



Quality of Public Administration

A Toolbox for Practitioners
2017 edition

ABRIDGED VERSION

*Social
Europe*



ABRIDGED VERSION

The quality of a country's institutions, both governmental and judicial, is a key determining factor for its economic and societal well-being. Administrative capacity is increasingly recognised as a pre-requisite for delivering the EU's treaty obligations and objectives, such as creating sustainable growth and jobs, and maximising the country's benefits from EU membership. The EU supports Member States' administrations through the European Semester process, the European Structural and Investment Funds (ESIF) and many specific EU programmes. The Toolbox aims to support, guide and encourage those who want to build public administrations that will create prosperous, fair and resilient societies. It is intended as a reference and resource, not a prescription or a panacea, by signposting readers to existing EU policies and international practices, illustrated by over 220 inspirational case studies. This abridged version of the Toolbox sets the scene for readers, lays out principles and values of good governance, summarises the nine thematic chapters: policy-making, implementation and innovation; ethics, openness & anti-corruption; government structures – organisation, cooperation and coordination; organisations – managing performance, quality and people; service delivery and digitalisation; business environment; quality justice systems; public funds, procurement & EU funds management; and public administration reform – making change happen). Finally, it sets out some considerations for managing the ESIF's thematic objective 11.

The Quality of Public Administration “Toolbox” is developed on behalf of the European Commission’s Inter-service group on Public Administration Quality and Innovation.

It is based on a joint effort by the following Commission’s services: BUDG, CNECT, DEVCO, DIGIT, ECFIN, EMPL, EUROSTAT, GROW, HOME, HR, JRC, JUST, NEAR, REGIO, RTD, SG, SRSS and TAXUD.

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Foreword

The quality of a country's institutions, both governmental and judicial, is a key determining factor for its well-being. Administrative capacity is increasingly recognised as a pre-requisite for delivering the EU's treaty obligations and objectives, such as creating sustainable growth and jobs, and maximising the benefits from EU membership.

Public authorities must be able to adjust to dynamic and often disruptive changes in the economy and society. In an increasingly 'connected' but uncertain world, policies and structures that have been successful in the past might not be sufficient or appropriate to serve citizens and business in the future. The ability to reflect today's needs and to anticipate tomorrow's, agile enough to adapt, must become permanent features of the public sector. Most of all, administrations must build on a solid foundation: ethical, efficient, effective and accountable.

The EU supports Member States' administrations to become fit for the future. During the European Semester process, the European Commission reviews Member State administrations' performance and the underlying areas for improvement. The European Council adopts country-specific recommendations based on this analysis. The European Structural and Investment Funds have a dedicated thematic objective for investing in the quality and capacity of public authorities. For the 2014-2020 period, 17 Member States have been allocated EUR 4.2 billion from the *European Social Fund* and the *European Regional Development Fund* for that purpose. Many other EU programmes and initiatives support the needs for learning and development of joint solutions in specific areas such as taxation, customs, justice, eGovernment, etc. The *Structural Reform Support Programme* provides technical support for the design and delivery of institutional development measures.

The *EU Quality of Public Administration Toolbox* was first launched in April 2015 to support, guide, encourage and inspire those who want to build public administrations that will create prosperous, fair and resilient societies. The Toolbox aims to help countries with addressing country specific recommendations, and with delivering successful strategies and operational programmes. There is no panacea – one solution for all – to building quality administrations, but we have sought to capture the various dimensions and complexities and to make them easily accessible to the practitioner.

Since its first publication, the Toolbox has been widely presented and discussed with Member States, regional and local authorities, and social partners. The non-prescriptive style of the Toolbox made it especially attractive to the audience. The electronic version or individual chapters have been downloaded more than 25,000 times.

The Toolbox 2017 edition builds on user feedback and demand for more detailed information, as well as wider coverage of topics. It includes: more recent policy developments and refreshed case studies; some extra topics (such as data analytics and applying behavioural insights); greater depth in some fields of interest (such as managing integrity and corruption risk, performance management and human resources management); two additional chapters on government structures (multi-level governance) and change management; and over 50 new case studies. As before, it brings together

various EU policies and international standards that concern the quality of public administration in any country. It now illustrates the application of principles and tools with more than 220 inspiring examples from Member States and around the world. The support and collaboration of Member States for the preparation of the case studies has been most valuable to illustrate inspiration and action for building better administration around Europe.

This is not the end of the story, but rather a starting point. The Toolbox was originally assembled and published to start a dialogue and stimulate thinking. We expect it to continue to be a key instrument to manage, share and develop knowledge to enable European authorities to design and deliver quality policies and public services. We hope that you find valuable, inspirational and practical tools inside.

This is the **abridged** (short) version. The detailed chapters, including full case studies can be found here: <http://ec.europa.eu/esf/toolbox>



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The EU Quality of Public Administration Toolbox is a product of the European Commission's *Inter-service group on Public Administration Quality and Innovation*. It is the result of an active collaboration and co-production of the following Commission Services, which designed, steered and contributed to its structure and contents:

- | | |
|---|---|
| ✚ Budget (BUDG) | ✚ International Cooperation and Development (DEVCO) |
| ✚ Communications Networks, Content and Technology (CNECT) | ✚ Human Resources and Security (HR) |
| ✚ Economic and Financial Affairs (ECFIN) | ✚ Joint Research Centre (JRC) |
| ✚ Employment, Social Affairs and Inclusion (EMPL) | ✚ Justice and Consumers (JUST) |
| ✚ European Neighbourhood Policy and Enlargement Negotiations (NEAR) | ✚ Migration and Home Affairs (HOME) |
| ✚ European Statistics (EUROSTAT) | ✚ Regional and Urban Policy (REGIO) |
| ✚ Informatics (DIGIT) | ✚ Research and Innovation (RTD) |
| ✚ Internal Market, Industry, Entrepreneurship and SMEs (GROW) | ✚ Secretariat-General (SG) |
| | ✚ Structural Reform Support Service (SRSS) |
| | ✚ Taxation and Customs Union (TAXUD) |

The original Toolbox was presented and discussed in several fora and to various stakeholder audiences, including: a European Commission seminar on Modernising Public Administration; the SME Assembly; the European Network for Public Administration (EUPAN) meeting under the Italian, Latvian and Luxembourg EU Presidencies; the European Social Fund Committee; the eGovernment Expert Group; the Committee of the Regions; and European social dialogue associations (TUNED, CESI). The Toolbox content was further presented and discussed with the public administrations of Austria, Bulgaria, Greece, Italy, Romania, Slovakia and Slovenia, which helped to shape its updating by focusing on topics of interest.

The original Toolbox and its draft chapters further benefitted greatly from reviews and comments by: DG EMPL's counterparts in Member States; DG GROW's *Network of SME Envoys*; Benedict Wauters, Vladimir Kvača and the *Community of Practice for Results Based Management*; Professor Gerhard Hammerschmidt, faculty and research staff at the Hertie School of Governance in Berlin; and Professor Wouter van Dooren (University of Antwerp).

During the updating and extension of the Toolbox and the discussions with Member State administrations, special thanks should also go to the contributions / presentations of Daniëlle Bossaert (Ministère de la Fonction Publique et de la Réforme Administrative, Grand Duchy of Luxembourg), Dr. Christoph Demmke (University of Potsdam), Sarah Heywood (Public Appointments Service, Ireland), Michael Kallinger and Roland Schneider (Federal Performance Management Office, Federal Chancellery, Austria), Dr. Éva Kovács (National University for Public Service, Hungary), Albena Kuyumdzhieva (Good Governance & Anticorruption Advisor, formerly Head of Unit 'Fight against Corruption', Bulgarian Ministry of Justice), Tarmo Leppoja (State Shared Service Centre, Estonia), Fernando de Pablo Martín (formerly of the Office for the Execution of the Reform of the Administration, Spain), Frank van Massenhove (Federal Public Service of Social Security, Belgium),

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Invaluable inputs were provided by **public administrations in all 28 Member States**, especially by the 100s of key officials that took time out of their very busy schedules to review, update and expand draft materials for the Toolbox's case studies. They are too numerous to list in full here, but each of their names can be found at the end of the 'dark green' boxes of inspiring examples (see [readers' guide](#)) throughout the full e-versions of the chapters. Mention should also be made of the 22 representatives from Member State administrations, who provided feedback and some detailed suggestions on the early drafts of the original Toolbox, which was much appreciated. Special thanks go to all those who made the Toolbox possible.

The work on the Toolbox was coordinated by the European Commission's *Directorate General for Employment, Social Affairs and Inclusion*, with Florian Hauser as editor. Technical assistance to produce the Toolbox was provided by the *European Institute of Public Administration (EIPA)* and *Mackie O'Sullivan Consulting Ltd*, with Nick Thijs as the original project manager and Iain Mackie drafting the main text.

Why a Toolbox on Public Administration?

“Much more important than the size of government is its quality ... There is a very powerful correlation between the quality of government and good economic and social outcomes”. Professor Francis Fukuyama, Political Order and Political Decay, 2014.

Linking policy to funding

Given its potential contribution to economic growth, strengthening public administration is a recurring priority of the Annual Growth Survey that kicks-off each [European Semester](#) of economic policy coordination between the European Commission and Member States, and the resulting [country-specific recommendations \(CSRs\)](#) for civil and judicial administrations. In November 2016, the Commission published a series of [thematic factsheets](#) under the European Semester, including a [factsheet on quality of public administration](#).

The size, structure and scope of public institutions is unique to each country, and their architecture and organisation is a national competence. At the same time, good governance is recognisably in the interests of the EU as a whole, as well as individual Member States, to achieve maximum value from limited public funds. Without effective public administrations and high quality, efficient and independent judicial systems, the EU's *acquis* cannot be effectively implemented, the internal European market cannot be completed, and the [Europe 2020](#) goals of smart, inclusive and sustainable growth cannot be realistically achieved.

This Toolbox is intended as a reference and resource, not a prescription or a panacea, by **signposting the reader to relevant and interesting practices** - inspiring examples that are potentially transferable to their own situations - to help Member States in following up their CSRs.

The [European Structural and Investment Funds \(ESIF\) in 2014-2020](#) explicitly encourage and enable Member States to strengthen governance under the thematic objective 11: *“enhancing institutional capacity of public authorities and stakeholders and efficient public administration”*. TO11 is expected to co-fund operational programmes (OPs) in excess of €4 billion.¹ Implicit but also important support may be provided under thematic objective 2 *“enhancing access to, and use and quality of, information and communication technologies”*, as well as the other objectives, triggering reforms in the management and delivery of particular public services (for example, water and waste management under thematic objective 6, or employment and social services under thematic objectives 8 and 9).²

More specifically, institutional capacity building in the administration and judiciary under TO11 will be supported by the [European Social Fund \(ESF\)](#) and the [European Regional Development Fund \(ERDF\)](#) with the objective of creating institutions which are stable and predictable, but also flexible enough to react to the many societal challenges, open for dialogue with the public, able to introduce new policy solutions and deliver better services. The investment in the human capital of the public

¹ A summary of the operational programmes can be found at:

<http://ec.europa.eu/social/main.jsp?catId=738&langId=en&pubId=7932&type=2&furtherPubs=yes>

² Regulation (EC) 1301/2013 of the European Parliament and the Council, Article 9.

sector is oriented towards better policy making and administrative service delivery, more efficient organisational processes, modern management, and motivated and skilled civil servants and magistrates.

Potential action	Examples of coverage	Available source
Improving policy formulation and implementation	Systems and methods for evidence-based policy making, establishing forward planning and policy coordination units, tools for monitoring and evaluation, co-design and co-production mechanisms, etc.	ESF, for Member States with at least one less developed region and/or which are eligible for Cohesion Fund assistance
Developing appropriate organisational structures	Structural analysis, decentralisation, reallocation of functions, management of reforms, etc.	
Designing and implementing human resources strategies	Functional mapping and staffing analysis, training needs assessment, performance appraisal and career development methodologies	
Improving the delivery and quality of services	Reforms to reduce administrative burdens, integration of services (focus on back office), one-stop shop delivery (focus on front office)	
Skills development at all levels in administration and judiciary	Magistrates and judicial administration, traineeship programmes, coaching, mentoring, e-Learning networks,	
Developing eGovernment	Investing in electronic service delivery, interoperability, e-Procurement, e-Invoicing, e-Justice, e-Health, etc.	
Improving the interaction between institutions	Mechanisms for public participation, actions for better law implementation and enforcement, tools for increased transparency and accountability, etc.	
Enhancing the capacity of stakeholders to contribute to employment, education & social policies	Social partners and non-governmental organisations	ESF, for all Member States and regions
Developing sectorial and territorial pacts	Employment, social inclusion, health and education domains at all territorial levels.	
Strengthening administrative capacity related to the implementation of ERDF (including ETC)	Managing authorities, intermediate bodies, paying authorities, audit authorities	ERDF, where eligible
Support of actions in institutional capacity and in the efficient public administration supported by the ESF.	Where necessary, provision of equipment and infrastructure to support the modernisation of public administration.	

ESF support will focus on horizontal reforms for promotion of good governance at national, regional and local levels. Capacity-building actions might cover a single authority or several responsible for a specific field (for example, policy formulation, supervision, tax administration, etc.) in a cross-cutting approach. Other EU programmes are also applicable, such as: Connecting Europe Facility (digital), Europe for Citizens, Horizon 2020, Justice Programme, and The Rights, Equality and Citizenship Programme.

This Toolbox is intended to provide ideas for initiatives, which can help national authorities to meet the ex-ante conditionality and to implement TO11 programmes successfully with ESIF and other EU funding sources, including managing authorities, intermediate bodies and prospective beneficiaries.

The foundation of socio-economic success

With around 75 million employees, the public sector is Europe's biggest single 'industry', employing around 25% of the workforce (around 16% in central government alone) and responsible for almost 50% of GDP. Given its scale and scope, public administration – the organisation and management of publicly-funded resources – has enormous importance for the daily lives of our citizens, and the performance and prospects of our businesses.

Governance is the manner in which power is exercised in the management of a country's economic and social resources for development. Good governance is considered the ability to achieve stated policy goals, in line with the principles and values of integrity, rule of law, transparency, accountability, effectiveness and efficiency, among others.

Globally, the quality of public administration is pivotal to both economic productivity and societal well-being. There is overwhelming evidence that high income per capita economies have the most effective and efficient public institutions.³ Good governance and legal certainty are necessary for a stable business environment. It is essential that the institutions that govern economic and social interactions within a country fulfil key criteria, such as the absence of corruption, a workable approach to competition and procurement policy, an effective legal environment, and an efficient judicial system. Moreover, strengthening institutional and administrative capacity, reducing the administrative burden and improving the quality of legislation underpin structural adjustments and foster economic growth and employment.

Capacity-building that creates efficiencies in public administration can increase productivity in the whole economy, through faster procedures, improved and more accessible services, quicker start-ups, and fewer unproductive demands on existing businesses. Well-functioning institutions are a pre-condition for the successful design and implementation of policies to promote socio-economic development and to contribute to growth and employment, in line with the Europe 2020 goals.

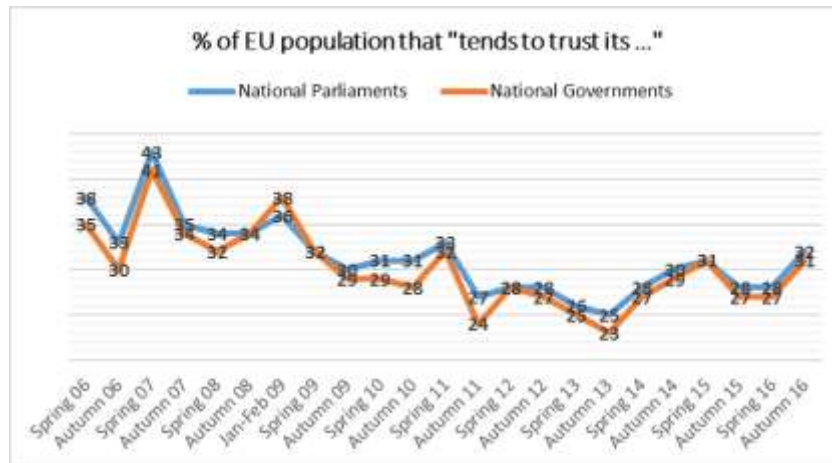
“Productivity is not simply the result of the availability of capital and technology, of differences in the skills of individual workers. In the modern world, skills can be developed everywhere, and capital and technology flow freely between countries. The economic lives of individuals are the product of the systems within which they operate. The difference between rich and poor states is the result of differences in the quality of their economic institutions”. Professor John Kay, *The Truth About Markets*, 2004.

Fundamentally, governance is based on trust: the silent covenant by which the public gives consent to civil and judicial administrations to exercise authority on their behalf. Good governance reinforces public trust. If public administrations are to fulfil their mandates effectively as the stewards of public power and resources, steering their economies towards prosperity and their people towards a

³ See Douglas North (2009), *Institutions, Institutional Change and Economic Performance*, who defines institutions as the rules and norms that humans impose on themselves to constrain their behaviour, prohibiting, permitting or requiring specific political, economic or social actions. By contrast, the [OECD's 2003 report](#) starts from the narrow North perspective, but also takes account of much broader definitions of 'institution' to include the more conventional contribution of *organisations* in the public sphere. The OECD research analysed the impact of institutions on development outcomes and found that institutions matter and have a direct impact on growth, while the [IMF's 2002 study](#) of their impact on economic development finds the *“estimated direct effect of institutions on incomes is positive and large”*.

secure and better quality of life, they need legitimacy and credibility in the eyes of the public (as citizens, voters, service users and potential entrepreneurs), existing businesses and prospective investors, and other administrations. They should be good employers, fair regulators and reliable partners.

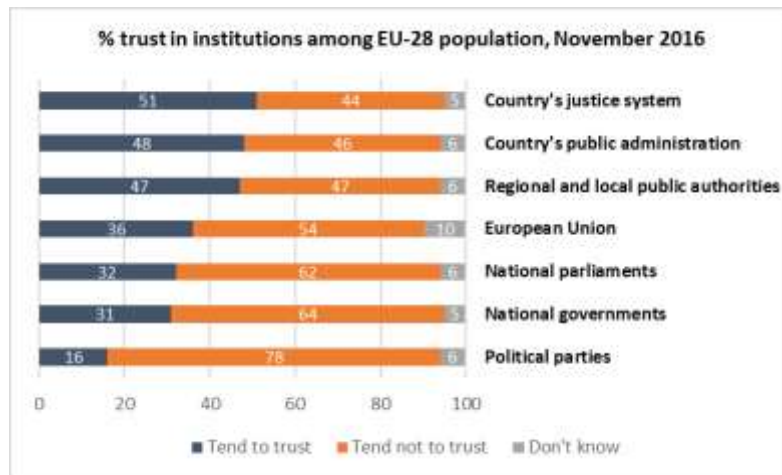
Over the last 10 years, the [Commission's Eurobarometer surveys](#) have traced a wavering but general downward trend in the public's tendency to trust its national parliaments and governments, which stood at an average of just 32% and 31% (respectively) of the EU population at November 2016. Confidence in the EU has also slipped, although from a higher base.



Trust is subjective, and can be negatively influenced by a variety of factors. Irrespective of the efforts of individual organisations and officials, perceptions can be highly corrosive if they undermine confidence in public administrations and lead citizens and businesses to turn to 'informal channels' and the 'grey economy', starving governments of much-needed revenue to pay for public services and welfare. The rise of 'anti-establishment sentiment' across Europe in opinion polls and voting patterns is an embodiment of lack of trust in established administrations. At the same time, the advent of the global financial and economic crisis may be a contributory factor in the observed fall in the 'tendency to trust', as citizens react to hard times and high unemployment across the EU, and administrations struggle to stimulate economic uplift and raise living standards.

"Nurturing trust represents an investment in economic recovery and social well-being for the future. Trust is both an input to economic reforms – necessary for the implementation of reforms – and, at the same time, an outcome of reforms, as they influence people's and organisations' attitudes and decisions relevant for economic and social well-being. As a result, trust in government by citizens and businesses is essential for effective and efficient policy making, both in good times and bad ... While trust takes time to be established, it can be lost quickly." OECD, Government at a Glance, 2013.

Trust is shaped by both expectations and experience. While there are limits to how far governments can influence aspirations in an era of 24/7 news and social media, expectations present a benchmark against which public administrations can calibrate their performance.



In this light, it is notable that confidence tends to be higher on average in regional and local authorities (46%) that are generally seen as closer to citizens and businesses. Public administrations can also build on the 'micro-level' trust in individual public services⁴, which is typically much higher than the 'macro-trust' in governments, which might explain their higher rating in the Eurobarometer survey.⁵

Gaining and retaining trust requires public administration to adhere to underlying principles, such as legality (rule of law), integrity and impartiality, and to demonstrate values such as openness, efficiency and accountability. For more details, please see the 'principles and values of good governance' section of this Toolbox, which highlights the importance of not only stating and sharing values across civil and judicial administrations at all levels, but also applying them as well.

This means **smart reform**: building strong and agile administrations that are able to understand and meet the immediate needs of citizens and business, pro-active and fit for the future, ready for the needs of both an ageing and ever more mobile society, to respond to the challenges of climate change, and to adapt to the digitalisation of virtually every aspect of our lives. Strengthening the quality of public administration requires a regular reflection on how institutions add value, as a basis for designing and delivering policies that deliver economic and social development. This implies, for example:

- ✚ Re-thinking the scope of government;
- ✚ Re-engineering administrative processes and becoming more user-centric;
- ✚ Investing in the capacity of civil servants and civil society;
- ✚ Making better use of ICT to meet the needs of an "online society"; and
- ✚ Improving the business climate by having better regulations.

⁴ See, for example, the citizen satisfaction ratings for OECD members within the EU in the [2017 Government at a Glance](#)

⁵ For more analysis of the relationships of trust between public administrations and citizens, see OECD, "[Trust in Government: Assessing the Evidence, Understanding the Policies](#)", 47th Session of the Public Governance Committee, 25-26 April 2013, GOV/PGC (2013)1.

“Public administration reform is usually thought as a means to an end, not an end in itself. To be more precise we should perhaps say that it is potentially a means to multiple ends. These include making savings in public expenditure, improving the quality of public services, making the operations of government more efficient and increasing the chances that the policies will be effective. On the way to achieving these important objectives, public management reform may also serve a number of intermediate ends, including those of strengthening the control of politicians over the bureaucracy, freeing public officials from bureaucratic constraints that inhibit their opportunities to manage and enhancing the government’s accountability to the legislature and the citizenry for its policies and programmes”. Professor Christopher Pollitt and Professor Geert Bouckaert, “Public Management Reform: A Comparative Analysis”, 2011.

There is no simple formula for improving governance. Each country and its tiers of civil and judicial administration needs to find the most suitable solutions that fit its structures and systems and the challenges it faces. Equally, there is no single ‘correct’ way to set out policy guidance on the quality of public administration.

The Toolbox aims to help Member States move **from the aspirational to the operational**: improving the quality of administration (behaviour, decisions and performance) by proposing practical techniques and tools from across and beyond the EU.

Guide for readers

This Toolbox was conceived as a helpful and practical guide for civil and judicial administrations to the challenges of good governance in a constantly changing environment. It examines the key elements of good governance and highlights positive real-world responses in Member States to dilemmas in administration, signposting the way that others may also wish to follow. This is only a summary: the **full Toolbox is available here**: <http://ec.europa.eu/esf/toolbox>.

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The Toolbox concentrates solely on the *administration* of public policy and services, including both civil and judicial systems. It is about governance as a **process**. It does not cover the specifics of individual policies or services - for example regarding education, taxation, health, customs, competition, training, etc. Policy guidance on these matters can be found in other European Commission and Member State documents.

The audience

This Toolbox is intended to benefit Member State policy-makers in public administration reform, at all levels - national, regional and local - along with managing authorities and others involved in implementing ESI Funds. At the same time, we hope that the Toolbox appeals to a wider readership among staff in public authorities and students of public administration.

The structure

To inspire reforms towards good governance and support fulfilment of the ESIF TO11 and operationalising policy ideas, we have followed a **thematic structure** in this Toolbox that should help Member States with implementing their programmes and responding to their CSRs:

- ✚ Three chapters deal with **core functions** of public administration, namely policy-making and its implementation, monitoring and evaluation ([theme 1](#)), service delivery ([theme 5](#)) and public finance management ([theme 8](#)).
- ✚ One chapter focuses specifically on the **major challenge** to good governance from ensuring ethical behaviour and tackling corruption ([theme 2](#)).
- ✚ Two chapters consider the **mechanics** of public administration, namely government structures at various levels, and their organisation, coordination and cooperation ([theme 3](#)) and managing performance, quality and people within public institutions to develop and deliver policies ([theme 4](#)).

- ✚ Two further chapters look at the **application** of good governance in policy fields that are crucial to the European Semester and CSRs, namely the business environment ([theme 6](#)) and the justice system ([theme 7](#)).
- ✚ Finally, the last chapter looks at **public administration reform** - making positive change happen ([theme 9](#)).

This structure of themes and their topics is presented in the diagram overleaf. Individual themes do not stand-alone. In the real world, the functioning of an entire administrative system is determined by effective inter-linking all elements of the policy cycle with values, people and organisation. Many topics cut across more than one theme, and hence are highlighted by [links](#) to the relevant sections of other chapters (please note, these are signposts only, not hyperlinks).

