



**Public Governance and
Territorial Development Directorate (GOV)**

**Expert Group Meeting on
Strengthening Accountability and Transparency
And Fighting Corruption in the Arab Region**

Public Governance and Territorial Development
Background Document

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What is the OECD?

The Organisation for Economic Co-operation and Development (OECD) is an inter-governmental organisation founded in 1961. The aims of the OECD are to promote policies designed to:

- Achieve the highest sustainable economic growth and employment and a rising standard of living in member countries, while maintaining financial stability and thus contributing to the development of the world economy.
- Contribute to sound economic expansion in member countries as well as non-OECD economies in the process of development.
- Contribute to the expansion of world trade on a multilateral, non-discriminatory basis, in accordance with international obligations.

The OECD brings together its 30 member countries to discuss the broad policy concerns of governments, in areas such as economics, social issues, the environment, trade, education, development, science and innovation and public and corporate governance.

The OECD provides sound and objective policy analysis, and enables dialogue and peer review between member countries. Member countries share their experiences, seek answers to common problems, work to co-ordinate domestic and international policies, and engage non-member countries in constructive dialogues in an increasingly globalised world.

Promoting good public governance

Good governance is critical to long-term economic, social and environmental development. The OECD Public Governance and Territorial Development Directorate (GOV) helps member countries to achieve high standards of effective and good governance in a rapidly changing economic and social environment. It analyses how governments manage the public sector, improve service delivery and make policy implementation more coherent. GOV provides comparative data and analysis, develops recommendations on best practices, facilitates peer review, and identifies emerging challenges such as e-government. This involves promoting understanding of the dynamics of public management and territorial development policies in different societal and market conditions, with a view to the long-term interests of all citizens.

The results of this work are made available to policymakers, academics and practitioners worldwide through country studies, analytical reports and policy briefs.

Through its two Committees, specialist working groups and international symposia, GOV creates a forum for countries to exchange ideas on how to address the governance challenges they face.

GOV also works with non-member economies from all over the globe, engaging in policy dialogue and sharing each other's rich and varied policy experiences. The SIGMA programme works with European Union candidates, Western Balkan countries, Russia and Turkey. It assesses public administration reform progress and advises on improving public governance at the central government level.

Governance for functioning markets

The role of the state as a direct product and service provider and market player has been diminishing in OECD countries. At the same time, its role in setting the framework in which markets operate has become crucial.

Member countries see the quality of the regulatory framework as a key component of national competitiveness. Regulatory policies are an integral part of good governance, which includes efficient government and well-functioning markets. Quality regulations govern rights and obligations; they promote competition, open markets and social and environmental objectives. The OECD Regulatory Reform programme aims at improving the quality of regulation in member and non-member countries.

Regulatory reform operates at three levels:

- revising a single regulation;
- rebuilding an entire regulatory framework and its institutions;
- improving processes for designing regulations and managing reform.

Today, regulatory reform in OECD countries is guided by the concept of “regulatory quality,” with government taking a proactive role in establishing effective and market-oriented regulatory, competition, trade and investment regimes and institutions, as well as high standards of social and environmental protection.

To support countries in their regulatory reform efforts, the OECD has developed a programme based on four pillars: OECD policy recommendations, country reviews of regulatory reform, thematic studies and co-operation with non-members.

OECD Policy Recommendations

OECD has developed a series of policy recommendations and guiding principles to help countries advance and assess their capacities for Regulatory Reform. The 1995 Recommendation on Improving the Quality of Government Regulation established the first international standard on regulatory quality through its 10 point Reference checklist for Regulatory Decision-Making. It formally acknowledged a shift in approaches and objectives from making ad hoc improvements to regulatory structures to taking a systematic view of regulatory quality, and the means to promote and enhance it.

In May 1997, the OECD Ministerial Council endorsed the OECD Report on Regulatory Reform, expanding the content of the ‘good regulation’ principle. Ministers also requested the OECD Secretariat to conduct country reviews as a mechanism to assess countries’ efforts to implement the 1995 Recommendation.

Based on the 20 OECD country reviews and knowledge basis accumulated by OECD, a 2001 report on Regulatory Policies in OECD Countries: From Intervention to Regulatory Governance reviewed policies, institutions and tools adopted, and highlighted key drivers of reform as well as important barriers to change. The report drew out the links between elements of regulatory policy and the wider governance agenda and proposed to update and improve the 1995 Recommendation.

