo.

QUESTIONS FOR DISCUSSION

How can we ensure public governance addresses the complexities inherent in reconciling growth and inclusiveness?

How can we set a compelling vision for inclusive growth that guides common action across government?

How can we overcome political and institutional barriers to deliver multidimensional inclusive growth outcomes?

How can we increase citizen and business participation to enable better, more inclusive delivery of public services?

How can regulatory policy support better inclusive growth outcomes?
What are the implications of the findings of the Regulatory Policy Outlook?



LAB 1: VOICE

How can we better listen to citizens and businesses to improve public policies and services for inclusive growth?

ENGAGING CITIZENS TOWARDS INCLUSIVE GROWTH

Giving citizens a greater voice in decisions that affect their lives is essential for shaping more inclusive policies and services. A meaningful dialogue ensures that citizens' needs and priorities are taken into account from the very start of the policy cycle, and therefore better reflected in policies and services. Giving citizens a sense of ownership over policy choices affects the relationship between the state and society. This highlights the commitment of government to shared values and goals, including transparency.

Many countries are designing and implementing public sector reforms inspired by the open government principles of transparency, accountability and citizen engagement, which is the focus of the Open Government Partnership (Box 1). Enhancing citizen engagement often requires innovative public governance practices, such as participatory budgeting at the local level, the use of social media for real-time interaction, building on the more traditional social dialogue mechanisms.

Box 1. Open Government Partnership (OGP)

The Open Government Partnership (OGP) was launched in 2011 as an initiative that promotes open government policies worldwide. Since 2013, the OECD has become one of its official multilateral partners. From the initial six founding members, the OGP has grown quickly, currently including 65 member countries. Within the context of the OECD Open Government project, the OECD provides advice throughout the OGP process, from meeting the eligibility criteria to designing, implementing and evaluating OGP Action Plans. OECD recommendations and technical assistance have enabled countries to develop and implement successful national open government agendas.

<http://www.oecd.org/gov/open-government.htm>

GIVING VOICE TO THE PEOPLE... BUT WHEN AND TO WHOM?

The good news is that more governments than ever are integrating stakeholder engagement into the policy cycle, and in more innovative ways. The goal is to engage all groups of society, from a range of educational backgrounds, occupation, ages, ethnicity, abilities, gender and family status. A fair and balanced representation of men and women from different socio economic backgrounds in consultation processes contributes to better understanding the impacts. As societies become more socially, politically and culturally diverse, engaging across a wide spectrum of communities can be an important asset to achieve inclusive outcomes. It helps governments to better listen to citizens and businesses, using feedback to improve services and policies. For example, New Zealand became the first country to attempt to crowdsource citizen input into laws when its Parliament created an online “wiki” to collect citizens’ ideas on the 2008 Policing Act.

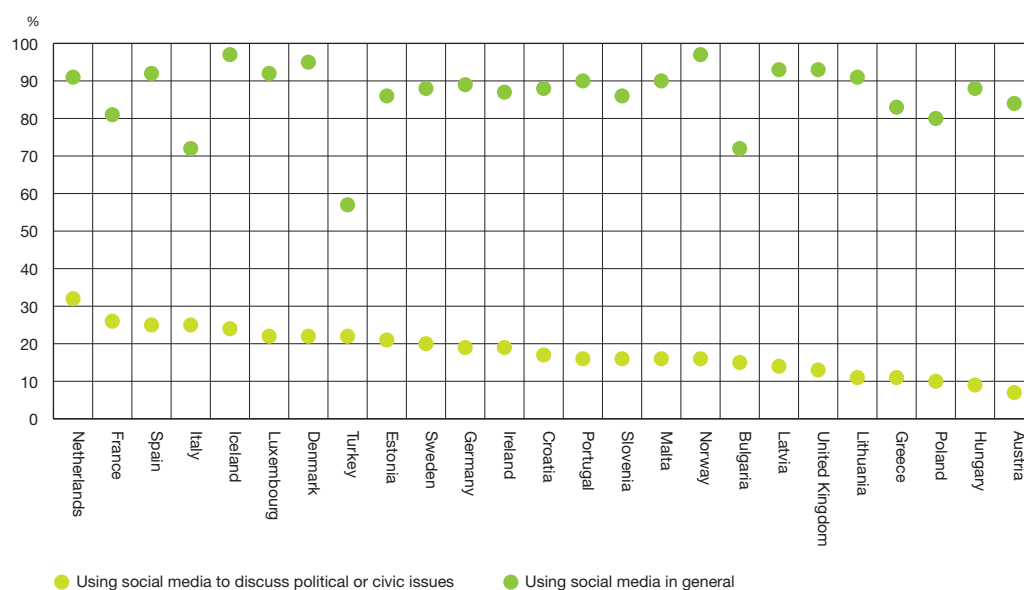
Reaching out to vulnerable groups and the excluded

Going beyond traditional consultation processes to target the “Willing but Unable” and the “Able but Unwilling” is a key lever to achieving inclusive growth objectives. Certain social groups are disadvantaged in their possibilities to participate on the grounds of social or economic backgrounds, ethnicity, cultural, gender or age factors. Similarly, striving to increase the appeal of participation for people who are able, but unwilling to participate has great potential to secure an inclusive engagement, particularly with young people who have been adversely impacted by the economic crisis.

Framing policy issues in easily accessible language and bringing the key messages to the relevant constituencies has proven effective in reaching the public. Governments can partner with civil society organisations to reach out widely. For example, the UK think tank Involve coordinates the government’s consultation with civil society on open government.

Young people appear to be particularly disengaged from public governance-related issues. While it may seem intuitive that governments use social media to engage with young people, OECD data shows that governments have had mixed success in this area. Although most young Europeans use social media, only a minority are interested in using social media to engage in political or civic issues (Figure 3). Other means need to be developed to engage young people or to frame the issues from their perspective, so that governments become more responsive.

Figure 3. Young people engage in social media, but not so much to discuss civic issues

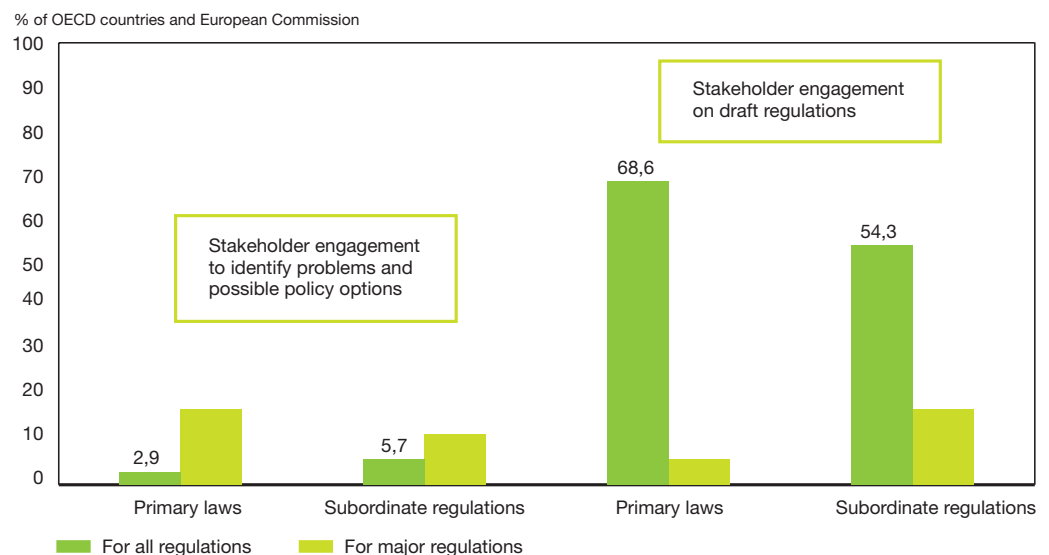


Source: OECD (2014), “Social Media Use by Governments: A Policy Primer to Discuss Trends, Identify Policy Opportunities and Guide Decision Makers”, OECD Working Papers on Public Governance, No. 26, OECD Publishing, Paris.