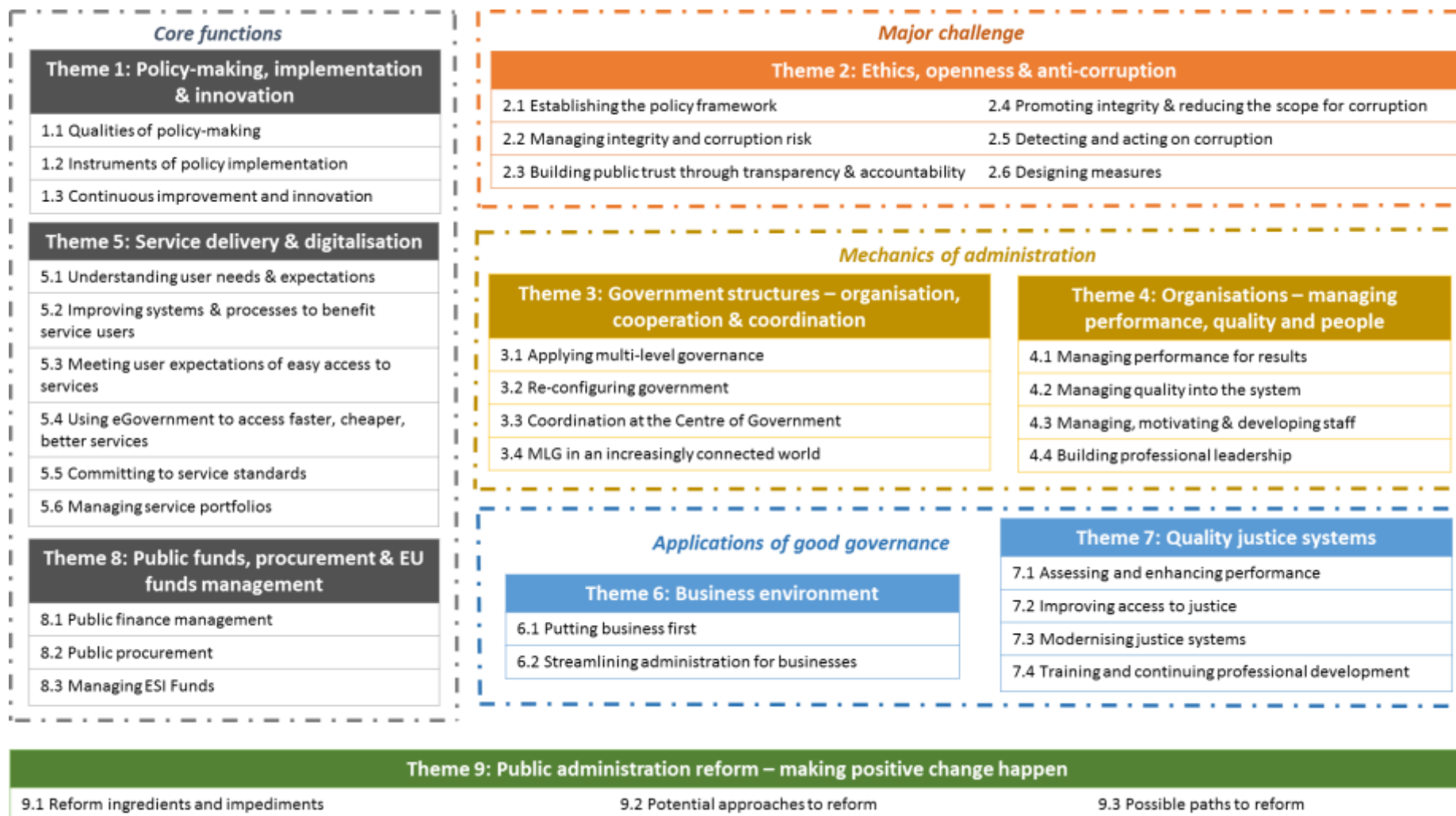
The style

The Toolbox is intended to guide the reader towards stimulating practices and useful materials that can be customised by civil and judicial administrations at all levels. Local context is critical here: every country has its own legal, institutional and cultural environment. The guide, therefore, looks to draw out underlying messages and lessons learned in a pragmatic way. It is not a detailed road map to solving all the challenges facing governments and judiciaries, nor does it present a series of instructions which, if followed, will lead to public administration nirvana. It recognises that public officials know their own systems and situations and are best placed to dip into the Toolbox and find what would work well within their administrative cultures and conditions.

What it does do, however, is bring together **in one place** three valuable sources for enhancing institutional capacity and implementing reforms in Member State administrations. These are mainly presented in colour-coded boxes (although there are also occasional references within the main text of each chapter):

- ✚ **Blue boxes**: These set out European Commission thinking, by presenting **policy and initiatives** from Directorates-General in the Inter-Service Group, namely directives, regulations, studies, reports, communications, agendas, and funding programmes.
- ✚ **Green boxes**: These contain **case studies** of countries' own experiences, and are intended to inspire ideas in readers' own Member States (see below).
- ✚ **Orange boxes**: These summarises the findings of **key studies and speeches** relevant to the topic, which the reader may find interesting in support of policy and practice in other boxes.

These are the main 'tools' in the Toolbox. The linking text between the boxes is designed to steer the reader through these materials and highlight the most interesting lessons, tips and pointer that might be transferable to their circumstances, in the context of the European Semester CSRs and the implementation of ESIF, especially under TO11. You will also find [hyperlinks](#) and ^{footnotes} throughout the chapters of the Toolbox to lead you to further information.



The case studies

Over 220 case studies form the centrepiece of the Toolbox, drawn mainly from countries across the EU: north and south, east and west. The examples used here are intended to inform and inspire, and to point towards principles and promising practices that may be capable of being adopted and adapted to your own situations. They are not claimed to be “best practice”, although many examples have been awarded honours under the [European Public Service Awards \(EPSA\)](#) and the [“Crystal Scales of Justice” Prize](#). Other sources include:

- ✚ EU-funded studies, published by the European Commission;
- ✚ Meetings of the [European Public Administration Network \(EUPAN\)](#) and the EUPAN thematic paper on enhancing institutional and administrative capacity;
- ✚ European & [Common Assessment Framework \(CAF\)](#) Public Sector Quality Conferences;
- ✚ Report published by the [Organisation for Economic Co-operation and Development \(OECD\)](#);
- ✚ Sources provided by Commission Services, their High-Level Groups and Expert Groups, and the [European Institute of Public Administration \(EIPA\)](#).

Almost all of the cases are drawn from national, regional and local administrations of the EU-28, including judiciaries, but occasionally examples are taken from the wider world that are especially illustrative.

Some of these inspiring examples (shown in **lighter green**) are taken from existing studies and practical guides, many of which have been published by the European Commission in recent years and remain just as relevant today.

Most by far (shown in **darker green**) have been prepared/updated, checked and agreed with the original sources between July and December 2014, with further updates during 2016 and 2017. These case studies include contact names and e-mails that readers can follow up for further information.

List of abbreviations

AA	Audit authority
ABR	Administrative burden reduction
ACA	Anti-corruption agency
ADR	Alternative dispute resolution
BCP	Border crossing point
BIs	Behavioural insights
CAF	Common Assessment Framework
CARDS	Community Assistance for Reconstruction, Development and Stabilisation
CBA	Cost-benefit analysis
CEPEJ	The European Commission for the Efficiency of Justice
CESI	European Confederation of Independent Trade Unions (<i>Confédération Européenne des Syndicats Indépendants</i>)
CIP	Competitiveness and Innovation Framework Programme
COG	Centre of Government
COM	European Commission
COP RBM	Community of Practice on Results Based Management
CoR	Committee of the Regions
CSO	Civil society organisation
CSR	Country-specific recommendation
CSS	Customer satisfaction survey
CV	Curriculum vitae
DG AGRI	Directorate-General for Agriculture and Rural Development
DG BUDG	Directorate-General for Budget
DG CNECT	Directorate-General for Communications Networks, Content and Technology
DG DEVCO	Directorate-General for International Cooperation and Development
DG DIGIT	Directorate-General for Informatics
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG GROW	Directorate-General for Internal Market, Industry, Entrepreneurship and SMEs
DG HOME	Directorate-General for Migration and Home Affairs
DG MARE	Directorate-General for Maritime Affairs and Fisheries
DG NEAR	Directorate-General for European Neighbourhood Policy and Enlargement Negotiations
DG REGIO	Directorate-General for Regional and Urban Policy
DG RTD	Directorate-General for Research and Innovation
DG TAXUD	Directorate-General for Taxation and Customs Union
e-	Electronic
EBRD	European Bank for Reconstruction and Development
ECA	European Court of Auditors
ECHR	European Convention on Human Rights
ECtHR	European Court of Human Rights
ECJ	European Court of Justice
EFQM	European Foundation for Quality Management
eID	Electronic identification
EIPA	European Institute of Public Administration
EIU	Economist Intelligence Unit
EJTN	European Judicial Training Network
EPSA	European Public Sector Award
EPSO	European Personnel Selection Office
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds

ESPD	European Single Procurement Document
e-TEG	e-Tendering Expert Group
eTS	Electronic trust services
EU	European Union
EUPAE	European Public Administration Employers
EUPAN	European Public Administration Network
Eurostat	The Statistical Office of the European Union
FAQ	Frequently asked question
FMC	Financial management and control
G2B	Government-to-Business
GDP	Gross Domestic Product
HLGAB	High-Level Group of Independent Stakeholders on Administrative Burdens
HR	Human resources
HRD	Human resources development
HRM	Human resources management
IA	Impact assessment
IB	Intermediate body
ICT	Information and communication technologies
ID	Identity
IFI	International financial institution
IMF	International Monetary Fund
INTOSAI	International Organisation of Supreme Audit Institutions
IPA	Instrument for Pre-accession Assistance
ISO	International Organisation for Standardisation
ISPA	Instrument for Structural Policies for Pre-Accession
IT	Information technology
JASPERS	Joint Assistance to Support Projects in European Regions
JRC	Joint Research Centre
KPIs	Key performance indicators
KW	Kilowatt
LRAs	Local and regional authorities
MA	Managing authority
MEAT	Most Economically Advantageous Tender
MLG	Multi-level governance
MP	Member of Parliament
NGO	Non-Governmental Organisation
OECD	Organisation for Economic Co-operation and Development
OLAF	European Anti-Fraud Office (<i>Office Européen de Lutte Antifraude</i>)
OP	Operational programme
OPSI	Observatory of Public Sector Innovation
OSS	One-stop shop
PBB	Performance-based budgeting
PCP	Pre-Commercial Procurement
PEFA	Public Expenditure and Financial Accountability
PFM	Public finance management
PHARE	Poland and Hungary: Assistance for Restructuring their Economies
PPI	Public Procurement of Innovative solutions
PSI	Public sector information
QMS	Quality management system
R&D	Research and development
REFIT	Regulatory Fitness and Performance Programme
SAI	Supreme audit institution
SAPARD	Special Accession Programme for Agriculture and Rural Development
SBA	Small Business Act

SCM	Standard Cost Model
SCS	Senior Civil Service
SG	Secretariat-General
SGMAP	Secrétariat Général pour la Modernisation de l'Action Publique
SGP	Stability and Growth Pact
SME	Small and medium-sized enterprise
SRSS	Structural Reform Support Service
SSO	Single sign-on
TI	Transparency International
TNA	Training needs analysis
TO	Thematic objective
TQM	Total quality management
TUNED	Trade Unions' National and European Administration Delegation
UN	United Nations
UNCAC	United Nations Convention against Corruption
UNDP	United Nations Development Programme
US	United States
VAT	Value added tax
VUCA	Volatility, Uncertainty, Complexity, Ambiguity

Principles and values of good governance

“The most important thing to remember is that you are working for the public. If you consider things from the perspective of the individual citizen, you’ll find it easier to know how to proceed and arrive at a good decision, an appropriate next step, or an approach that will engender trust.” Swedish Council for Strategic Human Resources Development, “An Introduction to Shared Values for Civil Servants”.

Public administrations exist to serve the public interest. Elected representatives are held accountable to the people for the choices they make and whether they result in better outcomes for the individual, family, community and society. But what about the public servants that advise them and administer their decisions? What governs the practical performance of public duties on a day-to-day basis? Principles and values are the foundations of good governance, shaping behaviour in public administration, and set a clear direction - but only if accepted, adopted and applied.

“Values are essential components of organisational culture and instrumental in determining, guiding and informing behaviour. For bureaucracies, adherence to high-level public service values can generate substantial public trust and confidence. Conversely, weak application of values or promotion of inappropriate values can lead to reductions in these essential elements of democratic governance, as well as to ethical and decision-making dilemmas.” Ireland’s Committee for Public Management Research.

What do we mean by ‘principles’ and ‘values’?

The terms are often used interchangeably by administrations, but for the purposes of this Toolbox, we make the distinction in terms of durability:

- ✚ **Principles should be fundamental and enduring.** An example is *honesty*, which should apply to all public officials, irrespective of time or place. In some cases, principles are adopted in laws or regulations, as rights or obligations on the administration, including in the form of civil service acts.
- ✚ **Values may also be constant, but equally can emerge and evolve over time as conditions change.** They might appear to be timeless, but can arise as a product of circumstance, such as *transparency* which is a relatively recently phenomenon.

All principles are also values, but not all values become established as principles. Moreover, the emphasis given to specific values can shift over time as the context changes, as illustrated by the rise of *accountability* (to the public) now that administrations are well connected to voters through the (social) media and the premium placed by austerity measures on *efficiency*. Values can also be inter-linked and inter-dependent. Some administrations focus on *integrity*, usually in the form of codes of ethics or codes of conduct. But administrations are not just about ‘doing the right thing’ or avoiding conflicts of interest. There are many other aspects of good governance which are equally essential, in the public administration’s role as custodian, regulator, employer and facilitator.



The value of stating and sharing values

Every administration operates with its own set of values, whether implicit or explicit, which reveal themselves in the daily delivery of public policies and services:

- ✚ In those public administrations that **do not acknowledge their existence**, these values can be said to be the aggregation of every official's personal conduct and performance, which runs the risk of inconsistency in making decisions, spelling uncertainty for citizens and business, and instability for economy and society.
- ✚ In others, principles and values are given a **focus, structure and visibility** by codifying them so that they are common, not personal. Such administrations usually ensure that all public servants are aware and follow them through high-level statements and codes, sometimes backed up with training workshops or staff discussions, and possibly also supervisory mechanisms to hold officials to these value systems. Value sets should be capable of surviving changes of government.

Inspiring examples: Sweden's Shared Values for Civil Servants, UK's Principles of Good Government

An amalgam of European principles and values

Good governance starts with an agreed set of principles and values widely shared. There is no 'right' or 'wrong' formulation: each administration has its own typology and terminology, but there are recurring themes. A consensus view of modern public administration can be summarised in 15 values, with alternative or related terms in *italics* (for details, see the **full e-version of the Toolbox**):

Value	Description
Legality	Good governance starts with applying the rule of law. In the context of fiscal governance, legality is also referred to as regularity.
Integrity	Good governance goes beyond legal constraints, it means doing the right thing - ensuring the administration is trustworthy and a reliable partner to business. Individual ethics and honesty are integral elements. Public funds should be managed with propriety.
Impartiality	Public administrations should apply equal treatment to all citizens and businesses, implying respect to all, fairness and equity, objectivity in decision-making, and avoiding discrimination.
Inclusiveness	This value goes further than <i>impartiality</i> , ensuring that governance is participatory, including partnership with stakeholders so the administration becomes consensus-oriented.
Openness	Transparency enables citizens and businesses to open a window into the inner workings of government. Open government goes further by putting information into the public domain. This value is closely related to <i>inclusiveness</i> and <i>accountability</i> .
User-centricity	Public administrations increasingly aim to be citizen-oriented and business-friendly. This value is also related to <i>inclusiveness</i> , and emphasises professionalism, reliability, respect and courtesy.
Responsiveness	User-centricity implies that public administrations are responsive, ensure that information and other services are provided in a timely manner, put things right when things are not going well, and show agility, resilience and flexibility in the face of crises.
Connectivity	Government should be 'indivisible', so that citizens and businesses receive the same standard of care and can access services through one or any portal, at their convenience. Administrations should apply subsidiarity when taking a 'whole of government' approach to organising resources and use coordination to ensure joined-up government.

Efficiency	Efficiency is about the relationship between inputs and outputs in policies, programmes, projects, services and organisations. Modern public administrations manage their processes and available resources to achieve the best results for their communities: value for money and sound public finance management.
Effectiveness	Effectiveness (or efficacy) concerns the extent to which objectives have been or should be achieved due to the policy, programme, project, service or the organisation's activities. Increasingly, administrations are expected to exhibit results orientation, to select and implement the instruments to achieve high-level objectives and meet societal needs.
Sustainability	Depending on the context, the focus might be the durability of outcomes (financial and/or technical) beyond the life of the policy intervention, or the use of finite resources and the impact on the natural environment and climate change, as part of social responsibility.
Vision	In the interests of sustainability, administrations need to think about medium-long term optimising, as well as short term satisficing, which demands leadership.
Reflection	Excellence is challenging the status quo, searching and striving for improvement, and effecting change by continuous learning to create innovation opportunities.
Innovation	The pursuit of improvement should translate into openness to transformation, and creating systems which encourage fresh thinking and creative ways to solve new or existing challenges, both from inside and outside the administration. To turn theory into reality, public sector organisations must be able to manage change.
Accountability	Ultimately, governments and their administrations are answerable for the decisions they take (which puts a premium on their <i>legality, integrity and openness / transparency</i>).

Introducing values into the administrative culture

How do these values - which are inevitably abstract by their nature - become integrated and ingrained in the culture of public administrations? Public administration values are typically developed at two levels: whole administration and/or individual institutions. As an **over-arching European initiative**, the two organisations representing social partners across the EU – the European Public Administration Employers (EUPAE) and the Trade Unions' National and European Administration Delegation (TUNED) – signed a framework agreement on 12 December 2012 for all central administrations, which translates common values into a series of commitments.

Within a common standard that focuses on core values, there is a strong case for individual public organisations to consider and customise their own value systems in line with their specific mandates and missions:

- ✚ Good practice suggests that these values should be developed in each institution, by engaging the staff in producing a long-list of values and narrowing it down through dialogue and consensus to engender **ownership**.
- ✚ Value statements are typically limited to a relatively small number (fewer than 10), each with a short description. The key is to keep the set of values **manageable**, so that officials can easily recall them during their daily activities.
- ✚ Such concise statements can be readily reproduced and **publicised** in information materials aimed at both staff and stakeholders, including citizens and businesses. The values should form the basis of organisational strategies and customer service charters.

But a list of values by itself means nothing. They must be **acted upon**:

- ✚ The values statement can be backed up with **codes and guidelines**, containing more detailed elaboration of the values and how they might be applied in different situations. The format can be an official ‘code of conduct’, or a more informal guidebook, which articulates the values in plain language and can provide examples of real-life circumstances that are relevant to a range of public sector disciplines, available to all officials.
- ✚ Value statements, accompanied by guidance, can be followed up with **awareness-raising and training workshops**, either on a compulsory or voluntary basis, to talk through the values face-to-face with groups of public servants, answer questions, and discuss their application in practice. These exercises are likely to be approached with more enthusiasm if the values emerge from consultation and they have genuine staff ownership.
- ✚ In some cases, public administrations can also introduce **monitoring and enforcement mechanisms**, to ‘give teeth’ to values, with recognition when applied and the threat of sanctions if they are not followed. This is inevitable if the values are principles that have been formulated as rights or obligations in law, but where the stated value is more abstract, public administrations may have to rely on other means to encourage and enable compliance, including peer pressure, the oversight of line managers, performance appraisals, etc.

Above all, embedding values demands **leadership**. Senior managers can set the example and send out the right signals, through their own behaviour and actions, that the values are relevant to the organisation. Some organisations have ethics or values committees to oversee implementation and monitoring of the values system, and even update it over time in consultation with staff.

The State of South Australia is illustrative of all these points, as the Government has adopted a core eight value system (service, professionalism, trust, respect, collaboration & engagement, honesty & integrity, courage & tenacity, and sustainability) for all public institutions after widespread consultation, and offers assistance on how each organisation can apply them and still create or maintain their own value system if so desired.

Inspiring example: Values in action (South Australia)

SIGMA Principles of Public Administration – a holistic approach in the context of EU enlargement

The joint EU-OECD initiative SIGMA (principally financed by the EU) has outlined a series of [Principles of Public Administration](#) specifically relevant for EU candidate countries. These principles define what good governance entails in practice and outline the main requirements to be followed by countries during the EU integration process. The principles also feature a monitoring framework enabling regular analysis of the progress made in applying the principles and setting country benchmarks. Despite the specific enlargement context, many of the principles apply and could provide useful guidance to any European administration.

Theme 1: Policy-making, implementation and innovation

“Policy-making is the process by which governments translate their political vision into programmes and actions to deliver ‘outcomes’ - desired change in the real world”. [A Practical Guide to Policy Making, Northern Ireland Executive](#), 2016.

Every public official has a concept of what ‘policy’ means in his or her field, but there is no precise and universally agreed definition. Instead, this Toolbox focuses on the **characteristics** of good policy.

Every policy should be a clear statement of *direction*. It should be the product of a robust assessment and hence *deliberation* over the pros and cons of prospective solutions, to enable a *decision* on the best way forward. Policy sets out a course of action, so must lead to *delivery*, otherwise statements of intent are just warm words. Policy-making should also be *dynamic*, taking account of changing circumstances, and flexible enough to adapt to experience and events.

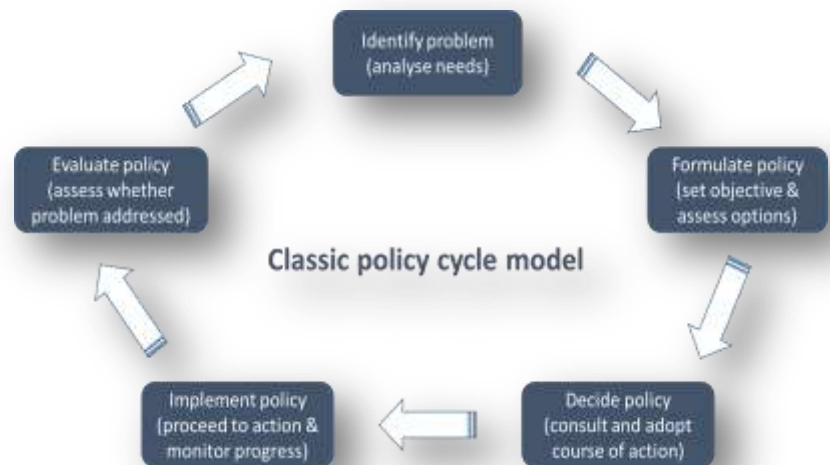
The direction set out in the **policy** might be elaborated in a **strategy**, describing how resources are marshalled to achieve the government’s objectives. Policy-making is deciding on a definite ‘path’ to be pursued, the strategy is the ‘road map’ for getting there.

Policy choices taken by governments at all levels (supra-national, national, regional and local), and their implementation, will shape the strength of economic renewal and social well-being in the EU in the coming years. This makes it important to strengthen **policy-making as a process**.

Key questions for theme 1	Ways and tools
1.1 How is policy <i>designed</i> ? What and who informs decision-making? How can governments move from reactive and ad hoc policy decisions to more reflective, long-term planning?	<ul style="list-style-type: none"> ✚ Policy fundamentals ✚ Insights from data analytics and visualisation. ✚ Forward thinking ✚ Strategy preparation ✚ Consultation and co-design
1.2 What <i>instruments</i> are available to policy-makers to achieve their policy goals? What are their relative merits? How best should they be implemented?	<ul style="list-style-type: none"> ✚ Public spending (see topic 8.1), including public service delivery (see theme 5) and procurement (see topic 8.2) and use of EU funds (see topic 8.3) ✚ Laws and the regulatory framework ✚ Soft policy Tools (see Better Regulation Toolbox) ✚ Reforms to government structures (see theme 3) ✚ Relevant Information ✚ Applying behavioural insights ✚ Co-production
1.3 How does the administration know if the policy has been achieved? How can the administration strive for <i>still-better performance and more creative solutions</i> to established and emerging problems?	<ul style="list-style-type: none"> ✚ Monitoring and evaluation (including co-evaluation) ✚ Performance audits ✚ External scrutiny ✚ Public sector innovation ✚ Trust building

1.1 Qualities of policy-making

The ‘policy cycle’ is a well-established concept, which is typically taught as the rational way to approach decision-making and delivery. It is an **idealised** view of the policy process, usually something like the model on the right: a linear, end-to-end experience, each stage completed before moving to the next.



In practice, public officials know the **reality is usually a lot more**

sophisticated, when faced by tough policy choices, complicated scenarios and complex situations:

- ✚ Policy rarely starts with a blank sheet of paper. Whatever the source (political commitment, legal obligation, lobbying, public pressure, emerging event, etc.) policy formulation is usually ‘framed’ by a pre-existing set of ideas and proposals.
- ✚ The stages in the ‘cycle’ are inter-dependent and often simultaneous. Policy-making can involve several iterations, as new information and insights get injected into the process.
- ✚ Policy is affected by time pressures and limited information. Evaluation is often the poor relation in the process, either neglected or too late to influence decisions. Monitoring is more common, but not always systematic. Officials will often know anyway when a policy is not performing, through less formal feedback (public opinion, critical media, business lobbying), and either adjust or abandon it. A change of government or elected official can lead to a sudden break in the process and an entirely new policy direction.


Policy-making will never be an exact science, as the environment is ever changing. Policy is prone to factors outside the administration’s control, and decisions can have unforeseen and unintended consequences. This puts a premium on **adopt-and-adapt**: keep high-level objectives in sight, but remain ready to respond to events as they arise, and willing to revise operational goals and activities accordingly.

In an increasingly volatile, uncertain, complex and ambiguous (VUCA) policy environment, governments face the dilemma of needing rigorous processes based on planning and resources for ‘good policy’, while being forced to be responsive to the fast-changing policy environment.

Policy decisions are not purely technical, i.e. based on the considered merits of one course of action over another with respect to the likely outcomes, but depend on political considerations (retention of power) and normative considerations (value judgements and considerations of legitimacy). Public

















policy-making is also inseparable from politics: elected officials should set the overall direction, as the framework for appointed officials to provide ethical and professional advice.

Moreover, policy decisions in a certain area may affect other policy areas: policy interacts. Policy effects cannot be looked at isolated from one another. The growing recognition that plans do not follow a predictable path has sparked an increasing interest in **systems thinking**⁶ and its underlying philosophy of ‘seeing the bigger picture’. Systems exist in many forms, e.g. transportation, healthcare, the economy, even public administrations themselves. The connections and interactions *within* systems and with the external environment (including other systems) are vital to how they function, which means that focusing on individual components can produce misleading conclusions and lead to unintended consequences.

 See also topic 4.2 on systems thinking in public organisations and topic 5.2 on systems thinking in service delivery

“Traditionally, public policy makers have addressed social problems through discrete interventions that are layered on top of one another. However, these may shift the consequences from one part of the system to another, or address symptoms while ignoring causes ... Looking at the whole system rather than the parts allows one to focus on where change can have the greatest impact”. OECD, [Working with Change: Systems approaches to public sector challenges](#), 2017.