OECD Country Reviews of Regulatory Reform

The OECD has played a significant role in the debate, design and implementation of regulatory policies in member countries. Detailed country reviews of regulatory reform are based on self-assessment and peer review principles. Using as a benchmark the Recommendations contained in the 1997 OECD Report on Regulatory Reform, the country reviews aim at helping design and implement regulatory policies in member countries through selective deregulation, re-regulation, and building of new market institutions, and by strengthening government policy effectiveness in protecting citizens and the environment in more competitive and global markets. Each review contains chapters on the macroeconomic context and overall impact of reform; public governance; competition policy; market openness; and regulatory reform in selected sectors, such as telecommunications or energy. By the end 2003, 20 countries were reviewed (see list below). Several other Member countries have indicated their interest as candidates for review. Russia is also currently being reviewed as part of the programme of Co-operation with Non Members.

Canada (2002)	Czech Republic (2001)
Denmark (2000)	Finland (2003)
France (2003)	Germany (2003)
Greece (2001)	Hungary (2000)
Italy (2001)	Ireland (2001)
Japan (1999)	Korea (2000)
Mexico (1999)	The Netherlands (1999)
Norway (2003)	Poland (2002)
Spain (2000)	Turkey (2002)
United Kingdom (2002)	The United States (1999)

Thematic activities

The OECD has conducted work on sectoral analysis focused on emerging cross-country issues, and government capacities and tools for improving regulatory quality.

Reducing administrative burdens

Government formalities are important tools for implementing public policies in many areas such as taxation, safety and environmental protection. Administrative regulations can also create benefits for enterprises by setting level playing fields where commercial transactions can take place in a pro-competitive and low-cost environment. There is a risk, however, that administrative regulations can impede innovation or create unnecessary barriers to trade, investment and economic efficiency, and even threaten the legitimacy of regulation. Recognising these challenges, governments are increasingly focussing on reducing administrative burdens and simplifying and co-ordinating the reporting requests they impose on businesses and citizens.

Since the mid-1990s, GOV has carried out work to analyse the impact of administrative regulations and to disseminate good practices to reduce administrative burdens.

Based on a survey conducted on almost 8 000 small and medium-sized enterprises (SMEs), an OECD report assessed businesses' views on the quality, application and burdens of employment, environment, and tax regulations. The results showed that administrative compliance costs for small and medium sized businesses are substantial, accounting for 4% of the companies' annual turnover.

Furthermore, administrative compliance costs have an increasingly disproportionate impact on smaller companies.

As a follow-up to this survey, a second GOV report examines the tools employed by governments to reduce administrative burdens. It demonstrates how innovative thinking and technology are in many areas leading to more effective approaches to administrative regulation, and how administrative simplification policies are increasingly integrated into the broader regulatory reform agenda. However, the report also demonstrates that governments seldom have a detailed understanding of the administrative burdens they impose or of the cost-effectiveness of many of the tools applied.

Publications

- *Businesses' views on Red Tape: Administrative and Regulatory Burdens on Small and Medium-Sized Enterprises* (2001)
- *From Red Tape to Smart Tape – Administrative Simplification in OECD Countries* (2003)

Evaluating Regulatory Policy

As governments progress in the development of regulatory policies, there is growing attention paid to assessing the performance of regulatory tools and institutions and to evaluating the outcomes: Are regulatory objectives met? How and when do regulatory tools deliver better regulatory results? Knowing more about the effects, costs and benefits of regulatory tools will improve the basis for decision-making and for identifying trade-offs between different regulatory policy elements.

OECD/GOV has worked on evaluating regulatory policy for a number of years. In 1998 and 2000 it carried out two consecutive ***surveys of member countries' regulatory framework and capacities***. Based on the self-assessment of their compliance with "best-practices" for ensuring regulatory quality, the Secretariat developed a set of regulatory capacity indicators (*i.e.* indicators for regulatory transparency, for communication and for political commitment to regulatory reform). The findings of these surveys were integrated in the 2002 flagship report summarising the development of regulatory policies in OECD Countries (see Fact sheet 1).

Next steps are to focus more on evidence-based assessments. Evidence-based approaches to assess regulatory quality will allow for better reviews of the effectiveness of regulatory policy tools used in practice, for a review of their performance and for improving the design and implementation of the policy. Objectives of work currently planned include to:

- Establish an overview of Member countries' practices and experience with *ex post* evaluation of regulatory policies;
- Carry out selected, in-depth country studies, to serve as a guide for further analysis;
- Identify and assess promising practises and methodologies – including indicators – to assess and monitor regulatory policies;
- Propose how general frameworks and rules of best practices for the evaluation of regulatory policies can be established.