Giving voice to the people... but when?

The timely engagement with citizens and business is key to producing inclusive growth outcomes. Yet, evidence shows that the timeliness of the engagement of stakeholders could be improved. 32 OECD countries have introduced mechanisms for consulting parties affected by regulations. Recent data from the OECD *Regulatory Policy Outlook* finds that stakeholder engagement on regulations is often held late in the process when a draft regulation already exists, and not in the problem definition stage, when policy options are selected (Figure 4). Engagement needs to be more than simply a legal requirement: it has to be included at the start, so that it can genuinely scan for new ideas and solutions and not simply conform to decisions already taken.

Figure 4. Countries are engaging stakeholders on regulation... but only late in the process



Source: OECD (forthcoming), *Regulatory Policy Outlook* 2015.

Avoiding policy capture

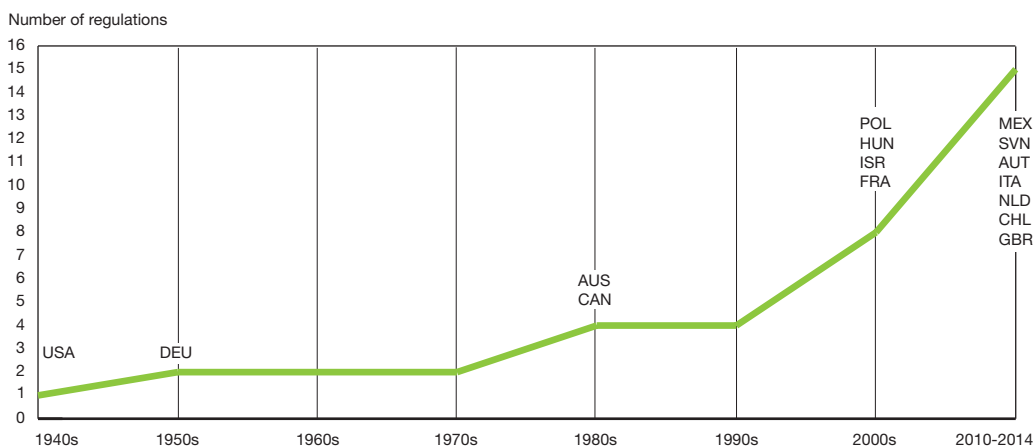
The risk of policy capture can occur when dominant specific interests prevail against the public interest and the public good suffers, diminishing policy effectiveness, social cohesion and trust. There is a risk that inequality and exclusion can result from the capture of public policies by vested interests. This can result from the direct or indirect action of powerful groups or the aggregation of similar smaller groups in specific sectors. For example, health policies, financial regulation and public procurement processes are prone to capture by powerful special interests, where unregulated lobbying practices, revolving doors with inadequate management of conflict of interest for public officials, or unbalanced financing of political parties and election campaigns exist. Still, a fruitful and open dialogue between regulators and regulated entities can result in useful expert advice. Finally, while social media also offers new opportunities for engagement, they are not immune to the risk of capture, due to issues of representativeness and transparency of the interests being voiced.

Parliaments play a critical representative role in democratic societies and legislative openness can help engage citizens.

A broad consultation process led by Parliament can provide citizens with a formal and transparent mechanism by which they can make suggestions as to policy choices and budget trade-offs. On the other hand, during the budget process, one-to-one consultations between the Ministry of Finance and interested parties can give an impression of secrecy or capture of the budget process.

Some countries have implemented policies to regulate political financing and lobbying and manage the conflict of interests of public officials that may arise. These have been effective in reducing the opportunities for capture and safeguarding the public interest. Governments can set up publicly accessible lobbying registers as platforms for managing disclosed information to increase transparency and allow greater public scrutiny. Even if an increasing number of countries have adopted such policies, for example on lobbying transparency (Figure 5), the majority of OECD countries still have to implement effective integrity policies and mechanisms to avert policy capture.

Figure 5. Regulation of lobbying is on the rise, yet still covers a minority of countries



Source: OECD (2014), *Lobbyists, Governments and Public Trust*, Volume 3: Implementing the OECD Principles for Transparency and Integrity in Lobbying, OECD, Paris.

EMPOWERING THE PEOPLE... BUT HOW?

Governments are relying on a range of approaches to engage with their citizens, for example consulting with them when developing new regulations, as illustrated in the *OECD Regulatory Policy Outlook*. More systematic approaches, such as posting draft regulations on the Internet with invitation to comment, are now more widely used. Countries are also making the most of new technologies, to bolster stakeholder engagement and allow for more meaningful participation.

Using Information and Communication Technologies (ICTs) successfully entails challenges similar to offline stakeholder engagement. Feedback must be provided to participants and diverse voices must be heard, in addition to the still problematic digital divide issue. For example, in the context of traditional engagement practices, people have to take responsibility for their comments.

LAB 1: VOICE

Multiple interactions allow diverse stakeholders to develop relationships; and information is provided to inform these interactions. In order for online engagement to achieve similar results, it needs to meet these same conditions, including the need to identify participants; develop trust through interaction; and provide information and feedback on the outcomes. For example, social media can help less organised and less established groups voice their opinions. It provides powerful, real-time opportunities for engagement and feedback. At the same time, social media can have its down sides, including the lack of transparency with respect to the identity of those using it (mandate, advocacy role, etc.) and potential conflicts of interest.

Governments will need to attract and engage all citizens using multiple channels. Potential conflicts of voice have to be managed, such as between spontaneous input from stakeholders who may be only partially representative and more established mechanisms, such as parliamentary settings or in social dialogue with stakeholders. While the latter have institutional legitimacy, they are not always exempt of representation bias, either.

To achieve genuine openness, organisational culture matters. Even though some countries have legal obligations or guidelines, engaging citizens can easily become a “tick the box” exercise. To avoid this, a culture of openness and participation is needed in public sector organisations, with commitment at the highest level. Giving citizens an opportunity to voice their point of view without providing feedback on the outcome can have adverse effects, inducing consultation fatigue and ultimately distrust.

QUESTIONS FOR DISCUSSION

How can we give voice to all and create conditions for greater engagement in policy-making and service delivery throughout the policy cycle?

How can we effectively engage with vulnerable groups and the excluded?

How can we ensure timely engagement with citizens and business?

How can we balance the influence of specific interests with that of the public to avoid the capture of policies?



LAB 2: DESIGN

How to develop policies for inclusive growth across the whole-of-government? How to choose the policy instruments?