Rather than focus on the sequence in which policy is developed and implemented, the UK’s Institute for Government has set out **seven ‘fundamentals’** that should be observed *at some point* in the policy process (reproduced below, with some minor adjustments to increase transferability):

‘Fundamental’	Key questions
Clear goals	<ul style="list-style-type: none">  Has the issue been adequately defined and properly framed?  How will the policy achieve the high-level objectives of the government / ministry / municipality?
Evidence-based ideas	<ul style="list-style-type: none">  Has the policy process been informed by evidence that is high quality and up to date?  Has account been taken of evaluations of previous policies?  Has there been an opportunity or licence for innovative thinking?  Have policy-makers sought out and analysed ideas and experience from the ‘front line’ or other European administrations?
Rigorous design	<ul style="list-style-type: none">  Have policy-makers rigorously tested or assessed whether the policy design is realistic, involving implementers and/or end users?  Have the policy-makers addressed common implementation problems?  Is the design resilient to adaptation by implementers?
External engagement	<ul style="list-style-type: none">  Have those affected by the policy been engaged in the process?  Have policy-makers identified and responded reasonably to their views?
Thorough appraisal	<ul style="list-style-type: none">  Have the options been robustly assessed?  Are they cost-effective over the appropriate time horizon?  Are they resilient to changes in the external environment?  Have the risks been identified and weighed fairly against potential benefits?
Clear roles and accountabilities	<ul style="list-style-type: none">  Have policy-makers judged the appropriate level of (central) government involvement?  Is it clear who is responsible for what, who will hold them to account, and how?
Feedback mechanisms	<ul style="list-style-type: none">  Is there a realistic plan for obtaining timely feedback on how the policy is being realised in practice?  Does the policy allow for effective evaluation, even if government is not doing it?

Based on “[Making policy better: improving Whitehall’s core business](#)”, Institute for Government

⁶ A system can be defined as a set of interacting or interdependent parts forming a unitary (and typically complex) whole with a purpose. The system concept is perhaps best captured in the phrase ‘greater than the sum of its parts’.

The [New Synthesis \(NS\) Initiative](#) has developed an evolving theoretical framework for helping governments to face the challenges of the time, whether the response involves policies, programmes, projects, services, structures or systems. The approach focuses on applying a series of techniques: *positioning* is about framing the policy problem and the response, so that it looks beyond the performance of individual organisations ('agencies') and lifts sights towards higher-level societal results; *leveraging* is about breaking down silo thinking, within and beyond the public administration, and seeking new ways to coordinate and cooperate; and *engaging* takes government into the often unfamiliar territory of co-responsibility, transforming the relationship with citizens to one of shared responsibility.

1.1.1 Policy design

The strength of the **evidence base** is the foundation of successful policy-making, along with its interpretation. Policy advisors should cast a wide net when thinking about potential sources, including: official statistics; existing studies from in-house, academia, associations, think-tanks, etc.; evaluation findings; surveys, panels and other original research (if appropriate and affordable); expert inputs; and evidence from stakeholders, both interested and affected parties. One option is to outsource the gathering and assessment of evidence to a dedicated public authority with specific expertise in research and analysis that functions independently of ministries.

Inspiring examples: CPB Netherlands Bureau for Economic Policy Analysis; Australia's Productivity Commission

Officials may need to draw on **fresh thinking** to solve often well-established and intractable policy dilemmas. In seeking creative solutions, public administrations may need to look beyond their own internal know-how and search for answers further afield, from front-line staff, affected stakeholders, other administrations, academia and think-tanks, etc. Policy design can embody innovation by being inventive (entirely new concepts) or incremental (improving on existing practice). Administrations may need to experiment to

Inspiring example:
Denmark's MindLab

find elusive routes to desired outcomes, by launching prototype actions, evaluating their performance, jettisoning some practices and expanding others. There are risks, however, as the public can see 'failed experiments' as wasted resources. Some Member States have set up cross-governmental, multi-disciplinary innovation units which involve citizens and businesses in creating new solutions for society, thereby co-opting them into the decision-making process.

The Commission's in-house science service, the [Joint Research Centre \(JRC\)](#) provides EU policies with independent, evidence-based scientific & technical support. Innovation in policy-making has been strengthened with the establishment of its [EU Policy Lab](#).

The fear of failure can also be mitigated by conducting rigorous **options appraisals** before embarking in a new direction, as a crucial component of impact assessment. Options appraisal applies cost-benefit analysis (CBA) techniques to several implementation scenarios, typically involving the *status quo* option ('do nothing'), the proposed solution and at least one other alternative. The appraisal must be genuinely impartial and indifferent to the options to add any value, otherwise it is just a *post hoc* rationalisation of a pre-selected way forward.



See also topic 1.2.1
on impact assessment

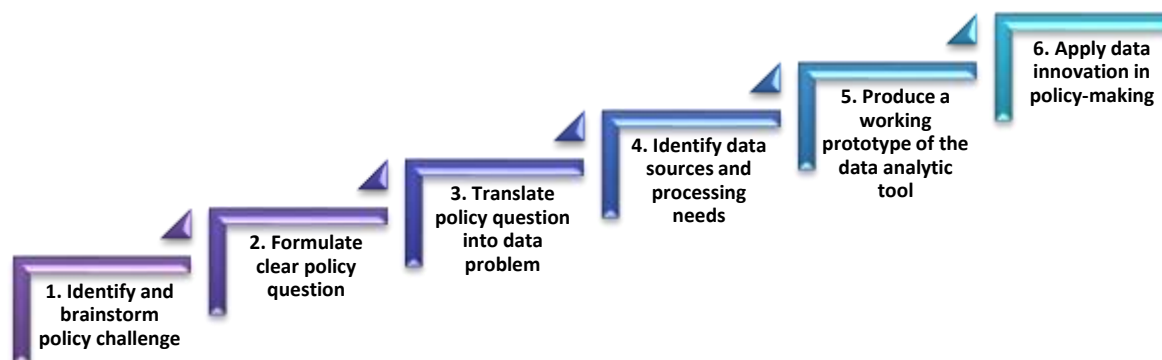
1.1.2 Data insights to solve policy problems

We live in an **increasingly data-rich society** with an explosion of data from digital sources - the Internet, social media, mobile phones, sensors, satellites, and both static and wearable devices. This has created the phenomenon of 'big data', which refers to both collections of datasets (numbers, vectors, text, images), often from bringing sources together, and the tools and methods used to interrogate them (data analytics). There is no universal standard or threshold to define 'big', but the common approach is to focus on four Vs: volume, variety, velocity and veracity. However, not only big data is relevant to provide appropriate insights, some problems are solvable exploiting small data.

Uses of statistics, predictive and advanced analytics, and data mining in combination with data visualisation technics offers opportunities to shed fresh light on policy problems, by exploiting ICT-led advances in data processing to find **patterns, linkages and relationships**. Examples include: increasing road safety and improving efficiency of traffic systems (Germany); data monitoring to prevent flooding and raise water quality (the Netherlands); improving evaluation systems to award R&D grants (Spain), and tackling illegal fishing and over-fishing activity at sea (EU). Other international organisations are also active in this area, including the OECD ([E-Leaders](#)), UN ([Global Pulse](#)) and the World Bank ([Innovations in Big Data & Analytics for Development](#)).

The European Commission has launched research studies & pilot initiatives in 'big data' through the ISA programme, Horizon 2020, the eGovernment Action Plan 2016-2020 and the European Cloud Initiative *inter alia*; and has funded [data4policy](#)

Data analytics can serve as a policy tool for problem analysis and agenda setting, *ex-ante* impact assessment of potential policies, monitoring the implementation of existing policies, or evaluating *ex-post* their effectiveness. The starting point is to ask the question: for this policy problem, is there data available that can bring insights into the problem? Is there a potential data-driven solution? If so, the process can be characterised as a series of **six iterative steps**, as data-driven insights (step 6) should reframe the policy challenge and question (steps 1-2).



The purpose of **data processing** is to drill down into raw and unstructured data to extract useful and usable information, which can be gathered and assembled in a common space, such as a data warehouse. Available techniques include: data profiling, web scraping, text mining, sentiment analysis, machine learning, predictive analytics, social network analysis (SNA), and agent-based

modelling (ABM). Practitioners can draw upon an array of **analytical and visualisation tools**. Data sources can be public (e.g. statistical offices, geo-data) and private (e.g. economic transactions, mobile phone metadata, search engine data), including citizens' own devices (e.g. health signs data) and sensors in equipment (e.g. the Internet of Things). However, analysts need to be ever-vigilant regarding data quality and especially potential bias.

Inspiring example: Test cases for big data (The Netherlands)

Emerging data-driven projects in public bodies point to **process and organisational challenges**, namely: data literacy amongst policymakers; agile methodologies and strong data analytics competencies within the organisation (expertise is expensive and the private sector job market is highly competitive); multi-disciplinary teams; robust policy and decision-making processes that are able and open to absorb data-driven insights. Ethical considerations also come into play regarding commercial confidentiality and privacy protection, which must be handled in the context of data protection laws and might require higher levels of communication and consent-seeking in data collection and data usage.

Big data is also being used to increase **transparency and accountability**, and to encourage societal pressure for change, by engaging directly with affected citizens.

The EU-funded [DIGIWHIST](#) initiative of six European research institutes is supported by Horizon 2020 with the aim of empowering society to combat public sector corruption

1.1.3 Forward thinking

Increasingly, EU governments are engaging in longer-term thinking over horizons of typically up to 10-20 years into the future. Foresight uses the latest scientific evidence, futures analysis, participatory methods involving all relevant stakeholders, and 'out of the box' thinking to challenge assumptions, address complex issues and provide strategic options for policy.

Within mainstream public administration, **foresight units** came to prominence at the end of the 1990s, usually focusing on scientific and technological development and their implications for research and innovation policies.

The [JRC's foresight & horizon scanning](#) activities are co-designed with policy DGs to deliver insights that can contribute effectively to specific policy initiatives.

Rather than establish permanent units, some Member States conduct **futures research** that is time-limited but wide-ranging and far-reaching in scope, typically taking a 'task-force' approach that is multi-disciplinary and multi-institutional. The findings affect policy decisions across the whole of government, both central and municipal. Forward planning implies a break with existing patterns of development and hence may meet some resistance, but the long planning horizons allow investments in R&D, infrastructure and capacity in public administration and businesses to be made in time. Europe's experience with seismic policy changes in the past has shown that industry is able to find the technological solutions, and to adjust business models and investment plans accordingly, if the following ingredients are in place.

Inspiring example: Finland's Government Report on the Future

Smoothing the path to forward planning

- ✚ A period of consultation and reflection, to understand the implications for affected parties (usually business) and take them on board;
- ✚ An unambiguous policy, based on a clear statement of intent and unwavering commitment from the public administration, which requires leadership from the top;
- ✚ A 'level playing field' to ensure fairness in the policy's application, including sanctions for non-compliance;
- ✚ Sufficient time to adjust, for example to find technological solutions, adjust business models, access investment finance, develop requisite skills and competences, etc.

In converting forward plans into action, **strategy documents** can guide all interested parties, inside and outside the administration, to organise resources and direct operations to achieve the desired outcome. The full Toolbox sets out seven criteria and accompanying key questions for assessing the quality and internal consistency of individual strategies related to: scope; analysis; vision; measures; adaptability; ownership; and presentation.

1.1.4 User-centred consultation and co-responsibility (co-creation)

Policy-makers increasingly recognise the role that citizens, businesses and other interested parties can and should play in designing policy. Designing user-centred policies and services increases ownership and trust. Public service providers and their clients often see more clearly than policy officials the situation 'on the ground', what is needed, what has worked in the past or not, and why. They can spot potential pitfalls and steer officials away from expensive and embarrassing errors in policy implementation at a later stage.

The interests of good governance are served by the intended beneficiary being integral to all steps in policy-making, not just as an end-recipient of government programmes, funds or services. **Consultation** is appreciated by citizens and businesses, so long as it involves genuine engagement with sufficient time and input to

make a productive contribution, not just 'railroaded' into a decision. Some Member States have adopted national standards for **stakeholder consultation**, such as Austria's 'Standards of Public Participation', and the UK's 'Code of Practice on Consultation', through inter-ministerial working groups and the involvement of NGOs, external experts and interest groups. Experience has shown the merits of using multiple mechanisms, including offline and online media, to draw in the community and connect with as many residents as possible. Professional judgement will still be required to interpret the findings and feedback, to reconcile dilemmas and to balance the best use of resources, as with all forms of policy-making.⁷

Inspiring example: Consultation over the 2011-2020 Development Strategy for Malopolska Region in Poland

The [Small Business Act \(SBA\)](#) commits the Commission to consult stakeholders for at least 12 weeks prior to making proposals with an impact on businesses.

The Commission gathers all its [public consultations](#) at a single access point.

Public administrations are increasingly taking **e-Participation** on board, as citizens use governmental websites and social media to convey their expectations to policy-makers, such as the Commission's

⁷ For more extensive insights, see E. Loeffler and S. Martin (2016), *Citizen Engagement*, in 'Public Management and Governance', edited by T. Bovaird and E. Loeffler, Routledge.

[European Citizens' Initiative \(ECI\)](#). As a form of civic activism, these web-based platforms are often initiated by civil society organisations (CSOs), but implemented with the agreement and typically active involvement of the public administration in shaping the agenda. Examples from the US include: [Open Town Hall](#) and [online Citizen Report Cards \(CRCs\)](#).

Increasingly, administrations are looking to move from consultation to **co-responsibility**, giving citizens and businesses a much greater stake in policy-making, and sharing ownership of policy decisions with the community that is most affected by them. This implies that public agencies evolve from closed, self-centred service providers to open networking organisations that the public can trust. Citizens and businesses become co-designers, co-deciders, co-producers and co-evaluators. In the spirit of co-decision, policy-makers are specifically



Inspiring examples: The Basque Government's approach to housing policy in Spain; MijnBorne 2030 in the Netherlands

seeking to engage with the citizens and businesses that will be affected by **legislation**, inviting their inputs in the shaping of new laws and regulations, and in **forward planning** of the vision and development programmes of public administrations.

By providing managed access to public service information (PSI), often described as '**open data**', in line with the [PSI Directive](#), administrations can help stakeholders become better informed about what their governments are doing on their behalf and better equipped to participate and collaborate in the policy process, and facilitate **open government** through online communities, such as the Commission's [Joinup webpage](#).

Commission-funded [e-Government studies](#) have *inter alia* identified examples of [open government cases](#). The [European Cloud Initiative](#) will create opportunities for 'big data' analytics to generate new policy thinking. The Commission has committed to publish its data on the [EU Open Data Portal](#), which will feed into the [European Open Data Portal](#).

New technologies combined with emerging innovative models create the possibility for new ways of co-creation (more details in 1.3.3 on fostering innovation).

The [OECD Council's 2014 Recommendation](#) proposes that digital government strategies can bring public administrations closer to citizens and businesses through more open, transparent and trustworthy government, and enable a fundamental shift from citizen-centric approaches (government anticipating the needs of citizens and businesses) to **citizen-driven** approaches (citizens and businesses formulating and determining their needs in partnership with governments). Techniques include: crowd storming, crowdsourcing, hackathons, civic hacking, living labs, and prototyping.

1.2 Instruments of policy implementation

Good policy-making considers the implications for implementation during policy design: translating the desired state-of-affairs (the high-level objective) into practical steps and choosing the most effective options to achieve the policy goal (including the ‘do nothing’ scenario of non-intervention). Every instrument has its place - its potential to incentivise behaviour, influence performance, and achieve certain results. But each also brings its costs and risks.



See theme
8 for more on
public spending

Policy tool	Pros and cons
Public spending	Spending can have a direct impact on essential services and infrastructure where the market does not and should not operate effectively. It can intervene positively to stimulate enterprise, investment and innovation. Expenditure can have a ‘multiplier’ effect, by invigorating local economies, energising communities, securing the environment and local cultures and traditions, and providing the risk capital and leverage for long-term changes. Spending can also have a distortionary effect on behaviour and always comes at a price. Public expenditure is financed through taxes, duties, fees, charges and borrowing. As an instrument, ‘public spending’ also includes ‘ <i>negative expenditure</i> ’, namely the use of taxes, duties, fees and charges to influence behaviour.
Laws and regulations	Legislation is essential in many policy fields. Law can ensure safety and security, set standards and protect rights & the public interest. It can have beneficial incentive effects, shaping personal and private behaviour by permitting some activities and proscribing others. Regulating is often seen as a more attractive option for administrations than spending, especially in times of tight finances, as it can appear ‘cost-free’. The reality, of course, is that there are always costs that must be taken into account: for the administration, the institutional implications of executing and enforcing the regulation; and for citizens and especially businesses, the costs of compliance in the home, office, factory, site or transit. As an instrument, ‘laws and regulations’ also include de-regulation: the decision to remove or revise regulations to reduce their impact.
Soft policy Instruments	When the subsidiarity and proportionality options to address a given problem demonstrate that traditional law instruments (regulations, directives, and decisions) are not desired, policy makers may resort to "soft", more flexible approaches instead. Soft policy tools may include: recommendations, technical standards, communications, self-regulation, and so on. A drawback is the non-binding aspect. Therefore, such policies need to have strong ownership, communication and engagement mechanisms.
Reform of government structures	Institutional change can help finding better ways to achieve policy goals, for example by: creating, abolishing or merging public bodies; allocating functions differently across the administration; centralising or decentralising powers; pooling resources across authorities; outsourcing, privatising, bringing under public ownership or control, or creating public-private partnerships. Each scenario has its merits and its drawbacks. Institutional reforms are disruptive and often have short-term costs. These must be justified by longer-term benefits. Responsibilities require resources. Thus, changing functions needs to take budgetary implications into account.
Information and applying behavioural insights	Public administrations may affect outcomes by the ways in which they present information. An issue that the advertising industry understands well. In recent years, the art and science of ‘ nudging ’ has attracted much attention – how to influence people’s decision-making in an unforced way by understanding their motivations, incentives and behaviours, and steering them towards the desired outcome. The application of behavioural insights to policy execution goes much wider than just information provision for citizens, businesses and other administration. For example, in the context of service delivery, it also has implications for how laws and regulations are drafted and executed, for how grants, subsidies, taxes and charges are targeted, and for how institutions can become more effective in achieving their goals.

Administrations are also increasingly looking to **co-production**: involving citizens and businesses directly in the implementation of public goods and services.

1.2.1 Laws and the regulatory environment

Rules and rights make vital contributions to cohesive societies and prosperous economies in many ways. By creating a level playing field for enterprises and ensuring fair competition, legislation stimulates productivity, job creation and economic growth. But every regulation comes with a ‘price tag’. For businesses, the actual and opportunity costs of compliance take many forms, including time, staff, extra spending, and use of space. These tend to be disproportionately greater for smaller firms: on average, where a large enterprise spends one euro per employee to comply with a regulatory requirement, a medium-sized enterprise might have to spend around four euros, and a small business up to 10 euros.

Given actual and potential regulatory impact, public administrations have an implicit duty to justify both new and existing regulations, to check that the compliance costs are more than offset by benefits to the economy, society, and environment, and to seek out the least burdensome solutions that are compatible with delivering policy objectives and priorities.

Inspiring example:
Instructions to officials on
drafting laws in Finland

Laws and regulations can prove problematic, if their **preparation** is performed without proper consideration of their consequences, including how they will be put into practice, and the implications of secondary legislation. Some governments have sought to anticipate potential problems by laying down guidance for the public administration, including the [EU institutions themselves](#).

Impact assessment (IA) is an increasingly well-established technique for testing whether there is a need for a public intervention at all, whether the objective of the law or regulation is precisely and clearly formulated, and whether alternative courses of action have been fully explored, including the ‘do nothing’ option. The full Toolbox chapter elaborates several techniques used by the Commission and Member States within the IA framework:

The [Commission’s IA guidelines](#) set quality standards & describe how to assess economic, social & environment impacts. ‘Roadmaps’ inform stakeholders about the upcoming work & aid consultation.

Tool	Purpose
Standard cost model (SCM)	Measuring and assessing the costs and benefits of regulation
Competitiveness proofing	Paying special attention to the factors that are widely recognised as important to productivity, namely cost competitiveness, capacity to innovate, international competitiveness, and better allocation of resources
SME test	Evaluating the economic impact of policy proposals specifically on SMEs, as this can be disproportionate.

While IAs are most commonly applied to proposed new regulations (‘flow’) in *ex ante* evaluation, public administrations need to take care of existing regulations (‘stock’) through *ex post* evaluation, including both primary and secondary legislation.

Checklist for regulatory stock-takes

Question	Suggestion
1. Does the law or regulation create an excessive administrative burden on businesses?	Perform IAs on the stock of existing laws, possibly by sector, so that the combined effect of a body of laws/regulations can be analysed and corrective measures applied collectively.
2. Is there an overlap between one or more laws or regulations?	Perform a comprehensive mapping exercise during the stock-take of existing laws and regulations, to ensure that provisions are not duplicated, which may lead to inconsistencies or obsolete laws / regulations (see question 5).
3. Are there inconsistencies between rules covering a policy area?	
4. Where there is more than one law or regulation covering a policy area, are there gaps in provision, which create legal ‘blind spots’?	Propose amendment to existing laws or regulations, or the creation of a new legal base to replace outdated laws if appropriate. This may lead to more rules, but they should be appropriate ones – carefully designed & consulted with businesses.
5. Are any laws or regulations now obsolete , but remain in place?	Adopt legislation to ‘ <i>tidy up the statute book</i> ’ following the stock-take, by repealing obsolete laws & regulations and/or codifying or re-casting amended laws into one consolidated law. Prevent obsolescence being repeated, and force future legislatures to decide consciously whether a law or regulation should continue, by introducing ‘sunset clauses’ into new laws, at which time the legislation is automatically repealed.

Many Member States are especially committed to **getting the views of citizens and businesses** concerning where they see the biggest burdens. In some cases, the civil servants go out to

Inspiring examples: Belgium’s ‘Kafka’ initiative; the Danish ‘Burden Hunter’ approach

enterprises to see the impact of regulations for themselves, especially those which are “irritating”, as much as time-

consuming or costly. **Administrative burden reduction (ABR)** is a priority both for the EU institutions and Member States. Commission's REFIT initiative screens the EU *acquis*, performs fitness checks, and codifies or recasts laws, tackles business burdens at source.

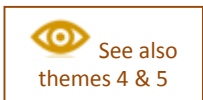
The Commission’s Better Regulation agenda intervenes only where necessary, involves stakeholders through consultation, and keeps burdens to the minimum necessary to achieve societal goals. Between 2007 and 2012, the EU cut administrative burden on legislation by 25%, covering 72 EU legal acts. Between 2015 and 2017 another 137 initiatives for regulatory simplification were launched, resulting in repeal of 74 laws

Inspiring example: UK’s guidelines on transposing EU directives; Denmark’s Implementation Council.

The REFIT platform allows national authorities, citizens and other stakeholders get involved in improving EU legislation.

All Member States have adopted their own **national targets for business ABR**, for EU legislation or nationally derived rules only. Some have set targets for administrative burdens on citizens, or focused on specific metrics, such as compliance costs. The role of targets is open to debate. But there is a consensus that if an existing burden is unnecessary, out-dated or ineffective it should be removed or replaced, which requires targeted and systematic action. Remaining regulation should be more effectively enforced. Some **commencement dates** of necessary laws and

Inspiring example: Portugal’s Simplegis programme



easily accessed by citizens and businesses, and more Member States have introduced **common (CCDs)** to improve communication and predictability regulations for businesses. Once adopted, Member

States have a range of options to ease regulatory burden during implementation and enforcement of legislation.

1.2.2 Achieving outcomes by changing behaviour

In the pursuit of causality (linking actions to outcomes), policy-makers can be swayed by the illusion of ‘rationality’, particularly in people’s responses to government interventions. The reality is that we are emotional and social creatures. The human brain is hard-wired to act intuitively in many situations, prone to pre-conceptions and biases, susceptible to group behaviour and struggling to cope with the overload of information in 21st century life, ever-growing thanks to the Internet.

In many cases, public policy is not simply about governments ‘doing things’, or in the case of some legislation ‘stopping things’, it is concerned with **influencing behaviour, either individual,**

See the JRC’s [Applying Behavioural Sciences to EU Policy-Making](#).

collective or corporate. In some cases, behaviour change is the **primary objective**, such as campaigns for people to lead healthier lives, protect the environment, plan for retirement, engage in lifelong learning, etc. In other cases, the behavioural consequences are **secondary effects** which should be factored in, e.g. the impact of raising revenue through taxing fuel and cigarettes on vehicle use and smoking. In still other cases, government actions are targeted at intermediaries (e.g. businesses) that interact with citizens as **third parties** (e.g. laws & standards on misleading advertising, food labelling, etc.). In each case, the policy’s effectiveness is determined by people’s reactions and responses.

Behavioural science **challenges the old orthodoxies of rational behaviour.** Classical economic theory assumes that autonomous individuals make optimal choices in their own interest, independent from others. Economics is not alone. The default setting for many decision-makers is to assume the intended beneficiaries will respond rationally to policy levers and triggers. In the real world, each of us has our own flaws and foibles. We can be rational and reflective, but we often act first and think later⁸. We are prone to using heuristics (‘rules of thumb’) to make decisions, rather than investigating the options. We are creatures of habit, engaging in repetitive actions. We want to eat our cake and have it too. We are not just guided by our individual traits. We are shaped by social norms and cultural factors, with an underlying desire to conform, influenced by family, friends and colleagues, but also strangers on social media. People have a propensity to imitate the behaviours, opinions and choices of those around them (network effects⁹). These traits are characterised as group biases. Some of the most common phenomenon are summarised below:

Characteristic	Brief explanation
Anchoring and adjustment	People tend to rely disproportionately on one piece of information when making decisions as a reference point or ‘anchor’, typically the first piece of information they receive, for example during negotiations. Subsequent decisions are made by adjusting away from it, rather than challenging the premise of the anchor itself.
Framing	People tend to respond differently to information, depending on how the case is presented. For example, they respond more positively if a question is framed to <i>achieve a positive</i> (e.g. an operation has a 90% success rate, the food is 80% fat-free) compared with <i>avoiding a negative</i> (e.g. there’s a 10% chance of failure, the food is 20% fat).