Throughout 2003 and 2004 the project could produce a number of outputs and deliverables designed to assist policy makers in evaluating regulatory policies, including case studies and expert

seminar(s). A final synthesis report summarising the results of the project and an analysis of promising practices could be released in the second part of 2004.

Independent sectoral regulators

Independent sectoral regulators are increasingly in charge of the economic regulation of sectors such as telecommunications, transport, energy, and financial services. This trend has greatly improved the institutional basis for market regulation, supporting the development of competitive markets in newly liberalised sectors. However, some regulatory governance issues merit further attention. Lack of an adequate institutional basis for regulatory oversight of key sectors – including infrastructure sectors and financial services – can blunt competition, increase market instability and delay structural reform. Setting up an effective regulatory institution requires decisions about the role and scope of authority over time, capacities and instruments for action, work methods, and relations with other institutions, particularly competition, safety, and consumer protection authorities. The larger context such as accountability mechanisms and the role of the judiciary – is also important. Sophisticated regulatory strategies and capable institutions are particularly important during the transition from monopolies and heavily regulated markets to competitive markets in infrastructure and other key sectors such as financial services.

Work on sectoral regulators was initiated by the Working Party on Regulatory Management and Reform in February 2000. This activity is also co-ordinated with a Public Governance and Territorial Development Directorate project investigating *Distributed Public Governance: Agencies Authorities and other Government Bodies* (2002), as well as with other relevant OECD directorates and bodies. The objectives of the work are to assess and highlight the links between regulatory policy performance and regulatory institutions, and to identify in a governance perspective the critical issues in institutional design relevant to sustained policy performance. This work is intended to help member countries improve the institutional basis for high quality, effective and market-oriented regulation in key economic sectors.

Work on building a ***systematic inventory*** of economic regulators and their governance structures across OECD Member countries is ongoing. As a part of the Regulatory Reform Review of Norway, a report on ***Regulators in Norway*** is to be issued. The programme of work also foresees an *Expert meeting on Institutional Changes and Regulatory Reform*. The project will conclude with a ***Flagship report on sectoral regulators*** (2004). It will synthesise, draw lessons and identify promising practices from Member country experiences with the design of sectoral regulators. ***Key Issues in the Design of Regulatory Institutions*** has been published in OECD's Journal of Budget and Management, vol. 2 no 3, 2002.

Multilevel governance

In the last decades, two conflicting trends have influenced regulatory policy decisions in most OECD countries. A greater demand for autonomy at the local level has led to the devolution of several regulatory functions to sub-national levels of government (*i.e.* municipal and regional authorities). On the other hand, the globalisation pull has required more co-ordination and harmonisation encompassing ever-wider geographical areas inducing primarily the centralisation of critical policy-making responsibilities at intergovernmental level and consequently implying new relationships between national administrations.

The dispersion of authority from central states up to supranational institutions and down to sub-national governments has effects on governance. Aligning central and sub-national regulatory policies is critical to their successful implementation. The risk exists that high quality regulation at one level

can be undermined or reversed by poor regulatory policies and practices at other levels. Furthermore, most countries have reformed mainly at the national level, and only in the last few years has progress been made towards greater regulatory co-ordination and elimination of regulatory duplication between levels of government.

The project aims to assist countries in identifying basic conditions, institutional arrangements and practices which are more likely to improve efficiency, transparency and accountability of regulatory policies across levels of government in different constitutional settings (*i.e.* federal states, national countries). In particular, the project tries to respond to two central questions: (a) what could be the best locus of regulatory powers, and (b) what could be the best practices to set up new intergovernmental relations to manage conflicts that may arise.

The project will target the following aspects:

- ***Overview of major challenges:*** identification of major background issues with respect to the assignment of regulatory powers in a multi-level context. This will include a comparative analysis of different approaches, for example, harmonisation, mutual recognition, unification and regulatory competition between jurisdictions at the same level.
- ***Insight into intergovernmental relations:*** analysis of co-ordination and co-operation schemes based on an overview of conditions and constraints with respect to relations among levels of government.
- ***Definition of principles:*** possible criteria for the implementation of the 1995 Recommendation (see Fact sheet 1).

The project will be co-ordinated with the OECD-wide programme on Fiscal Federalism and built in parallel to the Public Governance and Territorial Development Directorate (GOV) project focusing on intergovernmental fiscal relations and fostering partnership in territorial development.