SETTING AN INCLUSIVE GROWTH VISION

Articulating a vision to guide the policy agenda on inclusive growth is critical. Policies are developed in a complex environment with numerous stakeholders and delivery channels with increased scrutiny over government action. Governments can address this by:

- Focusing on multidimensional inclusive growth outcomes, such as the simultaneous achievement of economic growth, social wellbeing, access to education and skills development;
- Mandating cooperation across ministries to deliver inclusive growth outcomes;
- Exploiting policy complementarities arising from different parts of government to tackle priority issues;
- Ensuring that there are mechanisms in place to identify the tensions between short-and longer-term objectives;
- Evaluating policies and outcomes, learning from previous policy successes and more importantly failures that have exacerbated uneven economic rewards and disrupted societal well-being;
- Addressing trade-offs through mitigation in an equitable and just fashion;
- Seizing windows of opportunity in the short term to accelerate change.

Figure 6. The context of policy design for inclusive growth



Achieving one or several of these ambitious goals will require policy coordination and coherence in which policy-making tools and processes are brought together to enable workable solutions to the challenges faced by decision-makers. It will also require seizing windows of opportunity, keeping a strategic long-term focus while taking advantage of short-term circumstances to accelerate change. Governments can prepare for such eventualities through horizon-scanning and foresight, as well as building capacity to act on short notice.

HOW CAN POLICY BE DESIGNED FOR INCLUSIVE GROWTH?

1. Align institutions to build inclusive solutions

Most inclusive growth objectives are multi-dimensional and their successful achievement will be dependent on different institutions cooperating with each other. Ministers' leadership and commitment is critical in mobilising institutions and aligning them to find solutions together for desired objectives. Finding ways to build a coalition of problem solvers in the design phase will help to find integrated solutions and secure shared buy-in.

The Centres of Government (CoG) can be mobilised to facilitate change as they have responsibility for coordinating complex policies and national priorities and to facilitate policy making. In many countries, the CoG is the engine of policy change: it helps ensure that strategic goals are mapped onto high-level objectives and output-oriented goals for line ministries.

Another key dimension is to ensure that policy design is joined-up on the ground, where it matters for citizens. At the local level policies are mostly delivered by a mix of co-operative arrangements involving central and local government agencies. Ensuring policy coherence at all levels, from local to national, will be essential in the design and delivery of inclusive policies and services where it matters for citizens.

2. Facilitate the choice of policy instruments, including budgets and regulations, mobilising resources and public financial management tools towards complex objectives

The choice of policy instrument is essential, whether through regulation, budget expenditure, tax policy, direct program delivery or third party delivery. This calls for calibrating the need for regulation and for identifying alternatives. Budgeting is central for policy and programme coherence, forcing difficult choices as policies and programmes compete for limited funds. Through this process of instrument choice, governments must identify and weigh the trade-offs towards achieving multidimensional objectives. The use of budgets goes beyond merely setting financial allocations within broad public policy goals. Budgets can help define the right incentives for more innovative government action at the outset in the design phase of problem solving on complex issues. In response, many OECD governments have developed medium-term expenditure frameworks (MTEFs), which enable policy planners to look beyond immediate outcomes and towards broader and longer term inclusive policy goals.

3. Instilling a culture of innovation, experimentation and risk-taking

A culture of innovation and experimentation requires an acceptance of risk when trying to find solutions to complex problems. The challenges inherent in achieving broad inclusive growth outcomes require the public service to think and act differently. It requires a public sector that is willing to acknowledge it does not know what the best solution is and is willing to test ideas before developing a policy. The shift from traditional policy tools focused on drafting laws and regulations towards more innovative design tools requires a less risk-averse approach and one that is more open to innovation and experimentation.

The frequent instinct to regulate to demonstrate that action is being taken, is built on the common notion that “regulating is free” and “costless”. This can be challenged, particularly by Ministers, with broader thinking on how governments can achieve their policy objectives.

Open government data (OGD) and data analytics can further strengthen governments’ ability to mobilise evidence for policy design. The ability of the public sector to use, combine and analyse public datasets, especially with Digital Government initiatives, is improving, which should enable governments to better map and understand trends in user needs and behaviour for better policy design. Providing access to data can also release potential actors or create markets to provide solutions while governments can set the overarching frameworks, for instance search engines for the benefit of all consumers.

Public sector innovation can help governments design interventions to change behaviour in effective ways. New techniques and instruments such as behavioural insights can be used to inform policy choices. While behavioural principles have largely been used at the policy implementation phase, it has yet to be fully exploited to meet the needs of policy development at the outset. This matters for understanding important inclusive growth issues such as the impact of policies on vulnerable socio-economic groups or access to public services by these groups.

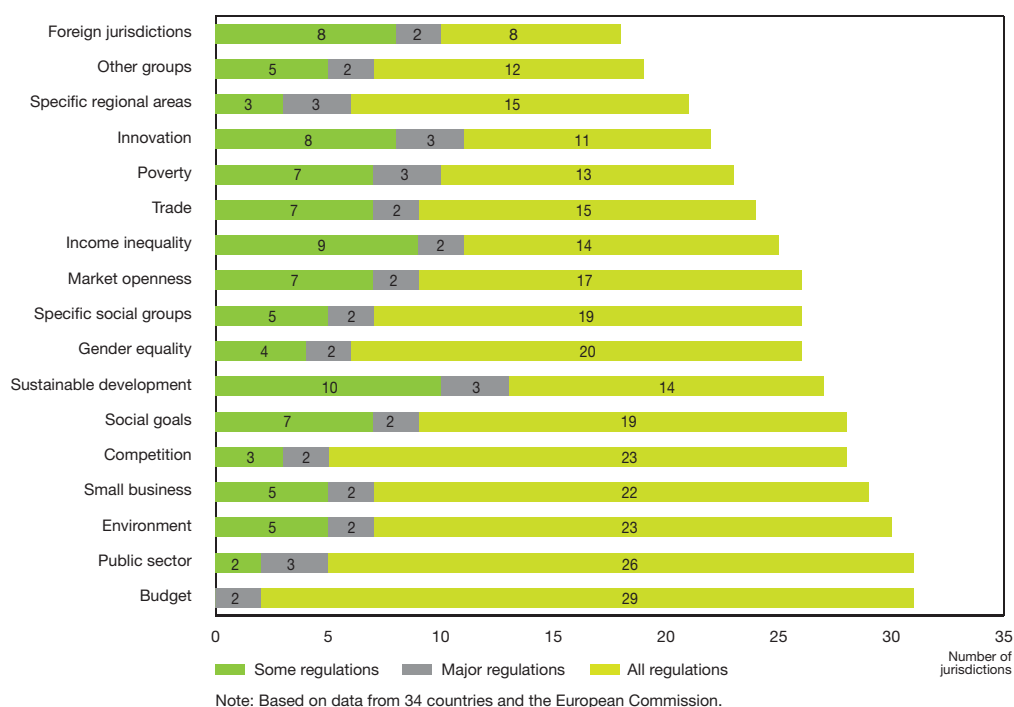
4. Assessing policies to achieve inclusive outcomes

Ex ante policy and fiscal impact assessments allow decision-makers to develop interventions based on evidence of potential consequences and feedback from those who are affected. *Ex ante* analysis of regulations and expenditures include stakeholder engagement mechanisms, value-for-money analyses, and Regulatory Impact Assessments.

The OECD Regulatory Policy Outlook shows that while impact assessment practices are in place across the OECD, their implementation and effectiveness in designing policies varies. Furthermore, data and evidence of impact on broad economic and social outcomes should be used systematically in policy development, preserving core public sector values such as fairness and inclusiveness to embed inclusive growth and enable better decision-making (Figure 7).