⁸ The characterisation by Nobel Prize winning psychologist, Daniel Kahneman, of ‘system 1’ and ‘system 2’ thinking is neatly summarised in the JRC’s paper and can be read in depth in *Thinking, Fast and Slow*.

⁹ See P. Ormerod (2012), *Positive Linking: How Networks Are Revolutionising Your World*.

Characteristic	Brief explanation
Availability bias	People tend to assess the likelihood or prevalence of something as higher, the more readily they can bring instances of it to mind (e.g. they believe the crime rate is higher than it is, if they have recently read about robberies). It affects people's perspectives on health, financial and disaster risks, either higher or lower, and hence the actions they take (e.g. lifestyle changes, insurance).
Confirmation bias	People tend to seek out and focus on information that confirms their preconceived ideas and ignore evidence that contradicts them. This reveals itself in their media choices, including news sources and blogs.
Optimism and over-confidence bias	People tend to over-estimate the chances of a favourable outcome (optimism bias), and their own individual ability to influence situations (over-confidence bias), which encourages risk-taking (e.g. chances of business success, winning the lotto, completing a project within the agreed timeframe).
Endowment effect and loss aversion	People tend to value more highly something they <i>already</i> own than something they do not <i>yet</i> own (endowment effect). Similarly, people tend to attach a higher weight, for example to <i>not losing</i> €10 than to <i>gaining</i> the same amount (loss aversion). It indicates, for example, that people would be more reluctant to take out a loan that is secured against their existing property than take out a loan for a new property.
Status quo bias (inertia)	People tend to stick with the current state-of-affairs and gravitate towards this 'default' position (e.g. reluctance to switch banks or utility suppliers when the market is opened to competition). This inertia is why governments regulate consumer protection to ensure customer 'opt in' to deals, rather than 'opt-out'.
Group-think	Individuals in a decision-making group tend to seek consensus, minimise conflicts, suppress dissent, avoid controversial issues, isolate themselves from external influences, and/or fail to challenge the dominant view, resulting in irrational / dysfunctional outcomes.
Herd behaviour	This occurs when individuals in a group act together (collectively) without any central planning or direction, e.g. riots and stock market bubbles / crashes.
Bandwagon effect	As the name suggests ('jumping on the bandwagon'), this is the tendency to take up ideas, beliefs or trends because other people have done the same, regardless of the underlying qualities. The probability increases with the proportion who have already done so, due to a desire to conform, or because people get their information from others, or want to be on the 'winning side'. The most obvious example is fashion.

As decision-making organisations, **public administrations** themselves are also influenced by individual and group biases. Group-think is an ever-present risk, unless members are encouraged by management to speak up, offer fresh perspectives and critical viewpoints. As the most extreme example, the [Rogers Commission Report](#) found the 1986 Challenger space shuttle disaster was a consequence of flaws in the organisational culture, as much as technical deficiencies.

In many ways, our common idiosyncrasies make people's behaviour just as 'predictable' as rationality, which is the basis for 'nudging' applied to public policy.¹⁰ Whenever information is presented to individuals for decision-making, it contains a '**choice architecture**'.

Inspiring example:
'Nudging' as a tool of the
Danish Business
Authority.

A nudge is "any aspect of the choice architecture that alters people's behaviour in a predictable way without forbidding any options or significantly changing their economic incentives. To count as a mere nudge, the intervention must be easy and cheap to avoid. Nudges are not mandates. Putting the fruit at eye level counts as a nudge. Banning junk food does not." Richard Thaler and Cass Sunstein, *Nudge*, 2009.

¹⁰ R. H. Thaler and C.R. Sunstein (2009), *Nudge: Improving decisions about health, wealth and happiness*.

In the case of public policy, the public choice architecture has often arisen by accident, and only been refined over time through trial and error (as opposed to rigorous controlled testing). Now, policy makers are increasingly using **behavioural sciences to inform policy design and implementation**, whenever there is a behavioural element. It can help design new policies, suggest improvements to established ones, or provide *ex post* explanations of outcomes. It can apply to spending, taxation, regulation and information. Nudging is only one application.

The JRC has published a state-of-the-art study of [the application of behavioural insights to policy](#) across the EU Member States and four EFTA countries, With over 200 behavioural policy initiatives.

To help structure thinking about policy approaches, the European Commission JRC classifies them as behaviourally-tested, behaviourally-informed or behaviourally-aligned. The **ethical dimension** must also be recognised, as the use of psychology to frame policy-making has raised questions about manipulation - whether people are being pushed into behaving in certain ways. Interventions should be designed to leave people room to take decisions (the “choice architecture”), preserving and enhancing their autonomy, educating them about potential biases, engaging in a transparent way, and employing robust evaluation methods.

Inspiring example:
Applying behavioural sciences to public policies in France

The JRC has identified **six sets of issues for policy-makers** to consider, when thinking about applying behavioural insights generally or conducting a specific behavioural study: identifying at what stage behavioural science should be applied to the policy-making process: defining the role of behaviour in a policy initiative; reviewing the available evidence; estimating the value added of a behavioural study; specifying the unit of analysis; and considering time constraints.

1.2.3 Co-production

Co-production could be described as a form of ‘outsourcing’ which involves citizens and businesses directly in the implementation of public policies from which they benefit, increasing ownership and user-centricity. Public administrations are increasingly aware that they can overcome their limitations in policy knowledge and delivery by working with programme and service users, empowering them to develop solutions as equal partners. In this way, policy ceases to be a ‘black box’ to beneficiaries, and where citizens are involved, becomes more legitimate in the eyes of the public and potentially more sustainable.

Co-production implies a permanent or temporary involvement of different actors in different stages of a sometimes-complicated implementation process. These actors can include for-profit businesses or non-profit associations in public-private partnerships, and citizens who play a role in service delivery, which can happen individually or collectively. To avoid ambiguity, full co-production can be characterised as comprising several **features**: citizen’s involvement is voluntary; they are people with assets (‘capable to contribute’), not just needs; the working relationship is collaborative (‘doing things with people’), not passive or paternalistic (‘doing things to them’); they are involved in the

decision-making process; and the aim is better services and outcomes.¹¹ The potential benefits include:

- ✚ More resources to the service, in terms of the knowledge, expertise, skills, co-operation and commitment of service users;
- ✚ Better quality services, focused on the features and outcomes that users value most highly;
- ✚ Tailor-made, personalised services that are specific to certain communities and match the real needs of citizens;
- ✚ More innovative ideas for public agencies to try out; and
- ✚ Greater transparency in the way services are delivered, supporting greater community involvement and open government.

Co-production is not a new idea. It has been around for about 30 years at least. The **cooperative** is a well-established organisational form, has the advantage of a democratic governance structure (each member has an equal stake), and as a legal entity, provides a corporate vehicle through which public authorities can contract with citizens, subject to procurement rules.

Inspiring examples: Italy's social cooperatives; children's day care cooperatives in Sweden

Inspiring example: "Life Long Living" in Fredericia

Co-production is relevant to **many policy areas**. Care services have proven a particularly fruitful field, such as the care of elderly residents, given the trend towards an ageing population across Europe. Increasingly, citizens are not waiting to be asked by public administrations to contribute to the co-production of public services, but are making the first move instead, including **seizing the initiative** through civil society organisations (CSOs). This can involve reaching-out to administrations, or even by-passing them:

- ✚ **Citizen-to-government:** In some cases, CSOs exploit the possibilities of modern media (e.g. mobile phone apps) to demand a more effective response from public administrations, which nevertheless retain the primary responsibility for the service, such as the [FixMyStreet platform](#).
- ✚ **Citizen-to-citizen:** In other cases, CSOs organise their own public services, effectively substituting for public administrations (although the government may provide a facilitating framework), such as '[Lulu dans ma rue](#)' kiosk, which puts people searching for work in touch with local residents who are looking for a service.

Clearly, co-production is not for everybody and the costs/benefits of harnessing service users and communities in the delivery of a specific public service will vary. To help weigh up the pros and cons of co-production and ways forward, further case studies, research and resources are available from existing organisations, such as [Governance International's good practice hub](#).

¹¹ For more extensive insights, see E. Loeffler (2016), *Co-production of public services and outcomes*, in 'Public Management and Governance', op. cit.

1.3 Continuous improvement and innovation

One of the key qualities of good policy development is that implementation is subject to review and reflection, so that lessons are learned, adaptations are made, or even policy is abandoned in response to findings. This requires openness from the executive, open-mindedness from the electorate and its representatives, and courage on both sides to embrace experimentation and not rush to judgement. This section examines: systematic monitoring, planning and managing evaluations, and the growing role of performance audits in assessing whether implementation is progressing to plan, policies are achieving their high-level objectives, and value-for-money is being delivered; and the value of external scrutiny in driving up the standards of public administration. In this spirit of continuous improvement, the section looks finally at public sector innovation in its myriad forms, and how public administrations are creating innovative cultures to stimulate new ways of working.

1.3.1 Monitoring, evaluation and performance audit

Monitoring and evaluation has often been seen in the past as an ‘add-on’, an unwelcome distraction imposed by funding providers on recipients, but is increasingly recognised as integral to policy success. Given the policy process is iterative, characterised by complicated choices, tough decisions and unexpected outcomes, a feedback loop is essential.

Monitoring is a **systematic process of collecting data**, to track inputs, outputs, outcomes and impacts throughout implementation, and to inform management and stakeholders on performance and progress. It can be applied to policies, programmes, projects and public services, but also organisations and systems of governance. The key differences between monitoring, evaluation and (where conducted by supreme audit institutions) performance audit, are summarised below:



	Monitoring	Evaluation	Performance audit
What	Tracking performance, and progress against the plan (expectation)	Assessing the relevance, efficiency, effectiveness, impact and sustainability of policies and programmes	Examining the efficiency and effectiveness of government undertakings, programmes or organisations
Why	For operational reasons – to learn lessons and take corrective action in real-time, if required	For strategic reasons – to ensure the policy addresses the identified problems & objectives, and learn lessons	For accountability reasons – to ensure public funds are being used appropriately and identify improvements, if necessary
When	Regular intervals during implementation	Usually at specific points (before, during and after implementation).	Usually at specific points (during and after implementation).
Who	Managers and staff involved in implementation	Internal units or external consultants <u>not</u> involved in design or implementation*	Usually, qualified auditors from the SAI, <u>independent</u> of design and implementation

* The exception is *ex ante* evaluation, where the evaluators are expected to influence the design and future implementation through their independent findings.

In practice, the **boundaries between monitoring and evaluation are increasingly blurred**, as evaluation can take place in real-time, during the early stages of a new policy or programme or on an ongoing basis. All administrations engage in some form of monitoring and evaluation of their activities, whatever they call it. The only question is whether this is casual or structured. As a systematic process, monitoring and evaluation has five steps.



Step 1: orientation is the preparatory phase. What should be monitored and evaluated, why, and how will the information be used? The main ingredients of this phase are set out below:

Ingredient	Purpose
Objectives	There must be clarity about what the policy, programme, project, service or organisation is seeking to achieve. In other words, clear goals against which performance can be assessed (which can be both strategic and specific / operational), as well as a plan to get there.
Responsibility	The role of defining indicators, collecting data, analysing the findings, and assessing performance and progress is assigned to an official or unit (or managing external experts, in the case of evaluation), as well as reporting lines to management and policy-makers.
Methodology	The monitoring arrangement must include a system to gather data and to analyse the findings. As an integral element of designing indicators, it must be known from the outset what the source of the information will be and how often it will be produced.
Management	Once information is gathered by the responsible official(s) on performance, including against indicators, this must be fed into the policy process as part of the evidence base for adjusting policy. This means there must be an outlet for the information to be used. For example, in the case of ESIF, this would be the managing authority (or initially, intermediate body), but ultimately the monitoring committee through the annual implementation report.

It is essential that there is **political buy-in** to monitoring and evaluation, to have confidence that the learning points will be internalised when they emerge. Public administrations may also find **outcome mapping** useful as a complementary tool and approach for planning, monitoring and evaluation, as its focus is on the behavioural changes brought about by interventions in socio-economic development.

Guidance in preparing for monitoring & evaluation is available from the [COP RBM](#), [OECD DAC](#) and [Civicus Toolkit](#).

Evaluations can suffer from poor planning, which leads to ambiguity in purpose and objectives, vagueness in scope, lack of rigour in the analysis, and ultimately blandness in the recommendations. Centres of Government and line ministries can improve the governance of evaluation by publishing **procedures** with clear guidelines on the timing of evaluations for different purposes, the standards they should meet, and the techniques that should be employed.

DG REGIO's website includes [useful guidance on planning & performing evaluations](#), especially within the context of ESIF 2014-2020.

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 See also topic 8.3.3

At the heart of the monitoring system is **step 2: designing performance indicators** (inputs, outputs, results, impact and context), which can be quantitative or qualitative. Each indicator should contain five components for the sake of completeness.

Component	Purpose
Definition	There should be no ambiguity about the indicator's content and meaning. While the indicator may be described in shorthand (e.g. 'jobs created'), it should include explanations, and if necessary references, that the reader can follow to understand fully the use of specific terms.
Source	The indicator should be clear on how information will be gathered, whether quantitative or qualitative. This might involve official / authoritative sources, or original research (in which case the methodology must be robust and elaborated at the same time as the indicator).
Timescale	The indicator should be accompanied by a statement of the frequency in which information will be collected and reported (e.g. ongoing/real-time, quarterly, every 2 years) and over what timeframe. It might be appropriate to start gathering information as soon as the activity starts, or, for example, only a year after completion, and to stop assessing performance at a set time.
Baseline	In many cases, the purpose of the indicator will be to track performance over time, in which case the reader needs to know the starting point. Typically, the baseline position will be set out at the same time as the indicator is adopted, so that again there is no ambiguity later.
Benchmarks	It is common to establish 'comparators' as reference points, over time or with peers (e.g. other countries, localities). If the aim is to achieve a certain level or threshold, these benchmarks are usually called 'targets', and stated with a time by which they will be achieved (e.g. "by 2020").

Generating indicators raises all sorts of questions. Does the indicator reflect accurately the objective? Does it capture what we are trying to do and achieve? Is the information available (including baselines) and cost-effective to gather? Are we falling into the trap of only measuring the measurable? Is the situation too complex to 'collapse' it into an indicator? Does the indicator really tell us what we think it tells us? Will the presence of an indicator by itself change behaviour for the better (focus implementers on what is most important) or a bad way (concentrate on doing only enough to satisfy the indicator)? A careful choice of indicators is critical, as is their content. Indicators themselves are not solutions. They are only guides to whether proposed solutions are working and to suggest future solutions. The importance of indicators is illustrated by their absence; without them, public policies can end up losing direction.

Designing indicators for usefulness

- ✦ **Develop a portfolio of indicators** which capture many different aspects of a policy challenge, in order to build up a fuller and more sophisticated picture, while avoiding information overload.
- ✦ **Don't rely on indicators alone to inform you about performance.** A more rounded assessment of accompanying indicators with insights into what is happening on the ground. For example, a programme might achieve its goal of laying 50km of highway, but unless the supervising engineer can validate that the road has been constructed to agreed specification & standards, the output will be poor value for money.
- ✦ **Above all, emphasise interpretation (step 4) and application (step 5).** Indicators should be treated as a management tool for improving governance and the future design of policies, programmes and projects/services, not an absolute test of their validity, given all sort of factors might be in play.

Inspiring example: Italy's OpenCoesione platform (see [topic 2.2.1](#)) as a participatory approach to monitoring ESIF performance

Clearly, the approach to **step 3: data collection** will depend on the source and the frequency with which information can be made available. These factors will be determined when the indicator itself is defined. Authorities should tend towards regular flows of

information for practical reasons, ideally at minimum administrative cost, automatically generated through day-to-day activities, or regularly assembled by official sources. Immediate availability should not be a constraint, but costs of original research should be weighed up and the organisation factored into the planning.

UNDP has identified [innovative approaches to monitoring & evaluation](#), including increased public participation.

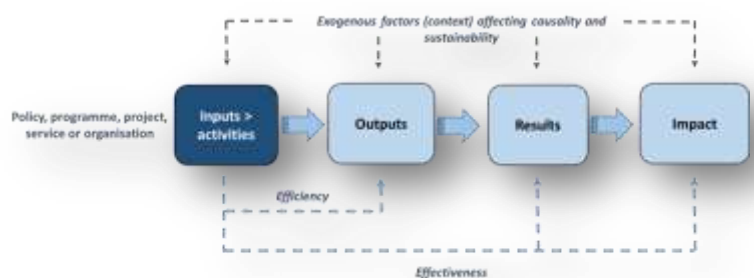
Step 4: data analysis is the point at which administrations interpret information to learn lessons. With monitoring, analysis should be continuous and dynamic, a series of internal reviews with an operational focus; formal evaluations tend to be external, a ‘static’ snapshot for strategic purposes. In both cases, the administration needs to create the time and space for reflecting on the findings from performance measurement. In the case of ESIF, the obligations in EU regulations provide the external stimulus to bring monitoring information together in annual implementation reports, and to conduct evaluations. Similarly, performance audits are external to the administration and outside its control. The challenge for public administrations is to **internalise analysis as standard practice**.

Alongside regular analysis, administrations should also consider the lessons from **international governance indices** which are usually published on an annual basis. These indices provide a global operating context, but also offer interesting and useful benchmarks for national reforms. The key is to dig below the headline numbers and ‘league’ positions, and to pose the following questions:

Governance indices are published by international organisations, including Bertelsmann Foundation, EBRD, OECD, Transparency International, World Bank, World Justice Project *inter alia*

- ✚ What are the factors that explain **our performance**? What can we learn from the author’s underlying analysis of our policies and practices?
- ✚ What are the reasons for **higher-placed countries** showing a relatively better performance? What can we learn from their policies and practices? Is there anything that is transferable?
- ✚ If we are showing a better / worse position over time in the ‘league table’, is this down to changes we have made, or has everyone got better / worse? If everyone has got worse, then doing better is no basis for complacency - **what else can we improve?**

For **more fundamental reviews** of plans and performance, one step removed from implementation, public administrations can engage in evaluation, drawing on monitoring data where it is available, and conducting original research (interviews and surveys) where it is not. Both evaluation and performance audit have efficiency and effectiveness as core concepts, but also take account of the sustainability of policy outcomes, and consider causality and the magnitude of effects: the extent to which policy interventions created the expected effects, or whether there were other exogenous factors which influenced outcomes and led to unintended consequences. This has two components: contribution and attribution.



Factor	Key questions	Analysis
Contribution	Is the intervention in fact one of the causes of observed change?	Rank the assessed intervention among the various causes explaining the observed change
Attribution	What proportion of the observed change can really be attributed to the evaluated intervention?	Build a <u>counterfactual scenario</u> : what would have happened without the intervention?

The decision to move into performance audits can only be taken by the SAI itself, with the consent of parliaments that vote directly for SAI funding.

The European Court of Auditors has published a [Performance Audit Manual](#)

The final phase of the process is **step 5: action**. Ultimately, there is no merit in monitoring, evaluation or audit unless it has an effect on performance. If there is deviation from the plan, which might be positive or negative, the point is to understand why and to make adjustments (or not) in either the policy, programme, project / service or indeed the plan itself, to achieve the objective. This starts with reporting: the format in which performance information is presented should be appropriate to the target audience, which includes management, but often external audiences too, including politicians and the public. This may require different styles and levels of detail. Evaluations often have limited impact on policy-making; the following table sets out some potential answers to common weaknesses.

Challenge	Solution
Evaluation are not a systematic part of the policy process	<ul style="list-style-type: none"> ✚ Introduce a law or code of conduct which commits the administration to evaluate policies and programmes, subject to the expected benefits exceeding the costs; ✚ Publish an annual evaluation plan, which sets out the priorities for evaluations over the coming year with a clear timetable.
Evaluation is not sufficiently impartial	<ul style="list-style-type: none"> ✚ Assign responsibility for evaluation to a unit which is separate from the ministry or department which is responsible for the policy; ✚ Request the SAI to audit the evaluation process.
Evaluation findings are ignored	<ul style="list-style-type: none"> ✚ Pre-commit through a law or code of conduct to publish all evaluation findings on the government's website; ✚ Introduce 'real-time' evaluations, which are conducted in parallel with implementation, and hence have a greater chance of influencing ongoing policy development.

The evaluation process itself can be used to take forward **organisational learning**, by involving the public administration in its preparation and implementation, not just as the recipient of reports. This is where it is very important to build capacity within the administration to plan and oversee evaluations, and use the findings. Alternatives to formal evaluation include: **peer reviews**, which draw on the knowledge of independent expert practitioners in short, focused inputs to strengthen policy design and implementation; and **co-evaluation**, the active involvement of stakeholders in evaluating public policy and programmes.

Inspiring example: Italy's pilot 'Civil Evaluation' (see [topic 4.5.1](#)).

1.3.2 Encouraging external scrutiny

The transparency of government helps to stimulate policy development in public administrations, much in the same way that competition entices enterprises to find better ways to satisfy customers' needs, through external pressure. Governments at all levels are held to account by **parliaments and assemblies**, aided by SAIs, independent regulatory bodies and Ombudsmen that conventionally report directly to them. They channel the views of the electorate and ensure their expectations have an outlet.

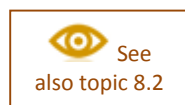
Other institutions outside of the public sector also play essential roles. An **independent and investigative media** may not always be welcomed by governments, but it provides a window into the workings of public administrations and a source of scrutiny that drives up standards and puts ethics and integrity in the spotlight. Through discourse and dissent, the media provides a ‘safety valve’ that is vital for political stability and economic prosperity.

Similarly, the ‘third sector’ of **civil society organisations (CSOs)** provides a voice to local communities and interest groups, with a combination of campaigning energy and expertise, often in specific policy domains. CSOs frequently experience financial insecurity, being dependent on donations and project funding. Most tend to remain small and localised, leaving the sector fragmented, fragile and constantly facing an uncertain future. This is where public administrations can intervene to good effect, while preserving the CSO’s independence, including the option of core funding from national budgets voted by parliaments. Some public administrations have reached out to representatives of the CSO community, to better understand their development needs and formalise their advocacy role in an advisory capacity, with standing committees whose members are elected by the NGOs themselves.

Inspiring example:
Croatia’s Council for Civil
Society Development

1.3.3 Fostering innovation

Innovation is central to achieving the goals of [Europe 2020](#) - and public administrations are pivotal to stimulating innovation in the economy through R&D funding and public procurement. The role of



innovation within public administrations is equally important in improving services, strengthening productivity, and bringing new thinking to old problems. Innovation in public sector organisations can be said to comprise seven dimensions:¹²

The Commission launched the [European Public Sector Innovation Scoreboard \(EPSIS\)](#) to benchmark the innovation performance of the EU’s public sector.

Type	Clarification
Product	Developing new or enhanced products, such as electronic ID cards, better laws and regulations.
Process	Re-designing organisational processes to improve their performance and efficiency, such as lean production, reorganisation of back-office processes, etc.
Service	Discovering new ways to provide public services to citizens and businesses, such as through smartphones, social media, co-delivery, etc.
Position	Identifying new contexts or ‘customers’ for public services, and increasing the tailoring and targeting towards specific groups and individuals, such as offering personalised online services through MyPage, or repositioning the relationship between government and immigrants
Strategic	Defining new goals or purposes for the organisation, such as the role of public sector in the sustainability and social responsibility debate.
Governance	Finding new forms of citizen engagement and democratic institutions, such as area forums, e-Participation, devolved administration, etc.
Rhetorical	Introducing new language and concepts into public administration, such as the concept of ‘congestion charging’ in city centres, or ‘nudging’ to influence the behaviour of citizens and businesses to achieve policy goals.

¹² Based on J. Hartley (2005), *Innovation in governance and public services: past and present*

Public sector innovation mostly happens through *ad hoc* and uncoordinated initiatives, rather than due to deliberate and systematic efforts. The Commission’s Expert Group on Public Sector Innovation has identified four sets of **internal barriers** which hold back public administrations:

Obstacles to public sector innovation	
✚	Weak enabling factors or unfavourable framework conditions: scattered competences, ineffective governance mechanisms, diverse legal & administrative cultures, resource constraints to develop & deploy staff and to finance roll-out, and inadequate coordination within & across organisations to share, spread & scale-up successful initiatives.
✚	Lack of innovation leadership at all levels: preferring caution (avoiding failure) to creativity (finding new paths to success), rigid rules and risk-averse managers discouraging staff and stifling the diffusion of innovative ideas.
✚	Limited knowledge and application of innovative processes & methods: access to capabilities (systems, skills, tools and methods) often absent, and collaboration (with other parts and levels of government, businesses, citizens and third sector organisations) needs to be nurtured.
✚	Insufficiently precise & systematic use of measurement and data: inadequate information on sources of new & improved products, processes & services, lack of monitoring of the benefits for policy outcomes.

By its nature, there is no blueprint for innovation. The main challenge is to engineer the conditions and the climate for creativity to flourish, which is about **organisational culture**. Innovation can be embedded into institutions, if employees are encouraged and enabled to act as public sector ‘entrepreneurs’. The aim should be an atmosphere in which it is accepted, and expected, that public servants can think laterally and radically about policy solutions, and put forward their ideas internally without inhibition. The policy-making process still needs to be evidence-based and rigorous, with robust options appraisal, but staff should be actively encouraged to challenge conventional wisdoms and question the assumptions that underlie how things are done currently.

This makes the creative process a **form of ongoing ‘internal consultation’**. When public bodies go outside to consult citizens, businesses and other organisations on their policies and programmes, they have *unlimited* expectations of the reaction they might receive. All invited views are valid, but must be screened against the criteria of what is achievable and desirable, and a decision taken on next steps. The same principle should apply internally, but on a continuous basis.

Mechanism	Challenge
Structures	✚ Nominate ‘innovation champions’ or ‘innovation coordinators’ across the administration to campaign for innovation, to encourage fresh ideas and to spot new practices (products, processes, services, etc.) that can be disseminated across the organisation and into other public bodies
Staffing	✚ Encourage and incentivise innovation by targeting creative talent through recruitment, staff development, performance appraisal and bonus payments

Some Member States have institutionalised innovation by creating dedicated units with a specific agenda to think creatively, and to act as an advisory body within the administration. Alternatively, cooperation and co-creation can be engendered by creating mechanisms to connect public servants with innovative ideas from across all levels and territories. The proof of innovation is its **application**. Behavioural insights have been employed by specific agencies of government to help businesses comply more easily with

The JRC’s EU Policy Lab has conducted an EU-wide mapping of public policy labs and organised [Lab Connections](#) in October 2016. With managing authorities & intermediate bodies, DG REGIO & the EU Policy Lab co-designed a bottom-up community to improve ERDF & Cohesion Fund management.