Other OECD publications on regulatory reform

- *Regulatory Policies in OECD Countries – From Interventionism to Regulatory Governance* (2002)
- *The OECD Report on Regulatory Reform: Synthesis* (1997)

Co-operation with non member countries

The Regulatory Reform Outreach Programme aims at enhancing policy co-operation between member and non member countries through sharing regulatory reform experience with emerging and transition economies. Principles of regulatory quality and reform developed by OECD are thus presented to help non-member economies sustain the reform effort.

Supported by the Centre for Co-operation with non-member countries (CCNM) and voluntary contributions *the Programme* is developing under four main activities:

The APEC-OECD Co-operative Initiative on Regulatory Reform

APEC and OECD economies have embraced similar concepts of regulatory quality (see Fact sheet 1) as the foundation for further progress on regulatory reform. The 1999 APEC declaration for supporting growth through strong and open markets included *Principles to Enhance Competition and*

Regulatory Reform. The November 2000 APEC Ministerial Meeting endorsed an agreement on joint work on regulatory reform between APEC and OECD countries. The work has focused on an exchange of information on good regulatory practices and concepts established by the two organisations. As a conclusion, the High Level Conference in October 2002 launched the *Second Phase of the Initiative*. An *APEC-OECD Regulatory Checklist* to implement common principles during the 2003-2004 is currently being considered.

Regulatory Reform Review of the Russian Federation

Following an agreement reached at a *Seminar on Regulatory Management and Reform* held in Moscow (November 2001), Russia is the first OECD non-member country to undergo a Regulatory Reform Review. This review will contribute to the design and implementation of Russia's regulatory reform strategies. It will take account of the regulatory challenges faced by Russia, while retaining the benefits of benchmarking with OECD practices (see Fact sheet 2). The review was launched in January 2003 as a priority in the Russia-OECD co-operation.

The Regulatory Governance Initiative for South East Europe

The Initiative (RGI) is part of the *Investment Compact* of the *Stability Pact* - a framework agreement on international co-operation to ensure stability and growth in the countries of South East Europe (SEE). The *RGI*, launched in October 2001, aims at strengthening the institutional, knowledge and process capacities for developing and implementing efficient and effective regulation, supportive of sound and competitive markets. The RGI has been carried out through a series of meetings with the SEE governments. To assist them in the implementation of the Ministerial Declaration *Attracting Investment to South East Europe: Common Principles and Best Practices*, the OECD will help SEE countries prepare individual *Action Plans* in 2003.

Global Forum on Governance: Regulatory Governance and Open Markets.

Under the *CCNM Global Forum* umbrella, OECD organised end March 2003 a Conference on *Regulatory Governance and Open Markets*. The conference contributed to the global discussions on governance and capacity building for effective integration of international and domestic markets and to exchange of experience on the interrelationship between good regulatory policy and the successful implementation of the "Doha Development Agenda."

Towards more effective and efficient government

Efficient public sectors are crucial for economic efficiency, and they make it easier to achieve higher levels of employment and improved living standards. Member countries are seeking to adapt their governmental systems and territorial policies to respond to changing societal and market needs. Re-emerging budget deficits and ageing demographic trends call for new mechanisms for budget allocation and expenditure control. Concerns about security and skepticism of market efficiency seem to call for a stronger strategic role for central agencies.

At the same time, governments are responding to calls for greater transparency, openness and improved service delivery. Greater reliance on contractual relationships with the private sector in public sector delivery gives rise to new forms of conflict between individual private interests and public duties.

In response to these challenges, GOV provides governments with comparative information, analysis and strategic advice on e-government; anti-corruption; the budget as an instrument of whole-of-government strategy and control; and the use of performance targets and measures for budgeting, managing and accountability.

Modernising government

Modernising government to better meet a country's current and future needs is not just a matter of applying new techniques and instruments. It requires understanding of the government system as a whole and how it functions as a part of society. It requires an examination not only of deliberate reform efforts, but of attitudinal and behavioural changes, and of opportunities and risks. Governments need to develop adequate diagnostic and risk analysis tools, and to understand better how to achieve lasting beneficial changes in the behaviour and attitudes of its officials.

The OECD has launched a major review of member countries' experiences with public sector modernisation over the past two decades, to assess how public sectors can meet the needs of government in the future.