What’s more, the use of *ex post* performance evaluation information in the design phase of successive generations of policy and programming has decreased across the OECD. This can be of concern given that it supports better design capacity at the start of the policy cycle. There is scope for taking greater advantage of these tools to enhance the capacity of governments to explore alternate solutions for inclusive growth *before* implementing policies, laws, regulations and public spending.

Figure 7. Which impacts do governments assess for new regulations?



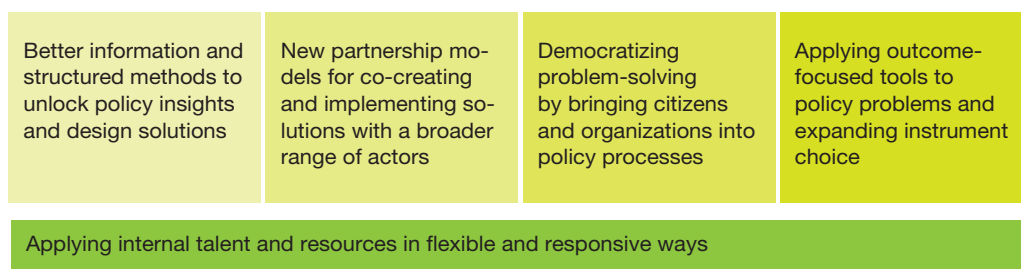
Source: OECD (forthcoming), Regulatory Policy Outlook 2015.

Note: Based on data from 34 countries and the European Commission.

MOVING FORWARD TO FOSTER CHANGE

A new emphasis is needed to leverage the full range of policy instruments and take full advantage of the new “how” of policy development (Figure 8). This entails a range of approaches, connecting several of the issues discussed in the Ministerial lab.

Figure 8. The “how” of policy innovation is becoming more important



Source: Adapted from Government of Canada Privy Council Office.

Many jurisdictions seem increasingly willing to move outside their “comfort zone” of traditional policy instruments. Governments have started to ask key questions such as “What is the evidence of the effectiveness of different policy instruments? In what context is it right to produce laws in order to deliver a policy goal? When are alternatives to regulating more efficient and effective”? For instance, in the policy debate concerning obesity, alternatives to regulation are seen as essential to tackle a very complex challenge with some evidence on impact. But the directions that are set from the onset will be instrumental in setting the path for finding solutions that support inclusive growth objectives.

Good governance can help foster new approaches to economic and social challenges, with more rapid and flexible responses in a changing environment. Being innovative and “thinking outside of the box” also requires adopting an approach of “experimenting first”. This requires the courage to accept that some risk taking is needed and failure in experimentation must not be overly sanctioned. New techniques to shorten the feedback loop and the use of data analytics will be more important in achieving this goal.

QUESTIONS FOR DISCUSSION

How can ministries work together in encouraging innovation to achieve inclusive growth outcomes?

How can policy makers enable an effective mix of policy instruments, including regulatory and budgeting processes?

Is technology a solution, a tool or a distraction? How can open data help?

What can be done to help Ministers reconcile their short-term imperatives and their longer-term stewardship role to promote inclusive growth?



LAB 3: DELIVERY

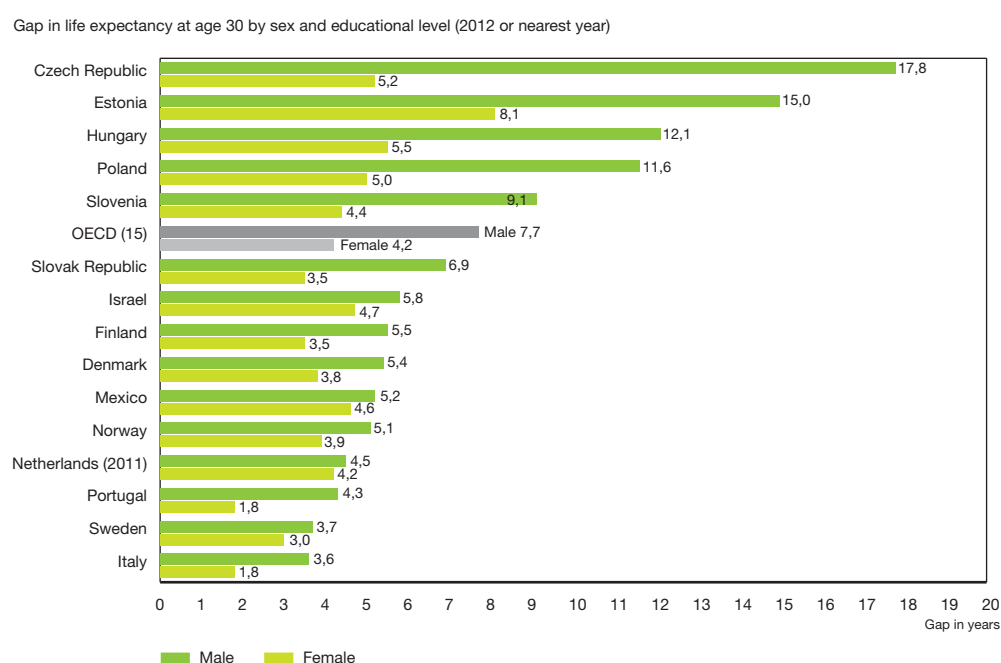
How do we improve the delivery of services for and with citizens?

MOVING BEYOND CITIZEN-FOCUSED TO CITIZEN-DRIVEN PUBLIC SERVICES TO ACHIEVE INCLUSIVE GROWTH

The capacity to deliver efficient and effective public services is critical for achieving inclusive growth outcomes. Governments can strengthen their relationship with citizens by making public services more citizen-driven and more innovative, drawing on the potential of new technologies. This will require upgrading the civil service in terms of diversity and skills, including improved proficiency in engaging with the private and third sector for co-delivery of services.

Public services such as health care and education matter for people's well-being. Citizens expect services that are more diverse, multi-faceted and personalised. However, access to public services is heavily conditioned upon socio-economic status or where people live. For instance, the most disadvantaged groups often live shorter lives and find it difficult to break away from a vicious cycle of educational underachievement, low skills and poor employment prospects. By contrast, better educated individuals enjoy better employment prospects and live longer (Figure 9).

Figure 9. Get educated and live longer: Life expectancy and educational attainment



Source: Eurostat database complemented with national data for Israel, Mexico and Netherlands.

Changing expectations and resource constraints in many countries are modifying the context for public service delivery and for policy design. Public goods are increasingly delivered through complex distributed networks of public and private actors – including through outsourcing and the setting up of agencies – where fragmentation can lead to users' needs becoming 'lost in translation'. Some providers might be interested only in delivering their piece of the puzzle rather than embracing a broader approach to creating public value in response to client needs. This reinforces the necessity to put clients in the driver's seat and to change the logic of service provision to make users part of service design from the start. This may help better take into account the geographical and socio-economic differentials that may explain poor take up of some public services.