Inspiring examples: Denmark's MindLab (see [topic 1.1.1](#)); UK's Behavioural Insights Team; the Smarter Network in the Netherlands

regulatory obligations, such as helping enterprises avoid errors in the submission of annual reports and check the quality of their business data in a user-friendly manner.

To make progress, administrations need error', which will inevitably bring both encourages **prototyping and controlled** manage the risk with small-scale and

Inspiring example: Randomised controlled trials in Denmark

the freedom to exercise 'trial and successes and failures. It also **testing** before proliferation, to iterative experimentation.

Such exercises need to be financed by public funds. The ideal scenario is that policy experimentation is integrated into budget preparation, so that each ministry or municipality has dedicated monies assigned to policy R&D. This set-aside should be viewed as **public sector 'venture capital'**, with the opportunity for longer-term returns from better policy outcomes to justify the investment.

An indirect but cost-effective alternative to public spending is to build the incentive to innovate into the regulatory framework, by establishing a '**right to challenge**' **principle**: exempting public authorities, businesses and/or third sector organisations from the effects of legislation, if they can demonstrate they can achieve the policy objective more effectively or efficiently with their own innovation.

The **dissemination** of good practice relies on high calibre intelligence. Recent years have seen the rise of networks, awards or best practice websites to collect and diffuse innovative practices, such as the European Public Administration Network (EUPAN), the Commission's JoinUp portal and Prize for Innovation in Public Administrations (PIPA), the OECD's Observatory of Public Sector Innovation (OPSI) and the European Public Sector Award (EPSA).

1.4 Conclusions, key messages and inspiration for future action

The main messages under this theme are:

-  Recognise that the policy process is composed of inter-dependent elements and that the impact of policy decisions can never be perfectly predicted, and hence feedback mechanisms are essential to allow corrections in direction to be made and new paths to be laid, if policy is straying too far from its goal;
-  Ensure the parties that are most affected by policy decisions, particularly citizens and businesses, become active participants in the process - true stakeholders;
-  In the context of an increasingly 'connected' world, with the usual stream of evolving and emerging policy challenges but now the added constraint of high public debt and growing liabilities, strengthen 3 types of capacity (below), so your administration is fit for purpose, and encourage inventiveness among officials;
-  Reinforce analytical capacity (the resources to develop a robust evidence base, engage in innovative and forward thinking, and come up with fresh solutions to ingrained problems) throughout the administration, but also consider the role of specialist bodies and taskforces, and drawing on external insights from specialists and/or stakeholders (co-design);
-  Strike the right balance with delivery capacity (the flexibility to develop and adapt implementation solutions to serve policy objectives, meet the needs of citizens and businesses, and maximise cost-effectiveness at the same time), in all its forms - in-house, out-sourced, and all the other instruments in the armoury (information/persuasion, regulation and co-creation with 'customers') through careful choices to fit the circumstances and continuous improvements to enhance service delivery, simplify administration and reduce the information burden on businesses and citizens, and find efficiency savings;
-  Make sure there is sufficient oversight or regulatory capacity (the expertise to scrutinise policy decisions and their delivery, and the authority to speak up and to question whether changes should be made, in the interests of continuous improvement), including co-evaluation and a healthy external audience of independent media and civil society.

These three types of capacity do not co-exist in isolation from each other, they overlap substantially even within individual officials, but significant separation of roles is inevitable and desirable. Administrations should carefully consider their strengths and weaknesses in all three domains, and look at their organisational and human resources management to make sure the institutional focus and the best talent is not over-concentrated in one area (e.g. analysis) at the expense of the others.

Theme 2: Ethics, openness and anti-corruption

At the heart of individual **ethical** behaviour in guiding behaviour and decisions, and the **integrity** of the entire system of administration is the concept of serving the public interest, rather than narrow personal or political interests.



By contrast, **corruption** can be defined as the misuse of public position or power for personal or private gain. Grand corruption involves administration at the highest level, such as: businesses, individuals or organised crime buying and/or exerting influence to shape the State's policies and laws in their narrow interests (state capture); channelling public funds into personal or party accounts; and political parties in power rewarding apparatchiks with public positions (patronage). Petty corruption takes place at the level of institutions and individuals, such as: bribery and extortion; preferential access to services or goods; influence on processes and their outcomes; or favouritism in awarding jobs, promotions or contracts, irrespective of merit.

One in 12 Europeans surveyed in 2013 had experienced or witnessed a case of corruption in the past 12 months, 1 in 4 felt personally affected by corruption in their daily lives. Over 4 in 10 companies felt corruption, patronage & nepotism to be a problem for doing business.

While bribery and other forms of corruption clearly 'cross a line', sometimes officials face **conflicts of interest** or other dilemmas (e.g. lobbying), where the way forward - 'doing the right thing' - is not instantly obvious. Ethical values must be interpreted in often complicated real-time situations.

The task for public administrations is to put the systems and structures in place to help officials make the optimal choices, especially when confronted with tricky ethical decisions, and to define unambiguously the threshold of (un-)acceptable activity.

More troublesome, however, is the concept of '**legal corruption**' whereby laws are crafted in a way that makes unethical behaviour legitimate.¹³ For example, regulations might be adopted that permit the preferential allocation of public funds, or otherwise allows favourable treatment of businesses.

High income countries rank highly on control of corruption, a major factor in good governance. Endemic corruption imposes **economic costs**, discourages enterprise, investment & innovation through its unpredictability, distorts decision-making, and diverts funds that

In November 2016, the Commission published a [factsheet on anti-corruption](#).

Analysis by the EU-financed ANTICORRP programme shows a strong correlation between corruption and government over-spending, under-collection of taxes, fiscal deficits, and under-absorption of ESI Funds. It is also strongly associated with 'brain-drain' from the economy to more meritocratic environments.

governments can ill afford to lose. Corruption is toxic for long-term economic prosperity and sound public finances. Where corruption has taken hold, the policy challenge is to make the transition from systemic corruption ('*if you are not corrupt you lose out*') to sporadic corruption with isolated incidents at worst ('*if you are corrupt you stand out*'), where integrity is the norm.

¹³ See the [EU-financed ANTICORRP project](#) and D. Kaufmann and P.C. Vicente (2005), [Legal Corruption](#), World Bank; and D. Kaufmann and P.C. Vicente (2011), [Legal Corruption](#), Economics & Politics 23, 195-219

Corruption is a complex phenomenon. While there is no single set of causes and it is not at all inevitable, the risk of corruption tends to be higher in the **presence of opportunity**, which can arise from officials having discretion (decision-making power) plus privileged access to public ‘resources’ that are desired or required by the other party (such as funds, state assets, jobs, laws, contracts, treatments, queue-jumping, or avoiding payments or penalties), and the **absence of constraints**, including ethical behaviour, enforced laws and regulations, accepted rules, controls, audits, scrutiny, sanctions and public opinion¹⁴.



Key questions for theme 2	Ways and tools
2.1 How do public administrations set the framework for promoting integrity and combatting corruption?	<ul style="list-style-type: none"> ✚ Clear statements of ethical values & standards ✚ Laws & regulations ✚ Integrity coordinators ✚ Anti-corruption agencies
2.2 How can administrations manage integrity and corruption risks ?	<ul style="list-style-type: none"> ✚ Risk assessments, risk matrices, heat maps ✚ Managing organisational risk ✚ Managing sector risk ✚ Managing country risk
2.3 What role can transparency and accountability play in (re)building trust among the public?	<ul style="list-style-type: none"> ✚ Open government & access to information ✚ External scrutiny
2.4 What preventative measures can administrations take to strengthen ethical performance and reduce the scope for corruption?	<ul style="list-style-type: none"> ✚ Merit-based recruitment & other human resources management techniques ✚ Ethics & dilemma training ✚ Disclosure of interests, income & assets ✚ Administrative simplification, controls & automation
2.5 What can administrations do to detect and act on corruption when it occurs?	<ul style="list-style-type: none"> ✚ Whistle-blowing mechanisms ✚ Investigation, prosecution & sanctions
2.6 How best to approach designing measures to promoting integrity and tackling corruption?	<ul style="list-style-type: none"> ✚ Portfolios / packages of measures ✚ Innovative policy design ✚ Balancing rules-based & values-based measures

¹⁴ Based on A. Mungiu-Pippidi (2014), *Why control of corruption works – when it does*, ANTICORRP, op. cit.

2.1 Establishing the policy framework

Ethical behaviour in public life should be the norm, and typically goes unnoticed *because* it is unexceptional. From this perspective, integrity policies should seek to recognise and reward high standards among public officials and the judiciary, to shine a beacon on best practice as a searchlight for other officials to follow. Where it does occur, corruption is often down to individual acts, but these typically attract disproportionate attention and negative publicity, bringing the whole public service or institution into disrepute. Systemic corruption, however, represents something more fundamental: an absence of public service ethos, the disregard of formal rules, and a failure to identify or take corrective action, either because the causes are not understood, solutions are not apparent, or there is a resigned acceptance that corruption is integral and inevitable.

The challenge for public administrations is to construct a policy framework which is able simultaneously to incentivise integrity, to deter corrupt activities and, if present, to dismantle systemic corruption. The drive for higher ethical standards and practices invariably demands **leadership**: the willingness to seek long-term and widely-shared benefits, and in the case of systemic corruption, the courage to challenge vested interests. Each EU Member State has its own framework for promoting ethics and addressing corruption, whether isolated or endemic: standards, strategies, regulations and institutions. There is no standard package of measures that can be applied in every circumstance: the most effective policy response depends on local conditions.

2.1.1 Ethical values and standards

Ethical behaviour starts with attitudes and values at the top of the administration, including the avoidance of state capture, patronage, nepotism, bribery and seeking or offering favours. In the first instance, this is a matter for the government itself. The parties in power set the rules of the administration, subject to oversight, and can choose to shape the regulatory and procedural framework to serve the public interest – or political / private interests, which is a form of ‘legal corruption’ that is unethical and contrary to the principles of good governance.

Inspiring example: UK’s Seven Principles of Public Life

Increasingly, public administrations are turning to statements of universal values to govern the performance of public duties, flexible enough to apply to all policy domains, institutional environments and individual responsibilities. **Codes of ethics** are now increasingly common across Europe, to which all public officials are expected and obligated to commit. Such ethical codes are sometimes overseen by independent watchdogs, allowing them to be reviewed on an occasional basis to ensure their enduring relevance, and to consider how they are applied to different aspects of public life for operational purposes.

Following a study of ethics in Member States, the Dutch Presidency of the European Union proposed the key features of an ethics framework for the public sector which was adopted as a voluntary, non-legally binding European Code. The framework goes further than just defining values, by also setting out guidelines for putting these principles into practice as **codes of conduct** - rules on how to apply

them, including sanctions for non-compliance). In some cases, this type of practical guidance on officials' behaviour is formulated as a **handbook for public officials**.

2.1.2 Laws and regulations

Ethical principles are typically embedded in the legal base, outlawing bribery and other forms of domestic corruption through the adoption of primary laws and by-laws. The Treaty on the Functioning of the European Union recognises that corruption is a serious crime that often has implications across, and beyond, internal EU borders. Bribery and other forms of corruption, for example within the judiciary, can affect competition and investment flows. Multilateral organisations have played a catalytic role in the last few decades in establishing **international conventions and principles** that can be adopted by their members, most notably, [the Council of Europe](#), [United Nations](#) and [OECD](#).

Each national system is specific to the country's legal traditions and structures, but all Member States also have criminal law which is aligned not only with EU legislation, but also the UN Convention against Corruption and Council of Europe standards. Some Member States recognise they have an obligation to **outlaw bribery at home and abroad**. This requires not only appropriate legislation, but just as importantly, rigorous enforcement with regards to prosecutions and penalties. Other relevant legal provisions include laws to **protect whistle-blowers**.

Inspiring example:
UK Bribery Act 2010



See topic 2.4.1

Some Member States have also legislated to regulate **conflicts of interest** in decision-making and allocation of public funds, including public procurement and European Structural and Investment Funds.

The Council of Europe has defined conflict of interest as a situation *"in which the public official has a private interest, which is such as to influence or appear to influence, the impartial and objective performance of his or her official duties"*. Private interest is understood to mean *"any advantage to himself or herself, to his or her family, close relatives, friends and persons or organisations with whom he or she has or has had business or political relations."* It includes also any liability, whether financial or civil, related thereto. The EU's [Financial Regulation](#) defines conflict of interest as *"where the impartial and objective exercise of the functions of a financial actor or other person ... is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other shared interest with a recipient"*.

Conflicts can take many forms, including officials or their relatives that have outside business interests, such as a stake in a company that is applying or bidding for funding, or the expectation of future employment by a recipient of government contracts. The movement of people between the public and private sectors can never be outlawed, and is necessary for flexibility in an economy. There are advantages to both sectors from the transfer of know-how, but also risks to disclosure of privileged information, when public officials, whether elected or employed, move to private enterprises in their former field of responsibility. Part of the solution can be to impose



See also topic
2.3.1 on human
resources
management

restrictive covenants in officials' employment contracts, which seek to stop or slow down the 'revolving door' of officials moving between public and private sectors in a related field.

2.1.3 Coordinators and agencies

Some Member States have allocated resources at the centre of Government to manage their ethics policies through **integrity coordinators**. Key learning points include:

Inspiring example: Integrity coordination in the Flemish Government, Belgium

- ✚ The creation of a central office to lead and coordinate the integrity policy;
- ✚ The importance of having a network of 'antennae' right across the administration, who know best their own entities, act as ambassadors for the policy and bring their insights and ideas back to the centre;
- ✚ The emphasis on active and innovative promotion of the policy among officials, which links integrity to staff's well-being; and
- ✚ The detective role of internal audit in conducting screening and, if problems are raised, able to perform 'forensic' audits to get to the bottom of any corrupt behaviour.

Many Member States have established **anti-corruption agencies (ACAs)** to take forward and implement their policies, tasked with one or more functions including: education and awareness-raising; monitoring and coordination; prevention, investigation and prosecution. According to the [OECD's analysis](#), the criteria for effective ACAs (in line with the UNCAC and Council of Europe Conventions) are challenging to implement, but include:

<i>Criteria for effective anti-corruption agencies</i>	
✚	Genuine political will to fight corruption, embedded in a comprehensive anti-corruption strategy;
✚	Structural and operational autonomy, along with a clear legal basis and mandate, especially for law enforcement bodies;
✚	Transparent procedures for the director's appointment and removal, proper human resources management and internal controls to prevent undue interference;
✚	Matching independence with accountability, by submitting regular reports to executive and legislative bodies, and providing the public with information;
✚	Recognising that no single body can promote ethics and tackle corruption alone, and hence collaborating with other agencies, civil society and businesses;
✚	Employing specialised staff with specific skills, depending on the agency's remit;
✚	Ensuring adequate material and financial resources, including training;
✚	In the case of law enforcement, sufficient legal powers to conduct investigations and gather evidence, clear delineation of responsibilities with other public bodies in this field, and teamwork between investigators, prosecutors and other specialists (e.g. finance, audit, IT).

Given the sensitivities of their remit, ACAs run the risk of becoming the target of political control, and hence the first two factors are also the most important.

2.2 Managing integrity and corruption risk

While integrity strategies are relatively rare, many Member States have **anti-corruption strategies**. As a key ingredient is a sound evidence base, the strategy should be founded on understanding the risks to integrity and characteristics of (potential or actual) corruption in the domain under consideration, to help select the most suitable measures to address them. Tailored strategies should seek to target the points where integrity concerns or corruption are most concentrated and where there is also capacity for change. Sometimes, corruption has become the norm, even accepted as such by perpetrators and victims alike, and 'risk' may seem too light a word to describe what is happening on a daily or regular basis. However, corruption is not a certainty and can be reduced to a minimal level, even if it will never be completely eradicated.



See also topic
1.1.3 on strategy
development

Risk management is a long-standing discipline in the public, private and voluntary sectors, with well-established tools, such as the [International Organisation for Standardisation's](#) ISO 31000 standard, which captures the four key elements of risk management: **identify, analyse, evaluate, treat**. The ISO standard also highlights the importance of: establishing the context before performing the risk assessment; ensuring communication and consultation throughout the process, and monitoring and reviewing risks regularly to ensure continuous vigilance, learning and improvement.

Corruption is not simply the obverse of integrity. There are behaviours that are not illegal (corrupt), but they *are* unethical. There are conflicts of interest that, if left unchecked, can become corrupt activities. There are grey areas where the boundary is blurred between the right and wrong thing to do. This is why the chapter refers to integrity risk, of which corruption risk is an integral element.

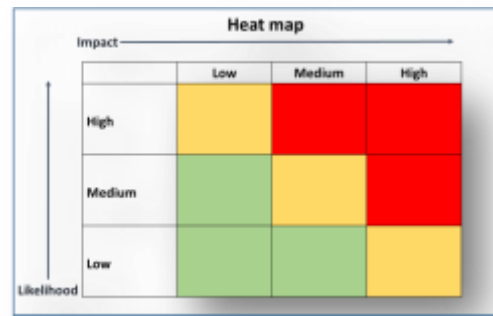
Ultimately, even the best crafted strategies with the most robust evidence base and most comprehensive risk analysis are just paper exercises, unless they are accompanied by robust action plans that are followed through with actual **implementation**.

The Commission supports national authorities through OLAF's HERCULES III programme, and the risk-scoring tool for ESI Funds, ARACHNE.

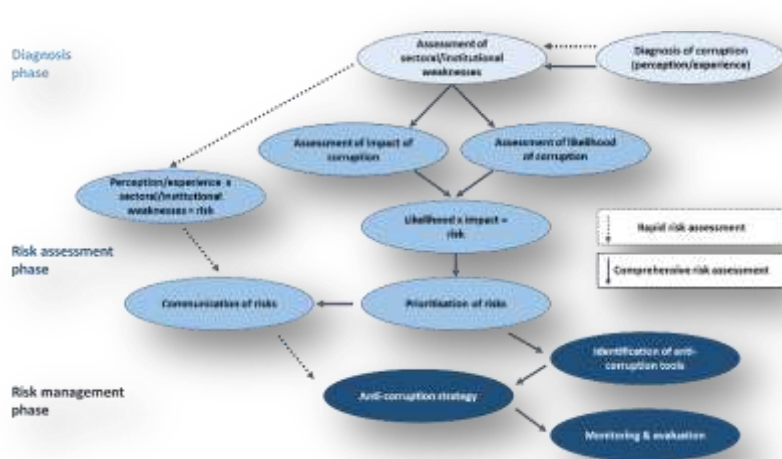
2.2.1 Assessing risk

Risk assessment typically draws upon the generic tool of risk mapping, to produce a heat map and risk matrix. **Risk mapping** can take various forms, but the underlying objective is always the same, to identify the highest risks of corruption. The basic techniques should be familiar to any internal and external auditor, as they apply to any form of risk: assessing both the likelihood and, if arising, the impact of corruption on a rising scale (typically low, medium, high and even very high). The two-step risk assessment is applied to the institution or sector, by considering each potential aspect of corruption to produce a **risk matrix**. This starts with identifying all the potential risks, which means considering where there is an *opportunity* for corruption: for sectors, it will focus on strategic concerns, which is valuable for preparation of strategies and their measures; for institutions, it will focus on managerial and operational concerns, which can then lead to specific plans and programmes for the institution under review.

Whether sector or institutional, the analysis can be converted into a ‘heat map’, for greater visual impact. Each source of corruption risk is assigned to the corresponding square (e.g. low likelihood, high impact). The squares which are shaded in red present the highest risk and hence the top priority for measures under the strategy or programme. Those in yellow represent a moderate risk and hence a lower priority. The boxes shaded green are generally not prioritised for action. However, risk assessment is a dynamic process. It should be regularly reviewed, as circumstances may change. As mitigating measures are taken on the highest risks, their likelihood scores should fall, and the attention may switch to other factors over time that were previously considered lower priorities.



Transparency International (TI) has set out three main phases in producing a risk matrix (via a heat map, if used) – diagnosis, risk assessment and risk management - as the steps towards producing an anti-corruption strategy, containing anti-corruption tools, which is subject to monitoring and evaluation, and hence a cycle of continuous learning and improvement. It is possible to perform a rapid risk assessment, but the ideal scenario is to perform a comprehensive assessment to ensure the analysis has depth and the solutions are well considered¹⁵.



How to put these tools into practice? Here, it is useful to recognise **three levels of integrity risk management**, summarised overleaf:¹⁶

¹⁵ Diagram (right) is based on TI’s [Gateway Corruption Risk Assessment Toolbox](#).

¹⁶ Regional Cooperation Council (2015), *Corruption Risk Assessment in Public Institutions in South East Europe, Comparative Study and Methodology* proposes a further category of ‘targeted *ad hoc* assessments’ which focus on a specific project, department, working process, policy, etc.



Level	What	Why	Who
Micro	Organisations	Each organisation has its unique character and culture, and specific issues it faces to promote and maintain integrity, and to identify (ideally just potential or only isolated) incidents of corruption or conflicts of interest, and take preventative or corrective action.	Top management, integrity champions, working groups and/or internal audit - but also external checks, audits, ombudsmen & experts.
Meso	Sectors (including cross-cutting disciplines)	Many organisational risks are shared across policy sectors (e.g. health, law enforcement), or within the same function or process (e.g. procurement). There are benefits from common approaches, especially where there is systemic risk and/or horizontal solutions are the best option (e.g. sector-wide pay, terms & conditions).	Centre of Government, integrity coordinators, ACAs and/or line ministries – but also parliamentary committees, supreme audit authority, ombudsmen, sector associations, NGOs, media, etc.
Macro	Countries (whole administrations)	Some organisational and sector risks are best tackled at the level of the whole administration (e.g. ethical codes for all public servants, generic legislation). Moreover, some forms of state capture or improper relations are pervasive throughout the administration, and hence require country-wide solutions.	Centre of Government, integrity coordinators, ACAs – but especially parliament, supreme audit authority, ombudsman, civil society, independent and investigative media.

2.2.2 Managing organisational risk

As the building blocks of the public administration, it is important to tackle corruption risk on an organisational basis. Every public body is its own organism, and unless integrity is embedded into its 'DNA', there is always the risk of unethical behaviour and practices. For many years, individual public organisations have assessed the risks they face from a range of perspectives - strategic, operational, financial, etc. Increasingly, this is extending into integrity risk and becoming systemised, typically by integrity coordinators and ACAs, with integrity risk methodologies that can be applied to every institution, leading to the adoption and implementation of integrity plans. An integrity approach should be founded on **three pillars: prevention, detection and reaction**.

 See also topic 3.3 on centre of government coordination

These methodologies (e.g. protection of confidential information, identification of vulnerable positions) are mostly generic, but can be tailored to the individual circumstances of the organisation. This allows senior managers to prioritise their planning of integrity measures, allocate resources, and change attitudes and organisational culture. The integrity risk analysis, which starts with compiling risk register, should map two types of vulnerabilities:

-  **Generic risks** that are common for all administrative structures (e.g. recruitment, selection and human resources management, public procurement, asset management, etc.); and
-  **Specific risks** related to operational specialisms (e.g. in the case of customs, physical checks at the border).

Who performs the risk assessment? The answer depends partly on the context, which can be guided by sector and country risk

Inspiring examples: From internal control to integrity risk analysis with Audit Flanders (Belgium).

analyses. Where the overall organisational risk is low (sector risk is low, the functions and processes tend to have low vulnerability, and no reported incidences of corruption), there is a case for **self-assessment**. But it can itself be a risk, especially in sectors or institutions where corruption is endemic. Alternatively, some organisations hire **external advisors** to help them to make an integrity risk analysis. Their role can be valuable to facilitate the process and draw on experience from elsewhere. Leaving the risk assessment *entirely* to an outside expert is not optimal, however, especially as they lack the insider’s knowledge of possible breaches, incidents and signals. The upsides of these two options need to be weighed against the downsides.¹⁷

	Pros	Cons
Self-assessment	<ul style="list-style-type: none"> ✓ Tailored assessment process based on ‘insider’ knowledge of internal environment and working processes ✓ Learning and development process can help develop confidence of public officials in what they are doing well ✓ Conducted with internal resources 	<ul style="list-style-type: none"> ✗ Danger of being merely a checklist or low quality ✗ Possible absence of sufficient commitment of superior and/or staff ✗ Lack of sufficient knowledge or/and experience for implementation of assessment ✗ Time-consuming
External assessment	<ul style="list-style-type: none"> ✓ Potentially broader scope of assessment ✓ Expert knowledge and experiences in assessment methodology ✓ Independent and objective assessment ✓ Less time-consuming for the subject under assessment 	<ul style="list-style-type: none"> ✗ Less in-depth assessment ✗ Possible concealment of certain internal particularities or vulnerabilities from external evaluators ✗ Superficial or insufficient knowledge of working processes in institution, sector or project under assessment

Self-assessment with independent validation or/and supervision can mitigate or eliminate the basic deficiencies of ‘internal only’ and ‘external only’ approaches. Where the integrity risk is high, a **mixed approach** involving external experts working alongside or leading the internal team can maximise the objectivity.

The integrity coordinator or anti-corruption agency can provide **valuable extra help** across their administrations by, for example, disseminating examples of real-life risk analyses (functional and process) and conducting regular master-classes involving organisations that have made integrity risk analyses.

The Flemish Government has identified **six steps to conducting an integrity risk analysis**, which provide a helpful framework to follow. For organisations where self-assessment would not be sufficient, and either external assessment or a mixed approach is more appropriate, step 1 should be adjusted accordingly:

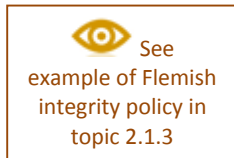
Inspiring examples: Flemish roadmap & resources for integrity risk analysis

- ✓ Step 1: Assemble a multi-disciplinary working group
- ✓ Step 2: Perform an integrity scan
- ✓ Step 3: Compile a vulnerability matrix
- ✓ Step 4: List and scrutinise measures

¹⁷ Source for following table: Regional Cooperation Council, op. cit.

- ✓ Step 5: Determine priorities
- ✓ Step 6: Make plan of action.