GOV will identify challenges and recommend strategies for governments adapting to modern conditions. The work will focus on systemic change in the public service from a managerial and structural perspective, and on new strategic roles and relationships of government. The review will provide new and useful insights into the overall impacts of different intervention strategies, diagnostic tools to adjust modernisation strategies to local opportunities and risks, and guidance to help governments avoid actions that will either not change behaviour at all, or change it in undesirable ways. The work will examine the strengths and weaknesses of the following "levers" of systemic change in different institutional and social settings, and how they affect government's strategic management capacities:

- Budget and accountability processes;
- Organisational structure;
- Citizen consultation and public scrutiny;
- Changes in the role and processes of the central agencies of government;
- Use of competition and partnerships;
- Changing relations between levels of government.

A series of policy briefs will be produced starting in late 2003, and a final report will be published in early 2005.

Publications:

- *Citizens as Partners: Information, Consultation and Public Participation in Policy-making* (2001)
- *Government of the Future* (2000)
- *Governance for Sustainable development: Five OECD Case Studies*

Budgeting in the public sector

Recently the OECD has undertaken critical work on the use of the national budget and financial management arrangements as a tool for system-wide change in the public sector. In modern government the budget has become the main strategic tool at the Executive's disposal, and it provides the framework through which the legislature ensures democratic oversight and accountability. It is also through the budgeting and accounting processes that results-oriented management is being introduced to the public sector.

Governing for performance. Many governments are bringing quantifiable goals and measures into their planning, budgeting, management and oversight processes in order to improve the "performance" of government. Such measures can strengthen control of aggregates, promote technical efficiency, facilitate budget re-allocation, and enhance democratic accountability. GOV aims to help governments improve their short and long-term performance and strengthen the whole-of-government approach to national policies and objectives in the budgeting, management and accounting processes. Work in this area will examine what different OECD countries have done in this area, assess the impact of this approach on public governance and management systems, and provide guidance on its future development. Building on previous work on performance, and current work on output- and outcome-oriented budgeting and management, the work will also provide new information and analysis on performance from a whole-of-government perspective.

Based on this work, GOV will develop a conceptual framework for governing for performance and a set of analytical tools and empirical comparative studies. Reviews are being carried out of selected OECD countries' budgeting systems. As of late 2003, Canada, Finland, the Netherlands, Sweden, and Brazil had been reviewed. GOV is also building an information base on the governance of public expenditure for promoting performance across levels of government. In addition, the OECD/World Bank budgeting database covers around 60 countries and examines all aspects of budgeting. It constitutes a unique and comprehensive resource for government practitioners, parliaments, academics, international organisations and non-governmental organisations. Finally, GOV will carry out analysis and a comparative overview of OECD members' experience in linking organisational and personal performance, and in the use of performance-related pay systems.

Human resources management

GOV has undertaken in-depth work on the use of new approaches to human resources management (HRM) in the public sector.

Work on changes in human resources management looks at the impact of new practices and a changing labour market and impact of new knowledge management requirements. A Survey of strategic human resources management will gather qualitative and quantitative data on HRM in the public sector. Analysis of the HRM policies and systems in all OECD countries and cross-country comparisons of governance of the civil service and reforms in this sector will enable governments in member countries to adapt their HRM strategies to a changing environment

The HRM issue that distinguishes the public sector from the private sector is that of the civil service system. Over the past two decades, OECD member countries have undertaken major changes to the way civil servants are organized and managed. Work in this area will examine major changes that have taken place in the civil service systems of OECD countries. It will cover legislative change, reforms to senior civil service, employment conditions and management change such as performance-related pay. GOV will analyse the impact of these changes on the role and public perception of the civil service in society, on the integrity and probity of public officials, and on the civil service culture itself.

A database is being developed of HRM systems including governance of civil service, institutionalised systems, motivational aspects, and recent developments. GOV also maintains a database on public sector pay and employment launched in the early 1990s.

The changing role of central agencies

In the past, modernisation efforts in OECD countries were mainly concerned with service delivery (“rowing”); now, it is clear that to adapt to new needs of society, public administrations should focus on “steering”, particularly from a whole-of-government perspective. What strategic capacity should government have in a modern society, and how do central agencies in different countries develop and/or ensure that capacity? GOV is gathering data on how the role and organisation of central government agencies responsible for policy co-ordination, budgeting and management has recently evolved in OECD countries; on how they co-ordinate their actions on strategic issues, and on the pressures for future changes countries expect to face.