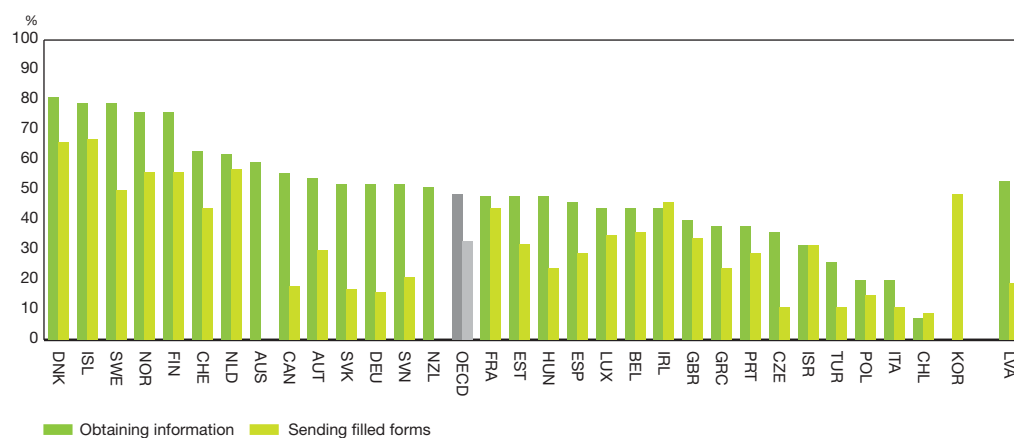
For several years, many countries have been experimenting with approaches to public services organised around the user's experience rather than around the assumptions and structures of administrations. Digital approaches are opening up new opportunities to make government not only citizen-focused but *citizen-driven*.

FULFILLING THE POTENTIAL OF PUBLIC SECTOR INNOVATION

More innovative approaches to service delivery can help maximise the access, reach and quality of public services, while empowering beneficiaries and communities. Governments will need to leverage new technologies and approaches, including social innovation, co-delivery, co-production and digital welfare, to deliver inclusive growth. The OECD's Observatory for Public Sector Innovation (OPSI) has collected and analysed numerous examples of innovation in service delivery that can help foster inclusive outcomes, either at the national or community level. Public sector innovation mobilises human, physical and technical resources, with potential for information technologies and digital channels.

The integration of technology into all aspects of life means governments have to follow suit as citizens expect to be able to manage their interactions with public services the same way they do with private sector providers and their own networks. Strategic IT investment can help promote accessibility, transparency and accountability. Governments also need to address the digital divide across age and population groups to support inclusive outcomes. They are learning to engage with NGOs, businesses and citizens to create digital government ecosystems for the provision and use of digital services. More can be done to bridge the digital divide and maximize the contribution that digital government can make to deliver inclusive growth (Figure 10).

Figure 10. Do citizens interact with public authorities over the internet?



Source: OECD, ICT Database; and Eurostat, Information Society (database). Data refers to the use of internet to interact with public authorities over the past 12 months, 2014.

Ministers can play a role in promoting the role of collaborative networks, within the public sector and with external actors, to better respond to citizens' and business needs. Digital platforms provide a means for government agencies to collaborate horizontally and with citizens to collectively respond to complex societal challenges. For example, "Faire-simple/Make it Simple" is a participatory platform created by the French Prime Minister's office that encourages citizens to contribute ideas for simplifying public services. In the US, Challenge.gov is a government-sponsored platform that allows agencies to source innovative solutions from citizens in the form of prize contests.

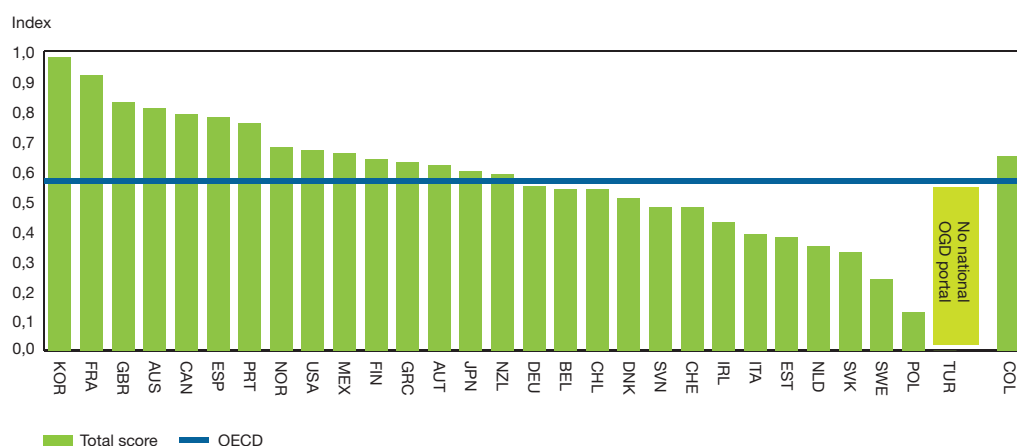
Evidence is important in achieving better service design, and in particular evidence on what works. A data-driven public sector can result in more agile service delivery as real-time feedback can inform evidence-based decision-making to drive continuous improvement. Service agility can also be facilitated by Open Government Data, which implies the openness, usefulness and reuse of public statistics and data. Open data is yet another lever for governments to support inclusive growth (Figure 11) by putting data in the hands of citizens.

Ministers can also promote public service innovation, by strengthening incentives, cutting public sector red tape, and building commitments towards innovation in the civil service at all levels. There is scope for greater acceptance of the risks involved in public innovation, by strengthening a culture of innovation and experimentation, accompanied by well-designed control mechanisms and competent protocols for experimentation.

PROMOTING AN INCLUSIVE AND HIGHLY SKILLED CIVIL SERVICE

Inclusive public sector organisations can help support inclusive growth, taking into account the composition and skill distribution of the public workforce. Diversity in terms of gender, ethnicity, disability or age, as well as knowledge and academic background, boosts performance and sends a powerful message of inclusion.

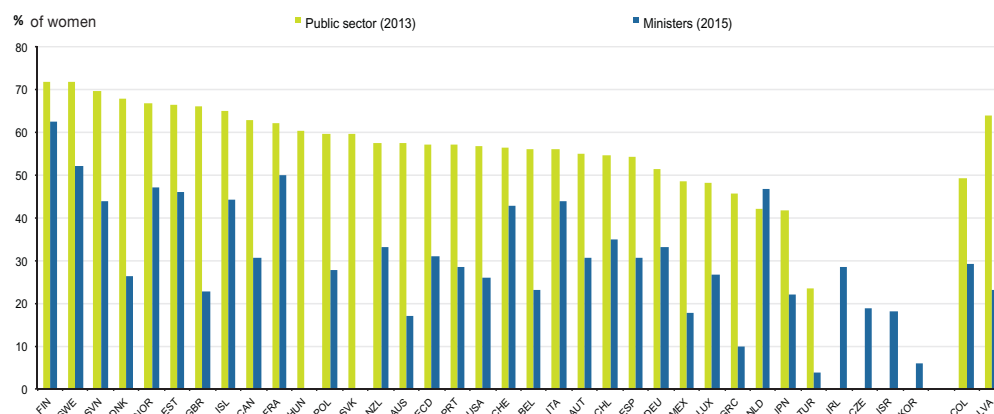
Figure 11. OURdata Index: Open, Useful, Reusable Government Data, 2014



Source: OECD Open Data in Governments Survey 2013.

Without inferring causality, countries with a greater share of women in political positions are generally found to have lower levels of inequality. While women are over represented in public sector employment, they still very much lag in parity in leadership positions, for example representing only 30% of Ministers across OECD countries. Gender equality in public life remains a challenge, and governments need to take proactive steps for real change to take root.

Figure 12. Many women in the public sector but few at the top!