The implementation of the measures is best inscribed in the management and internal control processes of the organisation. The integrity risk analysis should be repeated regularly, to ensure the measures keep up-to-date with the evolutions of both the organisation and society.



By translating the general measures and points of concern into concrete actions, the integrity risk analysis provides the foundation for an **overall integrity policy** and approach to deter, detect and address corruption.



Inspiring example:
Defining an integrity policy
plan (the Netherlands);
integrity planning
(Slovenia)

2.2.3 Managing sector risk

The purpose of a sectorial analysis is to pinpoint potential risks that can repeat across organisations, prepare sector guidelines for all applicable organisations, and seek shared solutions, especially where failure to act across the sector can undermine the efforts of any individual organisation. Healthcare and border control provide good illustrations of this principle, as they are many potential entry points for corrupt practices and conflicts of interest, which make an effective case for a comprehensive and multi-faceted sector strategy. Many examples exist of sectorial studies and guidelines (e.g. healthcare, education, judiciary, tax administration, customs, border control, public procurement), which follow the standard risk management process of identification, assessment and measure design. The first step is to return to the formula, **risk = opportunity – constraints**, as the basis for more in-depth analysis.

Inspiring examples from
health sector: Penalties for
payments (Austria);
bribery exposure (Bulgaria,
Croatia, Latvia);
transparent waiting lists
(Austria), doctors against
bribery (Slovakia)

‘Red flags’ can help to **anticipate ‘opportunities’**, where officials can misuse and abuse the power entrusted in them and their roles as gatekeepers to public resources: Is there scarcity of provision of the public service? Is the user base fragmented? Is there an imbalance of information between providers and users (information asymmetry)? Is decision-making concentrated in individuals or small groups? Is the sector characterised by large public spending? Is the sector characterised by close ties with business? Are officials exposed to criminals? The theme provides examples of decisions from a selection of sectors (border control, custom, education, healthcare, judiciary, law enforcement and inspection, procurement and public finance management) in two categories:

-  **Permissive** - the public official allows something that should not happen; and
-  **Obstructive** - the official denies something that should happen.

In many cases, the outcome might simply be the result of error, incompetence or negligence. Integrity becomes the issue when the permissive or obstructive decisions are the *consequence* of bribery, kickbacks, favouritism, state capture or any other form of corruption or conflict of interest.

The context for the behaviour also needs to be understood, not just the potential for these actions. This means **analysing ‘constraints’** (or their absence), which can be legislative or normative - ideally the latter. Again, there are ‘red flags’ to question whether weak constraints are likely to be a factor in sector risk: Is there a peer pressure around corruption? Is the sector characterised by public (in)tolerance of corruption? Is remuneration in the sector below market-levels? Is the sector characterised by weak internal management & controls? Is the sector characterised by limited external scrutiny? Is there a perception of weak sanctions, especially among officials?

In designing **mitigating measures** at the sectorial level, COGs and line ministries should bear in mind:

- ✓ **Precision:** concrete proposals to be practically applied;
- ✓ **Innovation:** action to address corruption is notoriously complex, and cries out for evidence-based policy making and sophisticated experimentation; and
- ✓ **Implementation:** in many cases, existing public bodies will need to be influenced and incentivised, but in others, new systems and even institutions (e.g. inspectorates) may be merited.

 See topic
1.2.2 on applying
behavioural
insights to policy

The chapter provides examples of possible measures under 8 headings: abuse of discretionary power by officials; lack of clarity over rules and rights; poor access to information; opaque business links; weak internal controls; weak external scrutiny; hidden corruption; and allocation of public funds. In each case, the pros, cons and limitations need to be carefully weighed. There is always the risk that the supposed ‘cure’ is not only ineffective but also has unforeseen and unintended consequences, making the public service less efficient, by adding costs or time without countervailing benefits (additional checks slow down service delivery; automation removes flexibility). As ever, there is no ‘magic pill’; rather a cocktail of measures will most likely be needed, which motivates as well as mitigates against risk.

2.2.4 Managing country risk

When risk management is performed comprehensively at every level in the public administration, it can cover 100s or 1000s of entities and a multitude of employees. This represents a huge collective effort and requires coordination, typically from the Centre of Government (COG). But some risks can only be fully understood or addressed by setting sights higher, at the level of the entire administration. This is what investors would call country risk. There are two perspectives here:

 See topics
2.1.3 and 3.3

- ✓ The **values-based** agenda is about setting an overall direction and tone which applies across the whole administration (e.g. through codes of ethics as an overarching framework for sectorial codes of conduct and organisational values statements; leadership from the top on integrity, expressing intolerance of corrupt behaviour and unethical practices; engaging with the public, raising awareness and changing perceptions).
- ✓ The **rules-based** agenda is about generic legislation or rules (e.g. defining corruption and conflicts of interest, outlawing bribery, protecting whistle-blowers) and whole-of-

administration policies and practices (e.g. recruitment and selection, the role of eGovernment, etc).

As signalled at the start of this topic, **anti-corruption strategies** are often the vehicle for articulating values- and rules-based approaches, as the manifestation of the country's integrity policy.

Inspiring examples: Lithuania's corruption risk analysis and development of its Anti-Corruption Strategy

The 2013 study '[Public Money and Corruption Risks](#)', financed by DG HOME's Prevention of and Fight against Crime Programme and the Open Society Foundations, looks at the risks of systemic corruption in the management of EU funds and state-owned enterprises in 3 Member States.

Country risk management can be applied in all circumstances, but is especially relevant when corruption is endemic, or the main country risk is grand corruption, such as state capture and political patronage. It seeks to answer the question: **what happens when the system is the problem?** In these cases, responses at the level of individual organisations or even sectors are inadequate to the challenge. Here, analysis and

solutions can often originate outside the existing system, either from an incoming government, an independent and active legislature or judiciary, public pressure and/or international bodies (including financial institutions).

Where no structures exist, or they do but integrity is not a political priority, it can be **civil society** that takes actions into its own hands. Private initiatives through social media and websites can also give a voice to frustrations.

Inspiring example: 'Edosa fakelaki' in Greece

2.3 Building public trust through transparency & accountability

Corruption can fatally undermine public trust in public administration, and results from a failure of individuals to be accountable for their behaviour, which is compounded if the system fails to hold them to account. As corruption usually relies on secrecy (unless at worst, it is both endemic and explicit), the antidote is open government, enabling citizens to exercise their democratic right to oversee the executive and the judiciary, by ensuring they have access to information and enabling citizens' representatives to scrutinise performance through parliamentary bodies, civil society and investigative journalism. Transparency acts to deter and detect - providing a safeguard against potential abuses of power, and shining a light on transgressions if they arise.

2.3.1 Open government

Thanks in part to 24/7 news coverage and social media, there appears to be an unstoppable movement towards greater transparency in government and the judicial system. The public sector is more open than ever in history, and many administrations have embraced that reality, by adopting legislation permitting freedom of information. ICT is both a driver and an enabler of this openness.

Inspiring examples: Italy's OpenCoesione open government strategy; UK's Local Government Transparency Code

Digitalisation now allows the public to monitor the extent to which public administrations meet their obligations on transparency and information access, and hold them accountable for public spending and integrity, *inter alia*, opening a window for example on the use of ESI Funds, encouraging civic involvement in performance monitoring, enticing media interest, and inciting participation, and protecting against corruption and misuse of public funds.

Member States have recently confirmed that *'the overall vision remains to **strive to be open, efficient and inclusive, providing borderless, interoperable, personalised, user-friendly, end-to-end digital public services to all citizens and businesses** – at all levels of public administration.*¹⁸

It is down to individual governments to decide how ambitious they wish to be when extending the boundaries on that openness. The [Public Sector Information Directive](#) on re-use of public data applies to all Member States, but many administrations are also providing access to information on processes, performance, tendering procedures, use of public funds, different steps of a policy or decision-making, etc.



See also topic
1.1.3 on co-
responsibility & topic
7.2.1 on judicial
communication

All Member States are signatories to the [2017 Tallin](#) and [2009 Malmö Ministerial Declaration on eGovernment](#) and many are part of the [Open Government Partnership](#). Transparency is integral to the vision & principles of the [eGovernment Action Plan 2016-2020](#), measured by the [eGovernment Benchmark](#) and the [Digital Economy and Society Index \(DESI\)](#), and subject to several projects under [Horizon 2020](#).

2.3.2 External scrutiny

Transparency is an effective tool in deterring and detecting corruption when it is matched by external scrutiny and the public's active participation in the administration's decision-making processes. Some administrations are going beyond freedom of information, and allaying concerns among citizens and businesses about corruption and conflicts of interest by making transparency a central feature of their day-to-day operations.

External scrutiny also requires strong institutions from outside the executive and judiciary that are able to investigate behaviour and hold the administration to account, including:

- ✚ **Supreme Audit Institutions (SAIs)** that are fully independent from the executive and can report to Parliament and the public on misuse of funds;
- ✚ **Information Commissioners** or similar (if such exist) that enforce freedom of information legislation;
- ✚ **Ombudsmen** that provide recourse for the public to make complaints;
- ✚ An independent and vibrant **media** capable of asking tough questions, and
- ✚ Healthy and effective **non-governmental organisations (NGOs)** capable of representing societal interests and willing to tell 'truth to power'.

Public administrations can call on **civil society organisations (CSOs)**, as a bridge from the executive to the citizen, to encourage the public's active engagement and interest in monitoring the decision-

¹⁸ [Ministerial Declaration on eGovernment - the Tallinn Declaration](#) (2017)

making process and ensuring transparency. The groundswell of public opinion can be a trigger for action by authorities: things change when people have had enough. Research shows that control of corruption has a very strong association with a large CSO community and engaged citizens, and is almost impossible without it. The [Open Government Partnership \(OGP\)](#) is an example of an international transparency initiative which provides a platform for “domestic reformers committed to making their governments more open, accountable, and responsive to citizens”.

Transparency should also extend specifically to **lobbying**, in the context of consultation on public policy development and implementation. Employers, businesses, unions, associations, churches, NGOs and other interest groups seek to have their views heard on policy. These perspectives are sought by administrations to ensure that policy is framed in dialogue with all affected parties, including the general public. Faced by the risk of policy or regulatory capture by special interests, EU members have not sought to restrict lobbying and thereby lose the benefits of stakeholder dialogue, but to make these activities as visible as possible, by introducing registers of lobbyists, either mandatory or voluntary, and publishing details of lobbying activities.

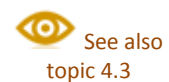
The [EU Transparency Register](#) provides citizens with access to information about who is engaged in activities aiming at influencing the EU decision making process. Registration is voluntary, but incentivised by controlled access to European Parliament & automatic alerts to consultations of interest.

2.4 Promoting integrity and reducing the scope for corruption

In the same way that high performing economies are characterised by low reported corruption, officials that act in the best interests of their organisations are the foundation of well-functioning institutions. By itself, this should create sufficient incentive for public authorities to promote integrity in the workplace. At the same time, it is also recognisably better to stop the cancer of corruption before it takes hold, rather than try to stop it spreading, which places the highest priority on prevention within the panoply of anti-corruption measures. This highlights the delicate balance that must be struck, simultaneously emphasising the importance of ethics while sending a signal that corruption will not be tolerated. Public authorities must tread carefully when introducing anti-corruption measures, as implied suspicion can create a poisonous climate - undermining relationships, individual performance and overall productivity. While the wider goal is to ensure that businesses and citizens can trust in public services, this trust must also be built within the administration itself.

2.4.1 Human resources management and training

Conditions of employment have a bearing on the context for both ethical and corrupt behaviour. Poor rewards for performance (low salaries), contracts without security, politicisation and lack of professionalism all contribute to an environment which can encourage the pursuit of self-serving ends. Assuming the terms of employment are fair, the next step is to ensure that **human resources management (HRM)** integrates ethical values into personnel policies, especially for higher risk positions, and provides clarity regarding workplace rules in the ‘grey areas’ of integrity.



Potential HRM policies to promote ethical values and behaviour

- ✦ Merit-based recruitment as the antithesis of patronage, cronyism and nepotism;
- ✦ Competency frameworks with ethics as an integral feature;
- ✦ Recruitment practices that screen candidates for ethical behaviour;
- ✦ Performance appraisals that consider not only technical and team factors, but also the track record against ethical standards;
- ✦ Ongoing professional development and career management that rewards ethics, including improvements in systems to prevent and control corruption;
- ✦ Unambiguous limits on acceptance of gifts;
- ✦ Restrictions on the ancillary activities and outside interests of staff (for example a tax officer cannot also become a tax consultant) and the accumulation of different positions which may present conflicts of interest (such as policy-maker and regulator);
- ✦ Restrictive covenants in employment contracts regarding future private sector jobs in related fields where they might be able to take advantage of privileged public information for personal gain, such as obliging the official to seek position from the public body or to observe a ‘cooling-off’ period (such as 6 or 12 months)
- ✦ Effective disciplinary policies, in the event of wrong-doing.

Like strategies to combat corruption, it is necessary to identify the **sources and risks** of corruption opportunity before putting together a portfolio of HRM measures, which are likely to be sector-specific.

Integrity policies present their own dilemmas within the workplace. On the one hand, officials should feel able to speak freely and raise concerns when they arise, but on the other, public administrations want to build team spirit. Officials face ethical conflicts and ambiguities, such as around loyalty (to colleagues, the organisation, politicians and the public) and communication (in a time of social media at home and work), which can be addressed through **ethics and dilemma training**. Where integrity risk is high, public servants can be educated about potential dilemmas they might face and tested to see their response to different scenarios. For effective learning, small discussion groups tend to work well, along with a large set of alternative dilemma scenarios, so a sample of scenarios can be selected that is tailored to the specific audience. Depending on the findings of the risk analysis, institutions may wish to customise their training programmes, developing modules for higher risk entities or units (such as procurement, contracting, or front-line staff) or for certain positions (for example, managers and supervisors). Such approaches are equally relevant to the judiciary, whose independence and performance are essential to the public’s perceptions of integrity in society, as well as to the achievement of justice in corruption cases.

Inspiring examples: Slovene police’s ethics code and training; dilemma training in the Flemish Government

2.4.2 Disclosure by public officials

As a preventative measure that also provides a baseline for future investigations, many public administrations now oblige public officials to submit a signed declaration of their income, assets and business interests. This may apply to all elected and employed officials, or only those in sensitive and high risk posts, such as managing public tenders and awarding contracts. This enables investigators to be able to assess any inexplicable changes in income or property ownership out of proportion to their pay or circumstances, and to identify any conflicts between private interests and public duties. The key to success is **verification**: thoroughness in checking compliance with disclosure rules, which

can be resource intensive. Some Member States have assigned this responsibility to their anti-corruption agencies, for example in Slovenia, Latvia and Poland.

The downside of disclosure is the danger of **unintended consequences**: the implied lack of trust in public servants creating a climate which suggests unethical behaviour is the standard against which officials are judged. As a tool, interest disclosure is unlikely to reveal petty corruption at a small-scale, but may deter or detect more substantial practices, as officials with large or multiple properties and sudden increases in income are likely to stand out.

The [World Bank's StAR Initiative](#) suggests a disclosure system can make a meaningful contribution to corruption prevention and enforcement, but is not a silver bullet. A risk-based approach to disclosure and targeted verification is the most effective.

Disclosure is best targeted in the areas where it can be most effective. There is a trade-off between coverage and impact: it is better to have fewer records which can be followed-up. The public interest in gaining access to officials' data must also be balanced against their right to privacy and personal safety. Hence, a more **targeted approach** is merited: focusing disclosure on public officials in higher risk positions, and keeping this information secure, only used for checking and monitoring purposes (it can be archived in the event of later investigation) and in a format which is easy to analyse with ICT. For elected officials, however, there is a greater case for full transparency and hence publication to allow for public scrutiny by voters.

2.4.3 Simplification, controls and automation


Where problems with endemic corruption persist, they tend to be where checks, balances and internal controls are weaker, and concentrated in a few sectors, such as healthcare, justice, police, procurement, licensing, tax, border control and customs. This places the focus in combatting corruption on taking away the chance for graft, or what one evaluation of anti-corruption strategies describes as "changing the rules": policy interventions that aim to change aspects of the government system itself or the way that the government delivers services, so that there are fewer opportunities or reasons to engage in corruption. Rule-changing approaches aim to take the scope to misuse entrusted power out of the equation, by decreasing discretion and introducing controls.

There is a very strong association between corruption and red tape: the more activities for which officials are responsible and the more steps to take, the more opportunities arise for corrupt practices. **Administrative simplification** is a path to reducing the opportunity for corruption. This is particularly true for enhancing the business environment, in terms of both regulatory reform and administrative burden reduction. However, simplification needs to be addressed in the context of the policy field. If the process is relatively straightforward, and can be expressed as algorithms, there is a strong case for simplifying procedures. But if qualitative judgements are a vital or beneficial element of decision-making (such as medical assessments, litigation, procuring services), then there are limits to how far discretion can or should be removed.



See topic 1.2.1 on regulatory reform, topic 5.2 on process improvements & theme 6 on business environment

On face value, introducing more staff into the transaction appears a retrograde step for administrative simplification, but it can reduce the discretionary decision-making power of any one individual, if applied appropriately. In public procurement, for example, adding personnel to the tender appraisal process raises the cost of corruption and the risk of capture. This is usually accompanied by more rigorous use of **internal controls**, such as the ‘four eyes’ principle, supported by clear and published procedures with supporting guidance and training, to minimise discretion beyond that which is valuable. Internal audit also has a key role to play in providing checks and balances, but must be managed carefully to ensure it retains impartiality in the face of peer pressure.

 See also theme 8 on public finance management

Inspiring example: Detecting health corruption through fraud audit in Calabria (Italy)

Where administrative simplification is achievable, and the human interface between public administration and citizen/business is not essential, the most effective solution to removing or reducing discretion is through **automation**. For many transactions, there is huge scope for squeezing out individual decision-making, or at least making any malpractice transparent, through electronic interfaces - eGovernment, e-Procurement, e-Invoicing - in which it is considerably more difficult for a public official to step in, or to influence the outcome, if proper safeguards are in place regarding process and data security.

 See topic 5.4 on e-Government

2.5 Detecting and acting on corruption

Realistically, corruption will never be wholly eradicated, even by the best preventive systems. Comprehensive strategies may succeed in dismantling systemic corruption, but there will always be some incidences of malfeasance that undermine good governance. This means the regulatory and reporting framework must be in place, including systems for detection and prosecution, which must themselves be beyond reproach. Where illegal or unethical activity is beyond the reach of internal audit and controls, whistle-blowing has been shown to be the most effective way of exposing wrongdoing, responsible for around half of fraud detection in the public sector, according to research. As whistle-blower protection remains relatively weak across Europe, and the act itself still not fully ingrained in the administrative culture as a contribution to better governance, its potential is yet to be fully realised.

2.5.1 Whistle-blowing mechanisms

A whistle-blower is someone who reports, or makes public, information on a threat or harm to the public interest. In the context of good governance, an official in the public administration or judiciary might expose unlawful or unethical activity by reporting it internally within the organisation (for example, to a line manager or internal auditor) or externally to a third party (such as a regulator, external auditor, ombudsman, integrity coordinator, anti-corruption agency, the media, etc.)

There are many examples of where whistle-blowing could have played a vital role in revealing risks or cases and potential harm at an early stage, before (more serious) damage is done, including

instances where warnings were ignored. Research on whistle-blowing cases shows that in most cases nothing is done about the wrong-doing, and that too often it is the whistle-blower who suffers repercussions ('shooting the messenger'). Consequences include dismissal, demotion, disciplinary action, harassment or cold-shouldering by colleagues, or loss of career prospects.

It is manifestly in the interests of good governance that officials should feel safe to raise public interest concerns. In April 2014, the Council of Europe's Committee of Ministers to Member States adopted a [recommendation on the protection of whistle-blowers](#), setting out 29 principles to guide Member States when reviewing, introducing or amending legislation.

Whistle-blower protection for workers in the public & private sectors is obligatory under the [Council of Europe's Civil Law Corruption Convention](#) (Article 9) & encouraged under [UNCAC](#) (Article 33).

The United Kingdom's Public Interest Disclosure Act (PIDA) is one of the most comprehensive laws on workplace whistle-blower protection in the EU. It came into force in 1999, and has been amended to reflect changes in the UK regulatory framework, to remove 'good faith' and replace it with a public interest test, to strengthen protection for disclosures to MPs, and to clarify that protection from detriment includes harassment from colleagues. The independent NGO and not-for-profit legal advice centre, [Public Concern at Work \(PCaW\)](#), played a pioneering role in developing the law, along with the [Campaign for Freedom of Information](#), and supporting its implementation, offering confidential advice to individuals and expert support to employers, and campaigning on whistle-blowing. It is important to preserve the independence of advisory bodies under such arrangements.

Inspiring example: UK's PIDA & the role of PCaW

Until recently, PIDA was the only example of a whistle-blowing law in the EU which extends across both public and private sectors, and which has inspired similar laws elsewhere. In 2014, the Irish Parliament adopted the Protected Disclosures Act, which sets a new benchmark with a series of innovations in scope (definitions of worker and wrongdoings), so-called "stepped disclosure" (from internal to external reporting, including the media), retrospective application, and the safeguarding of the whistle-blower including strong confidentiality protections.

Inspiring example: Ireland's Protected Disclosures Act

Research suggests that reporting suspected wrongdoing to a regulator or to the media (external whistleblowing) is more effective than reporting the suspected wrongdoing to one's employer (internal whistleblowing). Where laws do exist across the EU, they tend to provide compensation or redress in the event of victimisation, which only indirectly encourages whistle-blowing. More positively, public administrations across the EU can lead the way by establishing internal whistleblowing procedures, but also ingraining a strong culture of integrity in their organisations whereby whistle-blowers are seen as making a contribution, not a complaint. Every case should then be subject to rigorous follow-up to ensure that justice is done, and seen to be so, with full legal protection of the whistle-blower from victimisation. Indeed, safeguards should move beyond passive protection to actively rewarding whistle-blowers, as part of a culture of continuous improvement.

An integrity policy should encourage staff to discuss matters openly within their departments and entities, as openness is a safeguard against unethical behaviour. However, if an official sees more serious malpractice, it might serve their self-interest better to bring the problem to attention

through confidential routes, such as an anonymous helpline. If the problem persists, officials often ‘vote with their feet’ and depart, which leaves the wrong-doing hidden and unresolved, and loses an ethical staff member: a ‘lose-lose’. This response can sometimes be revealed through confidential exit interviews with someone outside of their department, such as a personnel or integrity officer, which gives the official an opportunity to put their concerns into the system, while avoiding possibly being interviewed by a direct supervisor who might be the source of the malpractice.

2.5.2 Investigation, prosecution and sanctions

Achieving the transition from regular to rare corruption in any field or institution means a common understanding, widely shared, that the chances of being caught and the probability of being penalised for corrupt behaviour are both high. Shining a light in dark corners and designing punitive sanctions are essential steps to stamping down on corruption, but unless it leads to action, is likely to generate cynicism.

Specialist institutions in Member States include **anti-corruption agencies** that are tasked with law enforcement and responsible for detection, investigation and often prosecution too, frequently with a high level of independence and visibility. Recent research has found that countries can be at least equally effective in dealing with corruption through their normal legal system - prosecution and courts - as long as the judiciary is independent. The deterrent effect also comes down to the quality and efficiency of the judicial system, with the whole end-to-end process of investigation, prosecution and decision satisfying the criteria of rigour, timely proceedings and justice seen to be done.

In the interests of maximum deterrence, a high probability of being caught should be matched by **punitive sanctions**, which requires effective disciplinary policies and procedures within organisations, leading to penalties (including fines, loss of employment, and criminal charges) and possibly restitutions (holding officials liable for compensation). For example, common responses to corruption among border guards include demotions, dismissals or transfers to different units and locations, as well as prosecutions, while some Member States have used disciplinary briefings of the entire unit after corruption has been exposed, so that other officers are warned against corrupt behaviour. Investigation and enforcement of sanctions serve not only as a deterrent to public officials, but also highlight to the public that public officials are truly held accountable.

2.6 Designing measures

The consensus among the integrity community is that the most effective approach to promoting ethics and openness, and tackling corruption and conflicts of interest, is a **portfolio of counter-measures**. It is rare to find the ‘silver bullet’ that reduces integrity risks in one strike. Each of the measures set out in this chapter (codes of conduct, asset disclosure, dilemma training, whistle-blower protection, etc.) is meritorious on its own terms, but is unlikely to be successful in isolation.

Research on the effects of doubling the pay of Ghana’s traffic police in 2010 found that extortion *increased* afterwards, a counter-intuitive finding that suggests more money on its own was not the solution.



See theme 1 on
policy-making

Policy-makers need to look beyond simple causality for solutions (inadequate pay stimulates informal payments to fill the gap) and to focus instead on both underlying factors and the wider context. The example of the Ghanaian police indicates (though it remains unproven) that the officers saw the higher pay as reinforcing their sense of entitlement and worth, and that it merely exacerbated the problem in the absence of a broader package of measures (controls and constraints).

The U4 Anti-Corruption Resource Centre study “Corruption and Collective Action” argues that effective anti-corruption initiatives often require insights from all three perspectives: principal-agent, collective action and problem-solving.

It has been argued too that anti-corruption efforts could sometimes be based on a false premise. Theories of corruption tend to see it as a ‘principal-agent’ problem (individuals weighing the costs and benefits), or a ‘collective action’ problem (the influence of others). This might miss the most powerful reason in some cases, which is **when corruption can ‘solve problems’**. Where unethical practices have become the established way to access services or rights in a weak system, or filled the space where a streamlined and user-friendly administrative processes should be, then ingrained ‘problem-solving’ behaviour will be hard to shift, unless the underlying failures in service design and delivery are addressed. Hence, part of the answer should be to examine the cause of corruption from all perspectives, including those of the perpetrator / victim - who are often tied in a symbiotic relationship.

As the OECD has pointed out in [‘Towards a Sound Integrity Framework’](#), it is important to **strike the right balance between rules-based and values-based measures**. While rules set a clear framework for public servants, it is equally important to recognise and nurture people’s intrinsic motivations to behave ethically.