Distributed public governance

"Distributed public governance" is concerned with the protection of the public interest in the increasingly wide variety of government organisational forms that we call "agencies, authorities and other government bodies." Despite their number and importance, the systems that ensure that they function in the public interest have been largely understudied.

In most countries, governments report that the creation of bodies with various degrees of separateness has been a positive experience, increasing efficiency and innovation; bringing management of services closer to citizens; allowing more effective partnerships between different levels of government; involving citizens, private sector or civil society organisations in the management of agencies.

At the same time, priorities have moved away from creating new separate bodies to the challenge of finding the right balance between accountability and autonomy, performance management, as well as strengthening the steering capacity of central ministries. The move from input management to output/outcome contract management, and "whole-of-government" issues have also arisen as crucial challenges.

OECD's work on distributed public governance aims at providing Member countries with comparative information and analysis on these new challenges.

Publication:

- *Distributed Public Governance: Agencies, Authorities and Other Government Bodies* (2002)

Building public trust: more open and accountable government

Governments need to be more open, accountable and accessible if they are to win the trust of citizens, investors and consumers. Key elements to achieve this include systematic and effective consultations with stakeholders in the policy-making process and the use of e-government to make it easier to communicate with citizens, reduce administrative barriers and increase efficiency in public service delivery. Public service codes of conduct to prevent corruption, and better management of potential conflicts of interest are also important, given the increasing links between the public and private sectors.

E-government

E-government is more about government than about “e”. Beginning with computers, and more recently the Internet, government use of ICT has increased pressure on governments to perform better and provided them with the capacity to do so. The impact of e-government at the broadest level is simply better government. E-government improves efficiency, service quality, policy effectiveness, economic policy objectives, citizen engagement and trust. E-government also can be a major contributor to reform.

A consistent theme in discussions on e-government is the need to be able to deal with continually changing pressures and opportunities -- to be proactive, rather than reactive. Increasingly, public administrations are being called upon to provide services to better meet the needs of particular user groups, with these services extending across more than one ministry or agency (i.e. a “seamless government” approach to service delivery). Such an approach, however, requires close collaboration between the different ministries and agencies, challenging conventional ways of working. The development of the Internet in particular has enhanced governments’ capacity to better focus services on specific groups of customers, and the majority of OECD countries’ e-government strategies reflect this goal.

GOV work on e-government provides specific practical guidance and examples of good practice to help member countries develop and implement e-government services. Themes covered assessing the demand for, and the costs and benefits of services; enhancing service accountability, provision of information and feedback from service users; developing collaboration across public administrations; planning for seamless government services, with a focus on “back-office” (intra-government) arrangements to improve efficiency and service delivery; strategies for skills development; and approaches to public-private partnerships.

A searchable database of e-government initiatives will be developed, and country case studies carried out. The OECD will provide practical guidance on how to enhance seamless government services and to improve service delivery.

Publications:

- *The E-Government Imperative* (2003)

- *E-Government in Finland* (2003)

Policy Briefs:

- *E-Government Main Findings*
- *The Hidden Threat to E-Government*
- *Engaging Citizens Online for Better Policy-Making*
- *E-Government: Guidelines for Leaders*

Improving accountability and preventing corruption in the public administration

Public service involves public trust. Citizens expect public servants to serve the public interest with fairness and to manage public resources properly on a daily basis. Public ethics are a prerequisite to public trust and are a keystone of good governance. The rapidly changing socio-economic environment, especially the growing demand for transparency, requires that governments review and adjust mechanisms to ensure that the actual conduct of public officials corresponds to what is expected.

The OECD has developed a comprehensive approach, in which the work on public sector ethics is an essential complement to other recent initiatives such as the OECD Convention against bribery of public officials and the OECD Principles of Corporate Governance, as an integral part of a multidisciplinary effort to promote good governance. GOV provides analyses of international trends and country solutions for preventing corruption and promoting integrity in the public sector and also facilitates the process of information-sharing and disseminating promising practices.

The 1998 OECD Recommendation on Improving Ethics in the Public Service provides a set of Principles for Managing Ethics in the Public Service that can be used as a reference to assess institutions and procedures for ensuring high standards of ethical conduct and countering corruption. The first report on the implementation of this Recommendation, entitled *Trust in Government*, contains the first-ever-comprehensive database of ethics management measures in all OECD countries, including an analysis of trends, promising practices and innovative solutions.