Countries are ranked by the share of women in public sector employment in 2013

Note: Share of women in public sector employment: Data are for the public sector, general government and public corporations, except for Finland, the Netherlands, Turkey and the United-States (general government only) and Austria and Iceland (central government only). Data for New Zealand are expressed in full-time equivalents (FTEs). Australia, Greece, Hungary and Slovenia: 2012 instead of 2013. Austria, Denmark, Iceland, Luxembourg and New Zealand: 2011 instead of 2013. Germany, United-States: 2010 instead of 2013. Finland, Switzerland: 2008 instead of 2013. Turkey: 2006 instead of 2013. Netherlands: 2005 instead of 2013. The OECD average excludes the Czech Republic, Korea, Ireland and Israel. Source: International Labour Organization (ILO), ILOSTAT database. Data for Italy are from the National Statistical Institute and the Ministry of finance. Data for Portugal are from the Ministry of Finance. Data for Austria and Iceland are from the 2011 OECD Survey on Gender in Public Employment. Data for Ministers are as of 1st January 2015 Inter-Parliamentary Union (IPU) "Women in Politics", 2015.

Delivering inclusive services requires a broad range of skills that are not always present in government today. While many OECD countries tend to reduce the overall size of their central public administrations, investments in the civil service are needed to equip a leaner public workforce with the skills required to boost productivity and innovation. These include digital skills, data analytics and the capacity to use and interpret real-time data in policy decision-making. Management skills are also essential such as leadership, negotiation, project and people management. Investments in the right mix of people need to be matched by upgrades to civil service systems to attract, retain and nurture a highly skilled public workforce. Ministers can help to build a World Class Civil Service by ensuring that public sector resources match demand, that employees are supported to grow, and that senior managers are trusted to provide evidence-based advice. The OECD is addressing this issue along with many others through the World Class Civil Service project.

Box. 2 Building a World Class Civil Service

As quality public services are increasingly linked with citizen well-being and national competitiveness, identifying and realising the necessary features of a modern civil service are critical to ensuring the capacity to meet new policy challenges including delivering on inclusive growth. In this fast-changing world, there is a need for a new breed of civil service that is more agile, data-driven, innovative and inclusive in order to keep up with emerging technologies and managerial demands, changing citizen expectations, rapid demographic shifts and resource constraints. Countries have to identify the right skills, tools and people to achieve “world class” standards. The OECD “World Class Civil Service” project is working with participating countries to develop new evidence on civil service performance which would support countries in identifying the aspects of civil service activity which are most effective. This will allow countries to benchmark where they stand internationally, and identify the areas where they can improve. A World Class Civil Service encompasses not only a collection of individual skills, but also institutional features such as diversity in leadership and teams. It should also have the capacity to innovate, secure value for money everywhere it operates, offer world class policy advice, be open in its policy making approach and utilise digital technologies to design and deliver better public services. A world class civil service will foster more inclusive results, and provide a more balanced approach to decision making.

QUESTIONS FOR DISCUSSION

How can countries build a culture of innovation in the public sector to strengthen their capacity to deliver policies and support inclusive growth?

How can governments use technology to encourage a citizen-driven public service delivery? How can public data be mobilised to facilitate delivery, and promote a data driven public administration?

How can governments strive for more diverse and inclusive public sector institutions? How can countries strengthen better gender balance in the public sector to support inclusive growth?

How can countries improve the efficiency and effectiveness of the civil service to better respond to the needs of changing societies and economies? What would a world class civil service look like?



LAB 4: ACCOUNTABILITY

How do we know when policies work to deliver inclusive growth?
Strengthening accountability through better performance management and evaluation.

STRENGTHENING ACCOUNTABILITY THROUGH EVALUATION TO SUPPORT INCLUSIVE GROWTH OUTCOMES

Delivering against inclusive growth objectives requires assessing progress towards a range of multidimensional objectives. Against a background of tight public finances, governments need to demonstrate tangible results on inclusive growth outcomes and to meet standards of integrity. Integrating evaluation results and performance information more effectively into the policy cycle is needed to improve the design, delivery and monitoring of policies, allowing them to be better benchmarked against inclusive growth objectives. Better use of evaluation will also make the policy-making process more transparent and clarify lines of accountability. This implies mobilising performance information to monitor policy impact, adjusting or recalibrating efforts if the intended results are not met.

The challenge is to align a range of institutions producing the evidence and comparing the results *ex post* with *ex ante* assessments. Performance evaluation frameworks can indicate when the evaluation is needed; in which format it can be most effective; and by whom it is produced, so that results are robust and credible. The question is accountability for What? and to Whom? A healthy public discourse will involve many channels of evidence feeding into the policy cycle, with opportunities for stakeholders to provide feedback. This can involve parliaments, direct interventions from civil society, and active engagement through the media to highlight evidence and failures of public policy. The challenge will be to mobilise these avenues of accountability towards the achievement of inclusive growth objectives. At a political level, it is essential to frame a broad vision, to ensure that ministries can work across silos and deliver on priorities. Many countries are using Key National Indicators (KNIs) and outcome-oriented frameworks to guide priorities and help monitor implementation. These outcome indicators need to be carefully selected, accompanied by strategic objectives, delineated with sectoral targets. Timing also matters as evaluation has to feed into political action.

ACHIEVING INCLUSIVE GROWTH OUTCOMES THROUGH EVALUATION AND PERFORMANCE MANAGEMENT

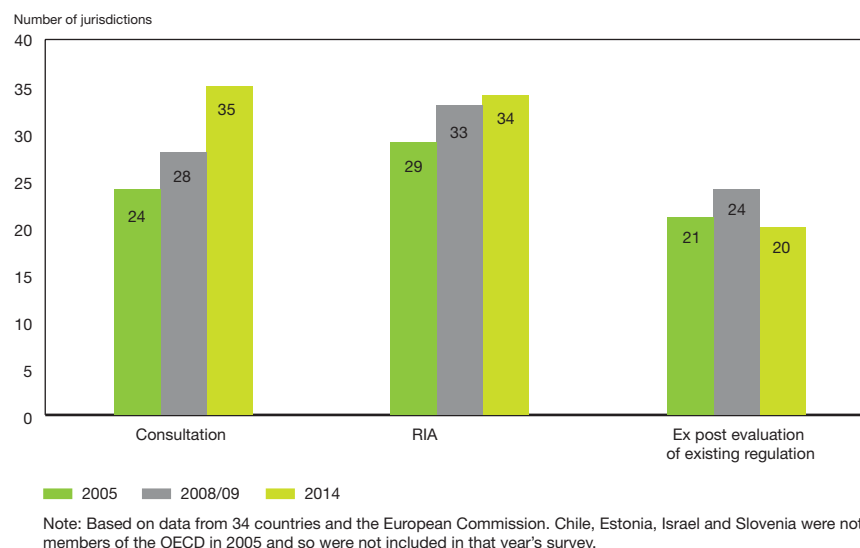
A strong focus on policy evaluation is essential to achieving strategic goals. Policy makers are interested to know what will get them to the objectives. In an ideal world, *ex ante* and *ex post* evaluation would work in tandem to provide reliable feedback into the policy cycle. However, gaps remain. For example, in the regulatory area, and as highlighted in the *OECD Regulatory Policy Outlook*, transparency and quality control remain underdeveloped for *ex ante* evaluation of regulations, even if many countries have made regulatory impact assessments (RIAs) a legal requirement. However, the perception of businesses is that gaps remain and a majority of countries across the OECD consider that complete RIAs are rarely, if ever, carried out.

Table 1. What are the tools for *ex ante* and *ex post* evaluation?