Two frameworks for integrity management

	Compliance approach (rules)	Integrity approach (values)
Goal	Prevent unethical behaviour	Stimulate ethical behaviour
Controls	External controls	Internal controls
Instruments	Legislation	Training and development
	Codes of conduct	Codes of ethics
	Well-defined procedures	Integrity counsellors

Source: Timo Molainen, Office for the Government as Employer, Government of Finland

The **full version** of **Theme 2** provides a topical **annex** on **Healthcare as a case study of risk management**. This is a particularly sensitive area where lack of integrity can have direct negative impact on a large part of the population. The annex applies many of the concepts presented in this chapter in this particular sector context.

2.7 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

- 📌 Agree and adopt a set of stated values (ethical codes), within the overall framework of principles and values of good governance, to guide behaviour and actions;
- 📌 Prepare and implement tailored policies and strategies, which are designed around sources of corruption risk – identifying potential opportunities and lack of constraints, assessing probability and impact of the risk materialising;
- 📌 Make sure that these policies and strategies are comprehensive (individual instruments are likely to be ineffective in isolation), including enforced laws, greater openness to scrutiny, independent media, active civil society, effective judiciary, ethical HR management, and ‘rule-changers’ (administrative simplification, eGovernment, controls and audits);
- 📌 Take a balanced approach (encouraging ethical behaviour, deterring and detecting corruption) that builds trust within the administration itself, as well as the public.

The ultimate aim should be to reach the point where values are internalised, rules are implicit, and recourse to enforcement is the last resort. Good governance is synonymous with ethical administration.

Theme 3: Government structures – organisation, cooperation and coordination

Every Member State has its own specific governance structures, comprising many layers of administration - from the **supra-national**, where sovereignty and resources are pooled for shared interests (the EU itself, Council of Europe, NATO, United Nations, etc.), through the **national/federal**, to the **sub-national** (regions, states, provinces, districts, counties, cities, towns, municipalities, communes, parishes, villages, etc.). Across the EU, there are almost 95 000 local and regional authorities (LRAs) with significant powers in key sectors such as education, planning, transport, environment, social services and economic development. For example, LRAs are responsible for around 70% of the EU's public investment and implement nearly 70% of EU legislation.

The decision to assign authority upwards, downwards and sideways resides with the State. Equally important are the interactions *between* and *within* layers of administration.

Multi-level governance is concerned with the multiple tiers of government, their responsibilities and resources, and how they are structured, organised, work together and engage with other stakeholders, to identify, implement and improve policy and to achieve better outcomes for society.

A regular feature of the political landscape has been to re-allocate roles across ministries, resulting in **reorganisation of the machinery of government (MOG)** at the central level, with the intention of achieving better policy-making and implementation. This leads to ministries (and their subordinate bodies) gaining or losing functions, and the transfer of staff and budgets. Given the interdependence of many policy fields, the effect can be a zero-net sum - simply re-arranging the 'silos' – or worse, unless the restructuring is linked to better coordination and communication across the whole of government, or specific changes are designed solely to produce productivity gains within a narrow policy domain.

More radically, central and federal governments have also engaged over time in **creating, disbanding or amalgamating sub-national tiers** of the public administration (regions, counties, districts, municipalities etc.). Local government reorganisation has been a recurring theme in Europe for many years, usually with the aim of cutting the number of administrative levels and bodies that citizens and businesses must interact with, and increasing the average size of administrative units in efforts to improve efficiency. Whether these efforts are effective is a moot point, as these initiatives are rarely evaluated, ex-ante or ex-post.

Coherent structures of public administration are self-evidently a 'good thing', especially in a time of budgetary pressures. But MLG is especially relevant to the quality of public administration for four reasons.

First, **people feel more connected to policy-making when decision-makers are more likely to represent their local community's identity and interests**. This proximity is reflected in recent [Eurobarometer](#) surveys of public trust, which show that citizens have consistently more confidence

in LRAs than their national counterparts and EU institutions, although there is a wide variance across the EU-28, suggesting that local factors also make a huge contribution.

Second, **‘place’ plays a pivotal role in the performance of public policy, which is not always recognised.** Whichever level of government is responsible, all policies can be said to have a spatial











The Commission has issued guidance on conducting [territorial impact assessments](#).

impact, even generic ones that are applied universally, such as taxation (which types of tax are raised and where) and the rule of law (e.g. concentrations of crime, the location and use of courts). Central government decisively affects economic, societal and environmental outcomes *at various territorial levels* through its revenue-raising, staffing, procurement, subsidies, transfers, grants and welfare payments.

The place-based approach and MLG took centre stage in the [‘Barca Report’](#), while the Amsterdam Pact called for governance across administrative boundaries and inter-municipal cooperation, linked to territorial development, as a priority theme under the [Urban Agenda for the EU](#). To take this forward, public administrations & partners can refer to the [Handbook for Multilevel Urban Governance in Europe](#).

Third, **many policy challenges cross administrative boundaries**, however determined, such as transport, communication and energy distribution networks, water supply, air and groundwater pollution, local labour markets, and the footprint of local and regional economies.

Fourth, all levels of government face so-called **‘wicked problems’**, which are not easy to characterise or resolve¹⁹ and which necessitate inter-institutional approaches, such as tackling long-term unemployment, climate change, and reducing internal disparities: The movement of industry, jobs and people can have significant consequences for territories facing decline and, paradoxically, those experiencing rapid growth too. Pockets of prosperity and poverty undermine the cohesiveness of society. This is particularly true where they co-exist in proximity to each other. This demands well-coordinated inter-institutional and multi-level government action.

Key questions for theme 3	Ways and tools
3.1 How can public administrations determine how best to apply MLG to government structures?	<ul style="list-style-type: none">  The principle and practice of subsidiarity  Institutional mapping of functions
3.2 What are the options for reconfiguring government and their respective pros and cons?	<ul style="list-style-type: none">  Decentralisation  (Re)centralisation  Reorganisation (create, merge, abolish, reform)  Cooperation
3.3 How can Centres of Government (COGs) facilitate more effective working across administrations?	<ul style="list-style-type: none">  Coordination
3.4 What does MLG mean in an increasingly connected world , in which citizens and businesses deal with administrations online?	<ul style="list-style-type: none">  User-centric service delivery  Interoperability  e-Environment

¹⁹ See [Rittel & Webber](#) for the original definition of ‘wicked problems’; see also [topic 1.1](#), which highlighted “*difficult choices, complicated scenarios and complex situations*”.

3.1 Applying multi-level governance

Each country's institutional landscape reflects its unique traditions, legal framework, size, history and geography, population concentrations, centres of economic activity, etc. Nevertheless, the architecture of public administration can either *help* or *hinder* policy-makers at all levels in solving societal problems and creating opportunities for citizens and businesses – and more importantly, *with* them. In seeking the optimal structure, the key decisions faced by politicians and policy-makers include:

- ✓ **Vertical:** Is it preferable to centralise or decentralise, and (within central administration) to concentrate or de-concentrate?
- ✓ **Horizontal:** Is it better to consolidate (merge units) or separate (create smaller units)?
- ✓ **Collaborative:** How best to ensure the various parts of the administration work effectively together and with other stakeholders in resolving policy challenges?

These headline questions lead inevitably to a set of **second-order ones**, such as: Will the proposed action be effective and sustainable at the local level? Does the local level have the competences and the financial means? If not, can this be addressed, or is a higher tier of government better placed (regional, central or EU institution)? Is the successful performance of the action conditional on complementary roles, functions or tasks in other institutions and tiers of government, or interaction with partners and stakeholders, such as civil society?

The vitality of cooperation between the different tiers of government for the EU's effective functioning of was acknowledged in the 2007 [Berlin Declaration](#).

In contemplating these questions, policy-makers must reconcile the tension between **two competing forces**:

- ✚ **Centripetal (pull-in)** - aiming to attain policy outcomes by pooling resources, which usually translates as pulling power towards the centre (higher levels of the administration, whether regional, national/federal or supranational), with the goal of gaining economies of scale and scope²⁰; and
- ✚ **Centrifugal (push-out)** - moving decision-making closer to the public wherever possible, (embodied in the principle of subsidiarity, which is often interpreted as 'more local'), reflecting people's sense of identity as individuals, households and communities, and their tendency to trust more lower levels of the administration that they can better understand and influence as both citizens and voters.

²⁰ Whether these benefits are realised in practice is open to debate, as inefficiencies may arise from the distance between decision-making (closer to the centre) and the effects (on the ground).

The Committee of the Regions (CoR) took the initiative to construct its vision of an inclusive European decision-making process and political debate in its 2009 [White Paper on Multi-Level Governance](#), which was followed by "[Building a European Culture of Multilevel Governance](#)" and the [Charter for Multilevel Governance in Europe](#).

Alongside these conflicting tendencies, policy-makers must also internalise the implications of the **administration's finite influence**. Not every problem can be solved by government on its own, other stakeholders must be part of the solution. Institutional designs should be flexible and accommodating at all levels, from the EU to the local.

MLG ranks among the toughest challenges faced by policy-makers, so it is no surprise that it features prominently in the [European Semester](#) of **economic policy coordination**, in the context of the Europe 2020 agenda of jobs and growth. A review of [territory-related country specific recommendations \(CSRs\)](#) by the Committee of the Regions revealed that there were 12 CSRs in 2016 relating to public administration including MLG, the distribution of competences, and management of public finances. Several of the [European Commission's 2016 Country Reports](#) have highlighted the impact on governance of vertical and horizontal fragmentation in public administrations.

The CoR instigated the [MLG Scoreboard at the European Union level](#) and [monitors the territorial dimensions of Europe 2020 and the European Semester](#).

3.1.1 The principle and practice of subsidiarity

The key to implementing MLG is respecting the subsidiarity principle, which is enshrined in the [Treaty on European Union \(TEU\)](#) and is defined as ensuring that "[decisions are taken as closely as possible to the citizen](#)". In the words of the EU's Committee of the Regions (CoR), subsidiarity "[guarantees that policies are conceived and applied at the most appropriate level](#)".

Within the framework of the Member State's administrative structures, the 'most appropriate level' for decision-making might be federation, state, region, province, county, district, city, municipality, commune or neighbourhood. The default position is the lowest level of government, but this decision should not be automatic, some interventions should and do occur at the national or supra-national levels. The test of 'appropriateness' should be policy-specific. The following criteria can help reach a balanced decision:

Criteria	Possible questions
Effectiveness	<ul style="list-style-type: none"> ✓ Which decision-making level is best placed to determine policy goals and achieve them through implementation? ✓ Does the assignment of powers help the administration to reach more readily the intended beneficiaries of the policy, and include them in the decision-making process?
Efficiency	<ul style="list-style-type: none"> ✓ Which level(s) of government is/are best placed to minimise the transaction costs of formulating, consulting, implementing, enforcing, monitoring, and/or evaluating policy? ✓ Does the proposed level have sufficient capacity (staffing, skills, equipment) to discharge the proposed competences, and if not, can these be put in place within a reasonable timescale? ✓ Has the allocation of functions / responsibilities avoided duplication and overlap? ✓ Could there be economies of scale from assigning decision-making to a 'higher' level of government?
Integrity	<ul style="list-style-type: none"> ✓ Is the assignment of decision-making powers in the public interest? ✓ Does it conform to plans to manage integrity and corruption risk in the administration / sector, for example regarding administrative simplification (reducing the number of organisations and steps in processes to the minimum necessary)? ✓ Does it mitigate the risk of giving undue influence over decision-making to interest groups, or patronage (diverting public resources towards the political party or coalition in power)?
Accountability	<ul style="list-style-type: none"> ✓ Does the choice of decision-making level better enable citizens to hold the administration to account for its performance?

3.1.2 Institutional mapping of functions

Managing the relationship between levels of government has become increasingly complex, as countries have reconfigured and reformed their administrations. Institutional mapping is a valuable tool to identify clearly who is responsible for what in the policy area under the spotlight, prior to any further action.



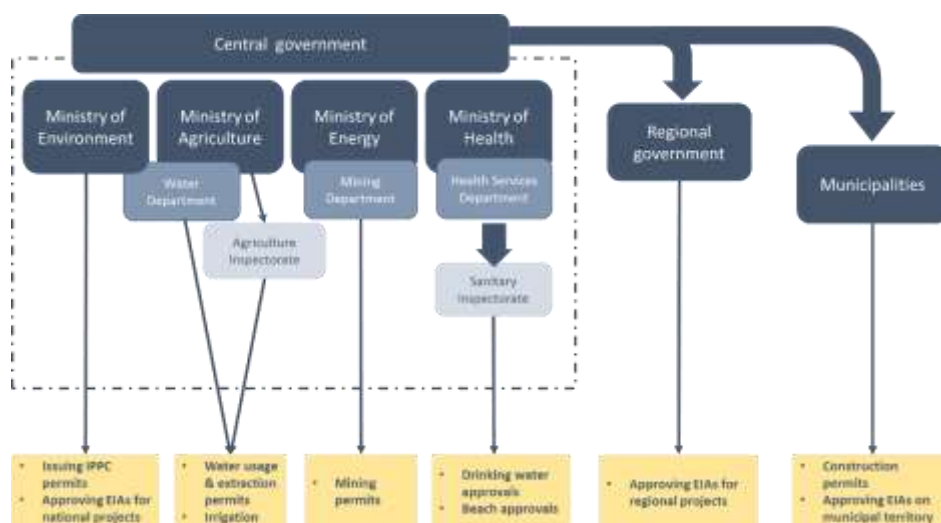
See also topic 9.2 on functional reviews

“Rather than isolated actors, sub-national authorities and central governments are mutually dependent... In such context, a full separation of responsibilities and outcomes in policy making cannot be achieved ... Given their interdependency, a first step is to set-up an “institutional mapping” of their roles and responsibilities to clarify their relationships”. OECD, 2011.²¹

The [Committee of the Regions’ portal on division of powers](#), based on the study of the same name by EIPA, provides an overview of levels of institutional and fiscal decentralisation in all EU countries, (potential) candidate and Eastern Partnership countries, and shows the legal bases. An interactive map provides additional information on **MLG systems and subsidiarity mechanisms** in each country.

A broad overview is given by the work of the [Council of European Municipalities and Regions \(CEMR\)](#) and its members, the national associations of local governments, in the report ‘[Local and Regional Governments in Europe, Structures and Competences](#)’, which covers 42 countries including all EU Member States. This work allows a comparative view of **local competences and structures** in terms of administration and political organisation, by country, at one glance.

The simple ‘wire diagram’ below of responsibilities for one element (environmental permits & approvals) is an illustration of how mapping might appear for one function within one policy field.



²¹ C. Charbit (2011), [Governance of Public Policies in Decentralised Contexts: The Multi-level Approach](#), OECD Regional Development Working Papers, 2011/04, OECD Publishing.

The purpose of institutional mapping is to expose **gaps and overlaps**. Where there are overlapping competences, there is a case for coordination or possibly the rationalisation of responsibilities to the most suitable level and institution. With respect to gaps, the OECD has identified seven sources of coordination challenges, which can be used as a diagnostic tool for identifying solutions to implementing effective policies in multi-level governments.

Inspiring example: ‘One administration, one responsibility’ (Spain)

Gap	Description
Information	Imbalance between levels of government when designing & delivering public policies either intentional (withholding information as a power play) or through ignorance about the other’s role.
Capacity	Insufficient human, knowledge, technical, or infrastructure resources to carry out tasks, irrespective of the level of government.
Fiscal	Insufficient and/or fluctuating revenues, or inflexible spending rules (e.g. strict earmarking of transfers) undermining LRAs from effectively discharging their responsibilities.
Policy	Line ministries with lead policy responsibility taking purely vertical approaches to be territorially implemented, while LRAs look to pursue cross-sectoral approaches that exploit complementarities between policy fields; lack of inter-ministerial co-ordination over mismatched objectives, agendas and timings raises the burden on the LRAs, and creates inconsistencies and possibly contradictions.
Administrative	“Mismatch” between functional areas (e.g. minimum efficient scale for waste or water management, scope of labour markets) and administrative boundaries (e.g. municipal coverage) leading to ineffective planning, intervention and outcomes.
Objective	National and sub-national policymakers pursuing contrasting rationales (for example, due to political differences), rather than serving a common good, creating obstacles to adopting convergent strategies.
Accountability	Difficulties in ensuring the transparency of practices, and possibly integrity in managing public resources, across the different levels of government and constituencies.

Based on OECD (2011)²²

This mapping and gap analysis is a natural counterpart to administrative simplification, following techniques like ‘life event’ analysis and customer journey mapping (CJM). While mapping is concerned with ensuring an effective and coherent administration from an internal (government) perspective, CJM is about a user-friendly experience from an external (citizen and enterprise) perspective.



²² C. Charbit (2011), op. cit.

3.2 Re-configuring government

Many Member States have re-configured their administrative architecture in recent years to seek better MLG (explicitly or implicitly), and continue to do so, but few conduct *ex ante* impact assessments before enacting their decisions to weigh up the costs and benefits, or *ex post* analysis to evaluate whether their expectations have been satisfied. Whatever the outcome, such changes typically involve much upheaval.

In seeking systems of public administration that follow a more effective structure, governments have essentially four **main territorial reform options** at their disposal²³, each of which has been utilised in recent years in EU Member States, often in combination. In each case, at stake is the assignment of: responsibilities (for competences or functions); rights (decision-making, law-making and/or fund-raising powers); and resources (finance, assets, ICT and staff). These three factors can be combined in several ways.

Main forms of territorial reform

Instrument	Description	Examples
Decentralisation	Authority, responsibility and/or resources are transferred from a higher to a lower level of elected government.	2016 local government reform and the Decentralisation Plan in Portugal.
(Re)centralisation	Central government takes authority, responsibilities and/or resources from a lower level of elected government, including possibly to de-concentrated bodies.	Re-centralising competences in Hungary under the 2011 Law on Local Self-Governments
Reorganisation	Public authorities at the central or sub-national level are formed, merged and/or abolished.	Merging two authorities in the Irish counties of Limerick and Tipperary under the 2011 Law; regional agencies and centres taking over duties from six former provinces in 2010 in Finland.
Cooperation	National, regional or local authorities work closely together in pursuit of a common (policy) interest, which might include pooling resources.	Promoting inter-municipal cooperation under constitutional law in Austria from 2011; compulsory cooperation for small municipalities delivering specialised services to people with disabilities in Iceland from 2012.

Within the sphere of reorganisation, the phenomenon of **regionalisation** - forming or reinforcing an intermediate tier of government between the central and the local - can involve elements of decentralisation (including de-concentration), depending on whether the regions remain under the national government's sphere of control, represent the interests of local self-governments, or are directly elected and self-managing themselves.

In some cases, the centrepiece of territorial reform is the **removal of an entire tier** of sub-national government, rather than individual entities, and the re-assignment of its responsibilities, resources and/or authority to a remaining level, vertically or horizontally. In other cases, removal is accompanied by replacement.

²³ Coordination is also an important instrument, but is treated separately from cooperation (see [topic 3.2.3](#)).

In some instances, **new reforms have reversed earlier reforms**. Reverses may signal a re-consideration following review and reflection, but can also represent an incoming administration rejecting its predecessor’s approach or simply searching for savings.

3.2.1 Decentralisation vs. centralisation

Decentralisation has been the dominant trend in MLG over most of the last 30-40 years, encouraged in the EU by the subsidiarity principle. It can be said to take three forms: administrative (transferring executive responsibility for functions to lower levels of government)²⁴; fiscal (transferring powers to spend public money and/or the right and responsibility to raise and use their own revenues and funding sources); and political (transferring decision-making authority to elected officials at regional or local levels).

The principles of full decentralisation to local authorities were effectively laid down in the [European Charter of Local Self-Government](#), signed by all EU countries and other Council of Europe members. See also the [Council of Europe’s webpage on good governance](#).

Full decentralisation involves the whole administrative, fiscal and political package, either in parallel or over time. It requires central government to transfer both decision-making *and* revenue-raising powers to regional or local authorities. A [2012 DG ECFIN Economic Paper](#)²⁵ makes the case that LRAs are better incentivised to manage their finances when they cover a large part of their expenditures from raising their own taxes and fees, due to voter accountability (clearer link between service delivery and the taxes raised to finance them), revenue autonomy (to deal with their spending obligations); and investment (higher tax receipts if spending on high quality services contributes to economic growth). A counter-argument is that less prosperous communities with lower household incomes and weaker local or regional economies start with a smaller tax base, and hence may need state transfers to underpin their revenue base and kick-start their socio-economic development.

[VNG International](#) (VNGI) of the Association of Netherlands Municipalities has published a [guide](#) to strengthening local government performance that identifies obstacles to effective decentralisation.

Some of the main challenges to effective MLG involve: unclear responsibilities for LRAs; inadequately aligned powers and/or insufficient resources or capacity to fulfil these responsibilities; unviable units or contested boundaries, due to political considerations determining territorial divisions; ministerial appointments to staff LRAs, creating confusion or conflicts of central v local accountability; and top-down interference in the autonomy of LRAs.

As a [2016 study of the links to local governance and development](#) published by DG DEVCO has noted: “*decentralisation is a highly political process*”. Political will and commitment are pre-conditions for the fully-fledged version, which presents us with the **paradox of decentralisation**.

“Decentralisation poses a fundamental puzzle. On the one hand, any decentralisation measure worthy of the name tends to reduce the power and authority that national politicians enjoy relative to subnational actors. On the other hand, national politicians formally control the decision to

²⁴ When this happens within central government, it is referred to as ‘de-concentration’.

²⁵ Detailed information on fiscal decentralisation across the EU and within individual Member States can be found [here](#).

decentralise. What incentives do national politicians have to endorse changes that appear, at least at first glance, to diminish their political prerogatives?" World Bank, 2011.²⁶

This raises the question: what **motivates politicians** to retain or relinquish control? The World Bank has identified four factors which can influence them in either direction:

- ✚ **Electoral:** politicians favouring decentralisation when their electoral prospects look more promising at the sub-national level);
- ✚ **Partisan:** the internal dynamics of governing parties, the dominance of national v sub-national politicians, and the presence of regional parties in government;
- ✚ **Institutional:** pressures on national officials to defend their institutions in interactions with sub-national governments; and
- ✚ **Coalitional:** the impact of changes on the interest groups / lobbies that support or oppose them.

As well as political incentives, there are also **technical considerations** to factor into the practicalities of decentralisation, around planning, fiscal efficiency & equity, legislative change and implementation.

"Decentralisation is not a one-off policy change. It is an ongoing process where the end point of accountable and efficient local governments may well take many decades to achieve. In addition, in the process of institutional change, inertia and resistance can occur from those who have benefited from the previously centralised system, especially in terms of power, information and decision". OECD, 2011 (op. cit.)

In many ways, the **pros and cons** of decentralisation are a mirror image of the case for centralisation:

Decentralisation	Centralisation
<ul style="list-style-type: none"> ☑ Decisions taken are expected to reflect better the needs and preferences of the public, as LRAs are closer to citizens than national authorities (surveys consistently show that trust is higher in LRAs). ☑ Policy-making can be more effective, as both design and implementation can be better customised to circumstances, reflecting the more in-depth knowledge in the local or regional administration. ☑ Decentralisation can trigger competition among LRAs which can encourage policy and service innovation. ☑ It can speed up decision-making, as smaller territorial units can be more efficient, especially if information does not need to be passed up to a centralised hierarchy at national level ☑ Accountability to the public is higher at the lower levels of government; decentralisation can inspire citizens to engage with their representatives and exercise influence over policy, budgets and services. 	<ul style="list-style-type: none"> ☑ Decisions can be taken in the whole country's interests, not individual parts. This can help avoid 'postcode lotteries' in citizens' and enterprises' local experience of public services. ☑ Centralisation can be more cost-effective, especially if LRAs are small, have high proportionate overheads, and lack procurement leverage to gain value for money. ☑ LRAs can find it hard to compete with central administrations in attracting high calibre staff, undermining analytical and delivery capacity. ☑ It can be easier and quicker to implement reforms, especially in times of crisis.²⁷ ☑ Centralisation avoids wasteful competition (e.g. which can become a 'race to the bottom'), and the complexity of myriad local regulations and red tape. ☑ It can avoid the creation of 'clientelist' networks among local elites and interest groups, in which favours are

²⁶ [The Political Economy of Decentralization Reforms: Implications for Aid Effectiveness](#)

²⁷ COCOPS' working paper on [cutback management](#) argues that centralisation is the corollary of crisis management, as national governments react by moving substantial powers to the centre of the government to promote "mechanistic structures and hierarchy-based procedures in organisations".

- ☑ Decentralisation acts as a check against the excessive concentration of power at the centre. traded for influence, jobs and contracts.²⁸

Some of the **apparent weaknesses of decentralisation can be addressed** by actions at both the initiation and implementation phases of transferring responsibilities. This can include:



See also topic 1.1 (co-responsibility), topic 2.2 (integrity risk) and topic 4.3 (HRM)

- ✓ Strengthening **analytical and delivery capacity** among LRAs, by ensuring the resources are available for effective policy-making and delivery, and making LRAs more appealing employers in the competition with central administrations and private enterprises;
- ✓ Encouraging or requiring LRAs to conduct **risk assessments** and ensure **transparency** in their operations, along with other ‘checks and balances’ against abuse of power;
- ✓ Bolstering **local democracy** by encouraging the active involvement of civil society and the use of co-design, co-production and co-budgeting to engage local citizens and businesses;
- ✓ Improving **efficiency and effectiveness**, either through re-organisation or cooperation and partnership.

“There is no “yes or no” answer to whether or not decentralisation is a “good idea.” Centralised and decentralised approaches can work relatively well, or relatively poorly, depending on a country’s historical, cultural and political context, as well as on its ability to exploit inherent strengths and minimise potential weaknesses. The performance of decentralised public policies is also strongly related to the effectiveness of co-ordination among different levels of government”. OECD, 2011 (op. cit.).

The Local Public Sector Reforms (LocRef) project, financed through the COST programme under Horizon 2020, examined the experience of 39 countries over the period 1990-2014, including the current EU Member States.

While there are pros and cons on both sides, nevertheless the historic **trend has been towards de-centralisation**. The LocRef project found an increase in local autonomy in the period up to 2005, consistent with the long-term trend in Europe towards decentralisation, but a slight tendency towards more centralisation in the last decade.

Research has shown that **decentralisation** has tended to correspond with cuts in public expenditure, implying the transfer of responsibility from central to sub-national government tends not to be accompanied by a commensurate transfer of resources. However, functional transfers have happened in both directions.