Where there is an increasingly close relationship between the public sector on the one hand, and the business and not-for-profit sectors on the other, there is growing concern for ensuring that the integrity of official decision-making is not improperly influenced by a public official's private interest. Reflecting this concern, the GOV has developed a set of "Guidelines for Managing Conflicts of Interest in the Public Service" to provide the first-of-its-kind international instrument for reviewing existing solutions and for modernising a country's conflict-of-interest policy for public officials. A report on Managing Conflicts of Interest provides a comparative analysis and a unique international benchmarking of laws and institutions to help governments ensure that a public official's private interest does not improperly influence the performance of official duties and responsibilities. A set of selected case studies provide in-depth analyses of institutional frameworks and mechanisms in differing jurisdictions.

Current work focuses on the effectiveness of preventive measures and corrective actions to make preventive measures actually work. It intends to help governments assess the implementation of integrity and anti-corruption policy as well as close the gap between rules and behaviour in government to further strengthen responsibility and accountability of government officials. Main themes include key legal and institutional mechanisms for direct public scrutiny by citizens and civil society organisations; the use of management policies and controls in closing the gap between rules

and behaviour and in strengthening responsibility and accountability amongst government officials; core governance arrangements for the civil service and other state organisations that promote public responsibility and accountability and that guard against corruption and bribery. Work on the governance of public/private partnerships will include a database, guidelines, and an emerging issues report to help countries face potential integrity problems and ensure the respect of public interest once public services have been outsourced.

Publications

- *Managing Conflict of Interest: OECD Guidelines and Country Experiences* (2003)
- *Public Sector Transparency and Accountability: Making It Happen* (2002)
- *Trust in Government: Ethics measures in OECD Countries* (2000)

Policy Briefs:

- *Building Public Trust: Ethics Measures in OECD Countries* (2000)

Outreach

The OECD has developed regional initiatives in partnership with interested countries and other international and regional organisations. These regional initiatives are intended to assist governments in strengthening legislation and building institutions which promote good governance, the rule of law, and transparency and integrity in business operations. The initiatives also encourage the promotion of an active civil society. The overall aim is to support non-member countries' anti-corruption efforts and to promote adherence to international standards, thus contributing to a level playing field for international business.

Territorial development

In recent years, the devolution of certain policy responsibilities has given a more important role to local and regional governments. They are increasingly solicited by their constituents to take steps to increase employment, to improve social services or to upgrade the competitiveness of local business, but often have little experience in dealing with these problems. Furthermore, the boundaries of functional local or regional economies do not always coincide with traditional administrative jurisdictions. OECD countries are turning to place-based policies that tackle the root causes of regional imbalance, by increasing the capacity of each territory to promote the use of its endogenous resources through the provision of local or locally relevant public goods.

To adapt to shared authority, central administrations have also begun to promote the formation of new structures for territorial governance by encouraging and establishing forms of vertical and/or horizontal co-ordination among the institutional parties involved. Co-operation between communities or cross-border regions and the development of horizontal partnerships between public and private actors are seen as the most effective means to address new forms of territorial development. These flexible forms of governance make it possible to exploit local synergies and, notably, to ensure continuity in infrastructure development through the sharing of public investments. They also promote efficient policies favouring economic and social integration.

The OECD's work on territorial development aims to help countries promote sustainable development and enhance competitiveness of cities and regions. It provides comparative policy analysis and benchmarking for best practices in territorial development policies.

Territorial reviews: Assessing territorial development trends and policies

Territorial reviews represent the main pragmatic tool for analysing policy innovations and governance practices by introducing a new analytical perspective centred on territories. Following a common scheme, but focusing on country-specific structural factors underlying competitiveness, territorial reviews aim at promoting the sharing of experience between countries and the formulation and diffusion of policy recommendations.

Territorial reviews identify main lessons and enhance cross-country comparability. As of late 2003, GOV had carried out reviews in 6 countries (Canada, Hungary, Italy, Korea, Mexico and Switzerland) and 11 regions: Montreal (Canada), Vienna-Bratislava (Austria-Slovak Republic), Comarcas Centrales Valencianas (Spain), Öresund (Denmark-Sweden), Helsinki (Finland), Champagne-Ardenne (France), Bergamo (Italy), Teruel (Spain), Tzoumerka (Greece), Siena (Italy).

Urban Renaissance reviews

Cities are complex structures which require imaginative thinking which goes beyond traditional political cycle; policy must be able to address the short, medium and long term in order to be truly effective. GOV's series of Urban Renaissance reviews provide a succinct and constructive intervention in the urban regeneration process, which include economic, social and environmental policies. The OECD process of international peer review presents the local context to an international audience. This provides policymakers throughout OECD countries with independent analysis of what are essentially common experiences and challenges.