EX ANTE	Description
Regulatory Impact Assessment	Assesses the impacts of future laws and regulations against a range of intended effects (economic, costs of regulations, impacts on inclusive growth related objectives are unevenly integrated).
Budget impacts	Typical assessment of the cost of future programmes or policy measures. Often focuses on the strict public finance implications. This can include <i>ex ante</i> audit/authorization for programmes.
Modelling/Scenarios/Gap analysis	A range of analytical techniques are used in the academia, think tanks or in the public sector to assess policy impacts.
Advisory committees	In-depth, consultative reports from authoritative bodies, such as inquiry Commissions (Sweden), Productivity commission (Australia).
EX POST	Description
Performance (or VFM) audit	Targeted review, typically carried out by an internal or external audit institution, to assess whether objectives are being achieved, and/or with what levels of efficiency and effectiveness.
Programme evaluation	In-depth evaluation of a specific programme, by reference to original rationale, and effectiveness in achieving objectives, cost of delivery, alternative modalities and savings/efficiency options.
Focused policy assessment	Short, sharp evaluation focused on one or more of the criteria used in programme evaluation. Often part of a spending review.
Spending review	Large-scale re-assessment of the disposition of resources within a sector of public expenditure, by reference to new priorities and effectiveness in meeting objectives. Used to identify “fiscal space”.

Ex post evaluation has been shown to suffer from a lack of quality control and oversight. The stock of laws and regulations are piling up, without a full understanding of their related effects. This creates a patchwork of requirements that businesses and citizens must navigate.

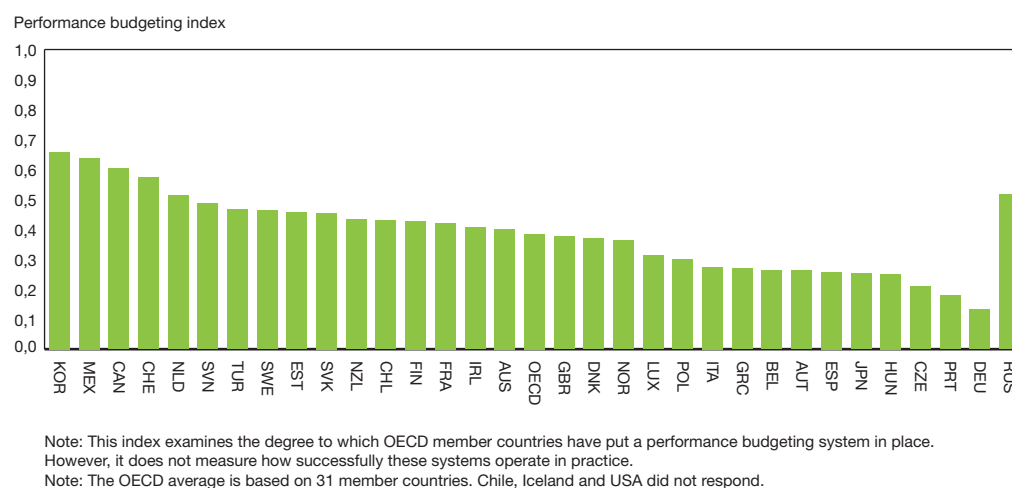
Figure 13. A greater focus on *ex ante* impact assessment and consultation for new regulations, but *ex post* evaluation still receives less attention



Source: OECD (forthcoming), Regulatory Policy Outlook 2015.

On the resource side, performance budgeting is far from universal with only about half of OECD countries reporting a central performance budgeting framework. Many countries conduct policy and programme evaluation either centrally, or in individual ministries, and also as part of broader spending reviews, but do they use the results to secure inclusive outcomes? While programme and budget policy is often subject to *ex post* evaluation performed by Supreme Audit Institutions (SAIs), these rarely connect with the *ex ante* impact assessment of budget. Ensuring the feedback loop upstream of these evaluations remains a challenge. For performance budgeting to become a successful tool, it needs to be anchored within a national performance framework where the linkages between programme outputs and policy outcomes have been tested and established.

Figure 14. To what extent are countries using performance budgeting?



Source: OECD (2014), Budgeting Practices and Procedures in OECD Countries, OECD Publishing, Paris. DOI: <http://dx.doi.org/10.1787/9789264059696-en>.

Box 3. The evolving role of Supreme Audit Institutions

Traditionally performing *ex post* audits, Supreme Audit Institutions (SAIs) in many OECD countries are evolving from their oversight role into providing insight and foresight on public policies, programmes and processes. The year-end audits and annual reports provide powerful insights into the functioning, efficiency and effectiveness of government. SAIs enjoy usually high level of trust due to their perceived independence and technical expertise, and provide a cross-cutting perspective in policy evaluation. Such external, objective evaluation often mobilises international principles, benchmarks and expertise. Challenges remain for SAIs' role to be fully effective, in terms of capacity, timeliness and recognition of their role by stakeholders. The OECD has worked with SAIs on peer reviews to strengthen their capacity and strategic role and is conducting a comparative study on SAIs.

Source: OECD (forthcoming 2015) Supreme Audit Institutions and Good Governance: Oversight, insight and foresight.

Mobilising the actors of evaluation

Performance evaluation is conducted through a range of channels, some of which are internal within ministries, others which are external, either through auditing bodies, Supreme Audit Institutions, or external assessment by academics or other experts. For example, the Australian, and the newly established New Zealand Productivity Commissions, play a critical role in supplying high quality and independent evaluations. The Centre of Government (CoG) is also instrumental in helping ministries and agencies understand and achieve government-wide outcome objectives. Ministers can rely upon the CoG and call upon co-ordinated performance evaluation as part of a set of incentives that can help achieve coherence and align government action towards strategic objectives.

Supreme Audit Institutions are another major actor, but are not always sufficiently integrated in the policy cycle despite the authority and respect that these institutions command (Box 3). The question is how to bolster public sector performance through greater collaboration between evaluation bodies and ministries. This can help assess inclusive outcomes, such as social housing.

In addition, many countries have *internal audit mechanisms*, including a Comptroller General, or General Inspectorate. While such tools can be mobilised for short- and medium-term policy considerations, unlocking the full chain of evidence remains a challenge in a context where audit is not independent from the policy-making function.

BRIDGING THE GAPS TO ENABLE GREATER ACCOUNTABILITY

The pressure to implement electoral promises during a single political mandate does not always make it easy for elected officials to adopt a systematic approach to changing old regulations or existing programmes, aside from general review policies. In the real world, financial resources are limited, reviews of programmes are costly and results take time to produce. Too many reviews can result in ‘review fatigue,’ and can impede the momentum required for the creation of new policy. The resistance to reform can also derail future evaluations.

Strengthening *ex post* evaluation remains a challenge in the public sector. Less than a third of OECD countries actually assess the achievements of objectives when conducting *ex post* evaluations of regulation. Many countries have undertaken thematic reviews on subjects such as competition or reducing administrative burdens. A broader evaluation across policy areas such as health or SMEs could prove more effective in affecting the overall impact of government intervention on inclusive growth. The lack of *ex post* evaluations on the impacts of laws and regulations and of spending programmes deprives governments of knowledge as to whether regulations and policies are achieving their intended objectives. Regulations affect markets, and the outcomes will only reveal themselves over time. New regulations will suffer from not knowing what has, or has not, worked in the past. The global nature of governance requires innovative ways to review regulations and spending, such as across jurisdictions, and through international co-operation.