As of end 2003, six cities had been reviewed in the series: Belfast, Krakow, Canberra, Glasgow, Berlin, Kitakyushu. The reviews make explicit recommendations grounded in an understanding of

local opportunities and constraints and set against examples of what has been achieved in other countries.

Multi-country analytical work

GOV also carries out analysis of multi-country cases on the development of place-based actions and trends in the governance of development policies. By synthesising the policy issues that arise from territorial innovations and by framing the policy questions that need further research, the TDPC can play a pivotal role in promoting economic research on territorial policy matters.

Past horizontal work has helped countries:

- identify the elements of growth of regions and the policies to gain the best out of the elements;
- better use information and communication technologies for sustainable regional development;
- use environmental management systems for sustainable regional development;
- improve infrastructure development policy;
- improve the sustainability of building stocks; and
- evaluate the social needs for rural regions.

Current analysis focuses on policies for competitiveness; policies for sustainable development and studies related to governance.

A permanent roundtable on policy innovations pinpoint and evaluates successes and failures in the design and implementation of policies and institutions. This annual roundtable gives countries the opportunity to discuss critical issues in regional development, to exchange information on recent structural reforms and to identify best practices.

Publications:

- *The Future of Rural Policy* (2003)
- *Information and Communications Technologies and Rural Development* (2001)
- *Territorial Outlook* (2001)
- *Cities for Citizens: Improving Metropolitan Governance* (2001)

Territorial statistics and indicators

Territorial indicators represent a fundamental tool for enhancing cross-country comparability and improve the analysis and evaluation of policies.

The OECD Territorial Database contains demographic, economic, social and institutional statistics for sub-national territorial units, necessary to implement comparative analyses on a solid ground. New regional classification systems (based on settlement patterns; industrial structure;

accessibility/distance) have been developed for the analysis of sub-national socio-economic structures and trends across OECD countries. Finally, a coherent set of territorial indicators/benchmarks helps assess the performance of regions and improve the evaluation of policy implications and effects.

Current activities include:

- *A study on the Determinants of Economic Performance in OECD regions*, which aims to identify untapped resources that can be mobilized by territorial policies in order to increase regional productivity and employment;
- *A study on Regional Disparities in OECD countries*, which will provide in-depth information on regional disparities as a tool for regional policies aimed at enhancing social cohesion within OECD countries.
- *A study on Geographic Equity in Health in OECD countries*, which compare equity in health and equalisation mechanisms across OECD countries.
- *A Regional Database on Environmental Indicators* is being developed to provide regional indicators for the assessment of the environmental impact of economic activities and the implementation of sustainable development policies.

Support for Improvement in Governance and Management in Transition Countries (SIGMA)

SIGMA is a joint initiative of OECD and the European Community, principally financed by the EC and implemented within OECD. It works in partnership with governments of: EU candidates (Bulgaria, the Czech Republic, Estonia, Hungary, Latvia, Lithuania, Poland, Romania, Slovakia, and Slovenia), Western Balkans (Albania, Bosnia-Herzegovina, Croatia, the former Yugoslav Republic of Macedonia, and the Federal Republic of Yugoslavia), Russia, and Turkey.

Its goals are EU accession for Candidate Countries and stabilisation and EU Association for Western Balkans. SIGMA works in partnership with beneficiary countries to assess reform needs and identify priorities against baselines which reflect good European practice and the *acquis communautaire*, assist decision-makers and administrations to set up organisations and procedures to meet European standards and good practice, and support assistance by Europe and donors by helping design projects, ensure pre-conditions and accompanying implementation. It also assesses country reform progress.

SIGMA's main areas of work include:

- Public service and administrative reform
- Legal framework for public administration
- Public sector financial control and external audit
- Public expenditure management
- Public procurement and concessions
- Policy capacities and regulatory management
- Management of taxation
- Management of international trade

Regional Networks

SIGMA participates in the Stability Pact and gives technical assistance, direction and advice to networks of public administration practitioners. The networks include:

- Supreme Audit Institutions (in conjunction with the European Court of Auditors)
- Financial Control Organisations (with the Commission)
- Public officials combating corruption
- Senior civil servants from the centre of government and heads of civil service
- Network of Schools and Institutes of Public Administration in Central and Eastern Europe (NISPACEE)