Another challenge relates to the sheer amount of information governments and citizens as well as the media need to process to produce meaningful policy outcomes. There is a need to ensure that such information can be targeted and made useful for effective policy design and implementation. Promoting a culture of reliable evidence will help drive results through the public sector. Elected officials need to generate consensus on reform options amongst citizens and/or businesses to implement policies. These stakeholders will be looking towards evidence and timely evaluation that can be mobilised, whether external or internal. These evaluations must be both understood by the public, and trusted to serve as the basis for policy reform. A culture of “What works” can bridge gaps in accountability framework and offer the civil service the capacity to identify and mobilise evidence (Box 4).

Box 4. The need for a “What Works” culture

The UK What Works initiative aims to create high quality evidence for decision making supporting more effective and efficient services. Good decision making should be supported by the best available evidence on what works and what does not. The goal is to provide thorough and independently assessed evidence by collating existing information on the effectiveness of policy programmes and practices, and producing high quality synthesis reports and systematic reviews. The goal is to assess how effective policies and practices are against an agreed set of outcomes, sharing findings in an accessible way and encouraging their use throughout the policy cycle. The UK’s What Works centres have the potential to reach out both across government at local and national level, and through international networks of experts. They produce performance assessment of evidence-based policy options for policy makers.

Source: <https://www.gov.uk/guidance/what-works-network>.

Performance evaluation enhances flexibility in the public sector. It increases the capacity to adjust policy, to implement trial and error, and to apply lessons learned including from failure, helping to close the policy cycle. A culture of evaluation and adjustment will help the public sector to become more agile and to mobilise the necessary instruments available to implement public policies in an inclusive and accountable manner.

QUESTIONS FOR DISCUSSION

How can policy evaluation help to promote transparent outcomes for inclusive growth? How can we balance accountability and learning and connect the results with strategic planning and implementation?

How can governments align various institutions and actors to get the most out of evaluations and enable inclusive growth outcomes?

How can countries align budgetary, regulatory tools, performance management and public sector audit, linking *ex ante* and *ex post* evaluation to facilitate joined-up approaches to evaluation?

How can we identify what works and what does not, share the lessons across countries and move forward? How can we better communicate the results to foster inclusion?



PLENARY SESSION II

Shaping a new vision
for the public sector

SETTING A VISION FOR ACHIEVING INCLUSIVE GROWTH OUTCOMES

During the last plenary session, Ministers will be invited to share their views on how to shape a new vision for the public sector to achieve inclusive growth outcomes. They will address the challenge of moving from shared knowledge and a common agenda to concrete action. Ministers will be invited to consider the implications in terms of co-ordination and whole-of-government steering mechanisms, including budgeting, regulatory and performance management practices that can facilitate the pursuit of these outcomes. The discussions will draw on the outcomes of the labs. While the labs will offer opportunities to share concrete insights, the final plenary session will consider how the public sector needs to evolve, what needs to be done differently, and what strategies are needed to achieve inclusive growth. Ministers will be invited to identify gaps where more evidence and support could be needed to ensure public governance contributes to inclusive growth.

Achieving inclusive growth requires a forward looking vision for the public sector that needs to be broad-based and reflects the expectations and needs of all social groups. This vision must reflect political aspirations, yet be practical enough to translate into appropriate co-ordination and implementation frameworks cutting across traditional administrative silos. It needs to be supported by effective and transparent engagement with citizens. This calls for an ambitious programme to redesign the structures, tools, institutions, and capacities of the public sector to respond to the demands of the 21st century.

Delivering inclusive growth means understanding the long term impacts of current decisions across society. Better evidence will lead to better problem identification and decision making. It will empower policy makers and practitioners to make decisions based upon robust evidence of what works, and will deliver cost effective, impactful services. The focus on outcomes, often long-term, will test the management capacity of the public sector. This focus should start from the outset, reflecting the needs of all societal groups. Achieving greater gender equality in public life will be essential. These outcomes will have to be translated into actual targets that can be evaluated.

FOSTERING INCLUSIVE PUBLIC SERVICE DELIVERY

Innovation in the public sector has a critical role to play in delivering public value and renewing the public service production chain towards broad inclusive outcomes. Innovation is relevant across domains from digitalisation to public procurement, and at all levels of government. Ministers will discuss how to further advance the innovation agenda by rethinking public sector tools and institutions, drawing on the OECD Observatory of Public Sector Innovation.

A highly performing public sector, able to deliver inclusive growth and ensure effective service delivery, will require highly trained and motivated people. The session will offer an opportunity to consider options for building a world class civil service to support the vision of the public sector of the future, endowed with the right skills and managed through rigorous performance frameworks. Ministers will offer their insights on how countries can ensure that the public sector workforce can be continuously motivated and engaged. The discussions may address the need to adjust planning, budgeting and human resources in the public sector so that decisions, resources and staffing can be well aligned. Minister may address the need to preserve integrity, and public sector values, as part of the core public sector fabric. Ensuring inclusive growth concerns all aspects of public service delivery, including local public services, those for which the central state has direct responsibility as well as those that are co-created or delivered in partnership with citizens and the private and third sectors. Inclusive growth is about the citizens' experience of public services at critical moments throughout their lives. Ministers will discuss how a citizen-driven public sector focus can help ensure inclusive service delivery.

PROMOTING ACCOUNTABILITY THROUGH A PEOPLE-CENTRED APPROACH

Learning and adaptation are essential pillars of policy-making and policy implementation for inclusive growth. Evidence for decision makers comes from many sources, and these need to be well-integrated. This is particularly important in the area of better regulation where there is great potential to better connect the focus on impact assessment *ex ante*, integrating a broader range of impacts, with an understanding of their actual cumulated impacts *ex post*. Accountability should be promoted at all levels throughout the public sector to ensure transparency in decision-making. Together, stronger evidence and clearer lines of accountability can promote more inclusive policy outcomes.

Citizens expect efficient and effective policies and services. In the current context of fiscal constraints, governments are searching for examples of proven success that they can adapt and mainstream. Tools that can help identify what works and what doesn't will be invaluable to achieve public value. Empowering access to open government data can support policy evaluation and help to refine and improve systems and services. Ministers will be given opportunities to share their experience on how to strengthen evaluation and accountability to improve multi-dimensional policy outcomes.

HOW CAN THE OECD SUPPORT THIS VISION GOING FORWARD?

A Ministerial meeting is a unique opportunity to give political momentum and foster cross-national collaboration on key public sector issues, helping to shape a long-term vision for the participating public governance committees and policy communities. The OECD stands ready to support Ministers and countries in their efforts to develop and implement such a long-term vision by deepening their understanding, offering evidence and guidance on effective institutions, tools and processes.

These discussions will highlight areas where future efforts will be needed; in order to close any remaining gaps, while continuing essential work, such as supporting an evidence-based and data-driven public sector. Under the guidance of the Chair and Vice Chairs, these discussions will help to reach a broad consensus on the strategic directions that are needed to promote a new vision for the public sector. This matters for the future well-being of citizens as well as for long term economic prospects. In turn, this will support countries in building confidence in public institutions.

QUESTIONS FOR DISCUSSION

How can we shape a new forward-looking vision for the public sector in view of consolidating and strengthening confidence in public institutions?

How can we mobilise people, knowledge and evidence to foster common actions for a more sustainable and inclusive future?

How can we promote a people-centred public sector through greater accountability for results?



MINISTRY OF FINANCE