The EU-funded research project ‘Coordinating for Cohesion in the Public Sector of the Future’ (COCOPS) has examined *inter alia* the changing role of government in Europe from 1980 to 2010, correlating reforms with public sector employment & expenditure as a share of GDP.

Inspiring example:
See CHANGE² in
theme 9

Necessity being the mother of invention, many municipalities have responded to financial pressures by exhibiting levels of imagination and innovation that are usually associated in the public’s mind with the private sector, and have

²⁸ See also [theme 2](#).

instigated major **internal reforms** to improve effectiveness and efficiency.

3.2.2 Reorganisation and regionalisation

Alongside decentralisation, the other major territorial reform across Europe has been **amalgamation**. In the last 25 years, many Member States have engaged in the merger of local and intermediate authorities. This has been mainly focused at the municipal level (or lower), often in waves on a massive scale, to achieve significant economies of scale and to simplify territorial organisation with a clear allocation of competences at each tier of government and reducing overlaps. The LocRef study (op. cit.) found the total number of municipalities had fallen by 12% since the early 1990s, although there were increases in six newer Member States.²⁹

Regionalisation involves creating regions, or strengthening their roles and responsibilities, for example in economic development and/or the management of ESIF.³⁰ Powers may be redistributed downwards (from the centre) or upwards (from the local). In some cases, the regions replace existing intermediate level bodies (e.g. counties, provinces and districts) that might have been considered the upper tier of local government.³¹ The pattern of consolidation in local self-government (through voluntary or statutory merger) and reinforcement of regional administration appears to have continued in recent years. From 2012 to 2016, there was a net reduction in local and intermediate governments of 1,750 across the EU, but a net increase of 16 regional authorities.³²

The 2012 CoR *'Division of Powers'* study includes the examples of: France, a strongly centralised unitary state that became a decentralised one mainly through regionalisation, starting in the 1970s (with further reform waves in the 1980s, 2000s and 2010s); and Greece, which created 13 regions in 1986 on a de-concentrated basis, reinforced administrative and political decentralisation in 1994, and then reorganised / reduced the number of local authorities under the 1997 'Kapodistrias Programme', and then the 2010 'Kallikratis Programme' within the context of cuts in public expenditure.

The 2013 CEMR study *Decentralisation at a crossroads: Territorial reforms in Europe in times of crisis*, argues that **municipal mergers** do not automatically result in increased efficiency and scale economies. Their proposal is that they should be based on two elements: an economic justification that reflects the specific territorial situation; and consultation with the local population, to avoid sacrificing closeness to the citizen.

Moreover, the **upheaval for management, staff and service users** involved in abolishing or merging public authorities should not be underestimated. It is not just a case of transferring competences to a new organisation (or possibly several, especially if functions are being re-assigned across government levels), the consequences can be felt in the following areas:

- ✓ **Employment contracts**, which will need to be revised and may need to be re-negotiated;

²⁹ Croatia, Czech Republic, Hungary, Romania, Slovak Republic and Slovenia.

³⁰ This regionalisation has been seen in France, Germany, Ireland, Malta, Poland, Romania, and Slovakia

³¹ See S. Kuhlmann and H. Wollmann (2014), *Introduction to Comparative Public Administration: Administrative Systems and Reforms in Europe*

³² Source: CEMR Local and Regional Governments in Europe, 2016 (op. cit.).

- ✓ **Staffing levels**, as abolition or merger often leads to fewer staff, especially at management level and in corporate services (such as accountancy and human resources), through early retirement, voluntary or statutory redundancy, or ‘natural wastage’ (recruitment freezes and a decision not to replace leavers);
- ✓ **‘Legacy’ ownership**, as all assets and liabilities of the previous entities must be accounted for and transferred to new owners (e.g. pension liabilities might be taken on by central government);
- ✓ The **location of service delivery**, if the reorganisation is accompanied by the creation or streamlining of one-stop shops or outreach into rural and remote areas, for example.

A phased and planned approach and strong stakeholder communication can be critical success factors in delivering this major territorial reform to deadline.

Inspiring examples: Merger of North and South Tipperary County Councils (Ireland); merging the districts of Judenburg & Knittelfeld (Austria); merging 68 municipalities & corporations into 3 new municipalities in the Swiss Canton of Glarus.

Inspiring example:
Merger and streamlining
of de-concentrated
offices (Slovakia)

Reorganisation is not purely a phenomenon of LRAs alone, but also in **central government**. Examples include: creating eight, integrated ‘super-ministries’ in Hungary following the 2010 national elections; and the reduction to 12 ministers in the incoming 2012 Slovenian government.

Recognising the **impact of re-organisation on workforces**, the QFR (see blue box) led to a 2015 agreement between the two organisations representing social partners across the EU – the European Public Administration Employers (EUPAE) and the Trade Unions’ National and European Administration Delegation (TUNED) - on a [general framework for informing and consulting civil servants and employees of central government administrations](#).

The Commission launched the [European Quality Framework on Restructuring \(QFR\)](#) in 2013 to provide guidelines for restructuring organisations, including public authorities explicitly.

3.2.3 Cooperation within and across levels

Merger is a major step, but many of the benefits of scale economies can be achieved more easily and cheaply. Public authorities can also productively engage in partnership-working, including formal cooperation arrangements. This can be mandated, but is typically permitted and encouraged by central government as a voluntary action. This offers a more flexible approach to subsidiarity: sometimes the ‘most appropriate level’ cuts across administrative boundaries, and demands horizontal and/or vertical collaboration.

“Rather than isolated actors, sub-national authorities and central governments are mutually dependent. Interdependencies between levels of government can be of a different nature: institutional (when the allocation of roles and responsibilities is not exclusive); financial (when central and sub national governments are co-funders of public spending in regions); and socio-economic (when issues and/or outcomes of public policy at one level have impact on other regions and the national level). In such context, a full separation of responsibilities and outcomes in policy


making cannot be achieved". OECD, 2011 (op. cit.).

Partnership-working can sometimes be the only realistic option to make investment in infrastructure or services feasible (e.g. rural or remote areas). Individual municipalities might lack the fiscal resources or the borrowing capacity on their own, and form public utility companies to plan, build and operate environmental infrastructure for several municipalities, such as waste management centres (landfills and recycling), and wastewater treatment plants. Less extensive collaborations can be found in other fields, especially at the intersection of national borders.

Cooperation is a decision for two or more public authorities to recognise a mutual interest and opt to work together, through for example a memorandum of understanding, cooperation agreement, contractual relationship or establishment of a joint enterprise. This typically involves pooling their knowledge, expertise, authority and/or resources for a common purpose.

VNG International has produced an [introductory guide to successful IMC](#), which is also the subject of a [Toolkit Manual](#), by the Council of Europe, UNDP & Open Society's Local Government Initiative. The [UK's Local Government Association](#) has produced a [handy guide](#) to the use and management of shared services.

Inter-municipal cooperation (IMC) may be the appropriate solution when there is a business case for example for promoting a larger territory (e.g. to attract tourism or investment), sharing the costs of researching and developing a new service, jointly purchasing specialist equipment, achieving scale economies or tackling cross-border problems which cut across administrative boundaries, such as environmental protection.³³ Shared services have become an increasingly popular form of IMC in the search for efficiency savings. Municipal associations can play a valuable part in bringing their members together, encouraging network formation, and identifying and sharing viable practices.

 See also topic 8.2 on procurement and topic 5.6 on shared services

Inspiring example: SABO's Kombohus (Sweden)

The first consideration for any LRA contemplating IMC is the **legal basis**: is it permitted under the law, or at least, not ruled out either explicitly or implicitly? Does it require consent from a higher tier of government? In the case of joint procurement, the 2014 EU Directives expressly allow for shared purchasing arrangements across authorities, once transposed into national law.

The second consideration regards the **'make or buy'** decision: can the public authority's needs be met by contracting-out, or is it more effective and efficient to pursue the 'in-house' option, even if that means pooling responsibility and resources with another authority? The weighing up of the pros and cons of cooperation (against the alternative options of outsourcing and the 'do nothing' scenario) in a cost-benefit analysis means taking account of key factors and variables, including: timescale, shared interest, specification, risk, and accountability.

If the in-principle decision is to take IMC forward (make, not buy), the next step is to **elaborate and execute an operational plan**, which resolves detailed practical requirements regarding preparation,

³³ See also the summary of a [2014 CEMR seminar](#) on the simplification of local administration in Europe, which included presentations and discussions in the field of IMC

negotiation and implementation. These include: partners, organisational format, financial arrangements and legal form.

An illustration of the value of MLG in tackling a serious environmental challenge across all administrative tiers and boundaries is provided by the Dutch 'Room for the River' programme, which has all the characteristics of an evidence-based, consultative, inter-institutional, cross-boundary, and multi-level approach.

Inspiring example:
Room for the River
(the Netherlands)

3.3 Coordination at the Centre of Government

In pursuing MLG, one of the most challenging aspects is ensuring coherence and consistency of standards in policy design & implementation within and across levels of the government. The Centre of Government (COG) is the body - or group of bodies - within the public administration that provides **direct advice and assistance to the highest level of government**, namely the Head of Government (HOG) and usually the Cabinet too, depending on the legal and administrative structures for decision-making.³⁴ In federal systems, the COG model may be elaborated at both national and regional levels.³⁵

There is an ongoing debate about how best to define the **scope of the COG**: the narrow definition takes a purely *institutional* perspective - which administrative units have been established solely to serve the HOG and/or the Cabinet; the broad definition takes a *functional* perspective, identifying the responsibilities that could be discharged at the heart of government, and then considers which bodies provide them (including potentially finance ministries, for example). To represent the COG's true scale and influence, the Toolbox takes the wider viewpoint and proposes 18 potential functions that the **COG is uniquely or best placed to perform within the administration**:

<i>Key potential functions of the COG</i>	
1.	Running the HOG's private office, managing his/her diary, providing briefings, preparing speeches, receiving representations, etc.
2.	Providing secretariat functions for the Cabinet, inter-ministerial committees, teams & working groups, ensuring the flow of intelligence and proposals, checking and verifying quality, organising meetings, etc.
3.	Operationalising the ruling party or coalition's political agenda (e.g. election manifesto commitments) by translating it into a governmental work programme with instructions to ministries
4.	Liaising with Parliament as the single point of contact to manage legislative business on behalf of the whole government (including where executive action might be a viable alternative)
5.	Vetting draft legislation put forward by ministries, to ensure that it conforms to regulatory standards, including conducting impact assessments, competitiveness proofing, SME tests, etc.
6.	Setting standards and giving guidance to the whole of the administration (e.g. how to draft legislation or reduce red tape, how to conduct impact assessments, how to interpret procurement rules, etc.)
7.	Developing and delivering centralised services for the rest of the (national) administration, such as information provision, HR management, procurement, ICT networks & maintenance, etc.
8.	Acting as the main supra-national interface with other national governments and international organisations (including EU institutions, EIB, EBRD, Council of Europe, OECD, UN, World Bank, etc.)
9.	Communicating the government's messages, developing and implementing a media strategy, and managing public relations (including coordinating with line ministries' press offices)
10.	Developing innovative, strategic and forward-looking policy analysis for the whole government
11.	Bringing ministries and others together to tackle policy challenges that cross institutional boundaries (including cross-cutting issues such as gender equality and sustainable development)
12.	Taking forward large-scale administrative reforms across government, for example in the areas of spending cuts, territorial reorganisation, integrity and anti-corruption drives, or modernisation
13.	Mediating inter-ministerial differences & resolving disputes arising from policy tensions or diverging interests
14.	Ensuring that the government's priorities and resources (budgeting) are synchronised
15.	Monitoring the implementation of the government's programme, cross-institutional policies and major reforms, and providing delivery advice and support
16.	Engaging in risk assessment, disaster planning and management, including rapid reaction to crises by drawing on resources across government

³⁴ The HOG may have various titles, including president, chancellor, prime minister, first minister or other alternatives. The term 'Cabinet' is used throughout the topic as intended to cover all its equivalents, such as Council of Ministers.

³⁵ This note uses language for COG at the national / federal level, but the concepts could equally apply to the provincial/regional levels, while internal policy coordination is also a concern at municipal levels.

17.	(In the case of federal or regional systems), coordinating with the governments and legislatures at the sub-national level
18.	Acting as the steward of the government's longer-term strategy at risk of crowding-out by more immediate domestic political pressures and unforeseen events

Many COG functions dovetail and interact, but there are also themes.

- ✓ **Leadership and oversight:** The public tend to see the HOG as ultimately accountable for the government's performance, whether by constitution or convention. There is a *de facto* obligation on the COG to set the policy direction, be fully appraised of the administration's performance, steer the ship of government around obstacles in its path, and communicate progress.
- ✓ **Coordinating across 'silos':** Public administrations are generally organised along vertical lines, specialising in policy sectors, which is reflected in 'command and control' management and reporting. Often a horizontal approach is necessary, so most EU Member States make policy coordination the mainstay of their COG operations.
- ✓ **Administrative efficiency:** For some functions (such as centralised services, setting standards, and liaising with the legislature), it is more effective and rational that one body at the heart of government should be tasked with these duties on behalf of the whole administration.

The [OECD's study](#) of 33 member countries in 2013 found that two interlinked functions stood out as priorities for most COGs: facilitating evidence-based decision-making for the HOG and/or Cabinet; and cross-government policy coordination.

[EUPAN's survey](#) in 2014-2015 elicited responses from 26 EU Member States plus Norway & Turkey & found that the scope of most COGs' operations can be grouped under five headings: policy coordination (political & technical); strategic planning; performance monitoring; stakeholder relations; and information & communication.

3.3.1 The coordination challenge

Every Member State has its machinery of government (MOG) - the arrangement of ministries, offices, agencies and other public bodies that are tasked with discharging the duties of the State. In its entirety, **every public administration is a coalition of interests**, some of which diverge. The challenge of coordination is accentuated when the government itself is an actual coalition, with a negotiated political programme and ministries assigned to more than one party.

Many HOGs, especially in the immediate aftermath of national elections, seek to raise the performance of their administrations through MOG changes. The impact of such reforms is rarely evaluated, and would anyway be hard to assess. However, it is likely that there is **no perfect alignment** that brings together all synergistic policy fields in one place, given so many aspects of public administration affect each other. As an example, the economy, transport and energy all have a major impact on the environment. In some cases, HOGs have created super-ministries to co-locate complementary disciplines under one roof, but the danger is unwieldy organisations that are hard to oversee.

At the same time, the world is more 'VUCA', especially **complex and uncertain**. Central administrations often have less direct control over policy implementation than in the past, due to decentralisation, privatisation and contracting-out to businesses and NGOs. Moreover, many of the biggest policy challenges facing governments in the 2010s are so-called "wicked problems" that are complex and multi-dimensional. Public administrations face a continuous challenge to be robust and resilient in the face of events. This is especially the case with disaster planning and risk management, for which COG should be the most effective and efficient location.



See also topic
1.1 on policy context

Research³⁶ has posited a **scale of coordination** at seven levels, from 'no' to low to high, reflecting to some degree the strength of the COG. The literature suggests that higher levels of coordination correspond with better quality policies.

Level of coordination	
1. Ministries make independent decisions in each policy area.	No
2. Ministries communicate with each other through institutionalised channels and share information on decisions that may affect other areas.	Low
3. Ministries share information, but also consult before making decisions.	
4. Ministries start to create a consensus among themselves and the COG manages to avoid public disagreements between the ministries, generally by controlling communication	
5. The COG arbitrates conflicts between ministries (but is still reacting to policy initiatives developed by the ministries themselves)	
6. The COG imposes its priorities and directs the strategic orientation of the ministries.	
7. The COG coordinates policy design and defines strategic priorities to be implemented by the ministries.	

However, there is a risk that higher levels of coordination lead to the COG over-riding the policy expertise within the ministries through micro-management. The impact of a centre that over-reaches itself can be to suffocate initiative and innovation in the line ministries, and only generate resentment and resistance (passive or active). **Control is not the goal - coherence is the means to the end of better policy outcomes.** To guide this process, the OECD³⁷ has identified eight tools of coherence, to be interpreted within the context of each national system.

Tools of coherence
1. Commitment by the political leadership is a necessary precondition to coherence & a tool to enhance it.
2. Establishing a strategic policy framework helps ensure that individual policies are consistent with the government's goals & priorities.
3. Decision-makers need advice based on a clear definition and good analysis of issues, with explicit indications of possible inconsistencies.
4. The existence of a central overview and co-ordination capacity is essential to ensure horizontal consistency among policies.
5. Mechanisms to anticipate, detect and resolve policy conflicts early in the process help identify inconsistencies and reduce incoherence
6. The decision-making process must be organised to achieve an effective reconciliation between policy priorities and budgetary imperatives.

³⁶ M. Alessandro, M. Lafuente and C. Santiso (2013), *The Role of the Center of Government, a Literature Review*, Inter-American Development Bank (IDB), Technical Note No. IDB-TN-581

³⁷ See S. James and M. Ben-Gera (2004), *A Comparative Analysis of Government Offices in OECD Countries*, Meeting of Senior Officials from Centres of Government on Using New Tools for Decision-Making: Impacts on Information, Communication and Organisation, 7-8 October 2004.

Tools of coherence

7. Implementation procedures and monitoring mechanisms must be designed to ensure that policies can be adjusted in the light of progress, new information, and changing circumstances.
8. An administrative culture that promotes cross-sectoral co-operation and a systematic dialogue between different policy communities contributes to the strengthening of policy coherence.



See topic 1.3
on innovation

There is a consensus in COG research that there is no single ‘best practice’ model. Every country has its own approach, which emerges over time through a mix of legal tradition and the personalities and preferences of successive HOGs, continues to evolve, and varies enormously. In many ways, the COG is like the headquarters of a multi-national corporation: **small, but steering a diverse organisation**. The COG has limited internal resources except its status and the capabilities of its staff. In this respect, the *modus operandi* is partnership with stakeholders inside and beyond the administration. COGs are also ideally placed to encourage experimentation, with the space to think creatively and laterally.

According to the OECD, the COG itself absorbs relatively few resources, on average less than 0.05% of government spending and 0.1% of central government staff.

3.3.2 Elements of an effective COG

Every country has a COG already, but there are great variations in size, scope and structure. Hence, the overarching issue for public administrations, and especially HOGs, is how best to strengthen the capacity of their COG to maximise its influence & impact. There is no optimal COG structure, but the EUPAN survey has characterised a **typical COG** as comprising the following units, reflecting the standard roles and functions:

- ✓ Direct support to HOG
- ✓ Strategy
- ✓ Policy coordination
- ✓ Performance monitoring
- ✓ Press, communication & speech drafting
- ✓ Policy consulting
- ✓ Legal consulting
- ✓ Internal administration
- ✓ Budget

While the typical COG is relatively small, each must operate with sufficient capacity to cover their principal functions, and must be nimble and flexible enough to react and adapt to new challenges. The general ‘**rule of thumb**’ is that **COGs should not engage in delivering services directly**, except internal services (e.g. HRM or procurement) when they are best organised centrally for the whole administration.

One of the big questions for COG organisation is to choose **separation or integration**: whether to organise the COG as many separate units each with a discrete task, which can mitigate the risk of too many COG officials getting drawn into mundane daily business and political crises; or as multi-disciplinary teams that cover a wide array of responsibilities that allow officials to follow policy through from design to implementation. What is ultimately essential is that the COG has sufficient critical mass of expert opinion and in the right areas. COGs can also be organised flexibly, with both vertical and horizontal structures in a ‘**network organisation**’.

Inspiring example: Flemish Department of Public Governance and the Chancellery (Belgium)

An effective COG should **avoid ambiguity of duties**, meaning that line ministries, external stakeholders, and indeed the HOG, must be clear about who is responsible for what. At the same time, clarity does not equate to rigidity. The COG is the dynamic engine room of the administration, and must be able to react rapidly to new scenarios, particularly in times of national disaster or crisis. This entails a slick operation that can draw upon all the diverse resources of the COG, and not necessarily in sequence; problem-solving means parallel processes and lateral thinking. COGs also need to strike a **balance between stability and agility**, especially over changes of government. This has been characterised as comprising two components: permanent (to retain institutional memory, ensure continuity of process, and develop strategy for long-term challenges) and temporary (to provide political advice attuned to the HOG's partisan perspective). Some units or assignments may only be time-limited. However, some HOGs can inherit dysfunctional COGs, as tinkering over time with functions and units create structures that are no longer fit-for-purpose. This can lead to wholesale reorganisations.

Inspiring example: The Reform and Delivery Office (Ireland)

Clearly, every COG must have a legal basis, a budget allocation to employ staff and operate as an administrative unit. But the COG needs more than legal and financial underpinning, it needs **political legitimacy**. It must be clear to all ministries and other entities that the COG speaks and acts with the authority of the HOG.

The other major source of COG power is **high calibre and adaptable staff**. Aside from job-specific skills and know-how, they should be able to demonstrate:

- ✓ Strong inter-personal skills;
- ✓ High levels of intelligence and integrity,
- ✓ An ability to cope with a diverse workload, evolving circumstances and new challenges;
- ✓ Calmness under pressure.

The main weapons in the COG armoury are **persuasion, negotiation, mediation, and instruction**, which demands awareness of both the political and administrative culture. This also implies firm leadership.

NESTA's [2014 paper](#) proposes that COGs as the central intelligence of the administration needs the capacities of observation, attention, cognition, creation, memory, judgement & wisdom.

To be credible, COGs must also **get their timing right**. Many COGs do things slowly that should be done quickly, such as weighing up options, reaching decisions, and responding promptly. Equally, they can rush to do things fast which should take time, for instance putting in place fundamental reforms or change the culture of the administration.

The COG's status and staff should give it influence over line ministries, which is a pre-condition to be effective, but not enough on its own. It must also provide **clarity and focus**. Rules and procedures are useful to direct activity and to avoid ambiguity over respective roles. More fundamental reforms come through leverage using less formal methods – dialogue, leadership, and the capacity to influence and motivate, including use of solid evidence and robust argumentation. Inter-ministerial cooperation can also be factored into the government's performance management system, through the design of objectives at the departmental and individual levels.

Given the proximity to the chief executive, the default setting for the COG (especially the HOG's private office) tends to be immediate problem-solving and fire-fighting, rather than the slow-burning issues. COGs can too easily be drawn into tactics, not strategy, and prioritise the urgent over the important. As the UK's NESTA has proposed, this argues for HOGs and COGs to consciously **create the time and space for reflection**. Options include: establishing dedicated strategy units and setting aside 'thinking time' for leaders. Teachers have an expression 'non-contact time' for the hours of the day when they're not educating their students (their main job), as essential to make the 'contact time' meaningful. This is no less true of HOGs, who should set aside planned time for strategy sessions, away days, seminars and other mechanisms that take them away from the fray, however hard it is to resist being drawn back in.


COGs should also **construct a coalition around coordination**. Line ministries can resent the intervention of COGs into their policy domains, while COGs sometimes view line ministries as too parochial in their thinking and needing a broader perspective. To avoid conflicts arising from the outset, it is important to build good working relations between centre and line, based on open and two-way communications. It is also helpful to engage a wider group of stakeholders in policy-making, especially civil society and representatives of affected parties. This has the benefit of not only strengthening policy design, but by sharing ownership of the decision-making, also builds momentum that is harder to reverse, even with a change of government.



See also topic
1.1 on qualities of
policy-making


3.4 MLG in an increasingly connected world

As public administration becomes increasingly 'digitalised' and user-centric, however, do government structures still matter? The seemingly unstoppable rise of online service delivery enables citizens and enterprises to interact with the administration at a time and in a manner of their convenience. People increasingly assemble their own services to fit their requirements and suit their circumstances, and hence, in practice, interact at multiple levels within and across government simultaneously, without necessarily knowing it. Is interoperability now the driver of MLG in the European Union?

 See also
topic 5.4 on
interoperability

To some extent, the answer must be 'yes' - or rather, 'increasingly yes', as Member States are at various stages of development in eGovernment, and there are sections of the population which are not online and might never be. Nevertheless, the popularity of one-stop shops and multi-channel delivery shows that politicians are increasingly sensitive to citizens' and enterprises' expectations of a seamless service, where the administration is interoperable and therefore 'indivisible' to the user. However, there are two caveats.

First, administrative structures and interactions must obviously be designed for the **full range of government roles**, not just user-centric service delivery. Public administrations are also organised to raise revenue and manage debt, offer social protection, provide security, ensure justice and the rule of law, construct infrastructure, deliver major services directly (e.g. health, education, welfare, social services, etc.), legislate and regulate, including monitoring and enforcing a raft of environmental, employment, consumer and other laws. MLG is relevant to all the instruments at the administration's disposal in the pursuit of policy goals.

 See also
topic 1.2 on policy
instruments








Second, interoperability is increasingly essential to ensure that the administrative system as whole is effective, vertically and horizontally. But the design of the system itself must also be rational, efficient and streamlined. **Interoperability is the natural counterpart to subsidiarity.**

Inspiring examples:
Spain's CORA reforms (see
theme 9); Latvia's e-index

Applying the subsidiarity principle means every element of the administration should be clear regarding its competences (and receive the resources to match the responsibility); interoperability ensures that the connections between them are fluid and fully functional.

3.5 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

-  When reviewing the existing architecture of the public administration, use the subsidiarity principle, and ask whether the right balance is struck between centrifugal and centripetal forces, and whether too many institutions creates coordination challenges or conversely that too few creates unwieldy bureaucracies and undermines the connection with citizens;
-  Assign legal powers and functional competences to each level and organisation appropriately, in line with the principle of subsidiarity in decision-making;
-  Implement fully the provisions of the European Charter of Local Self-Government, which embodies the subsidiarity principle and *inter alia* commits the signatories (including all EU Member States) to applying basic rules guaranteeing the political, administrative and financial independence of local authorities;
-  Ensure that administrative units within each level are ‘fit for purpose’, with sufficient scale, resources and capacity to be effective;
-  Put in place practical mechanisms for vertical and horizontal coordination; and
-  Enable partnership working with external bodies representing citizens, businesses and non-governmental organisations, either by law or by encouragement; and
-  Recognise that people prefer power to reside with public institutions that are closer to their communities, and that autonomy to take initiative and exercise discretion (administrative and fiscal decentralisation) needs to be accompanied by accountability (political decentralisation) and the mechanisms to enable citizens to ensure their administrations are held responsible (including open data and open government).³⁸

MLG is about a systemic approach that is more than the sum of its parts. To move from multi-level government to multi-level governance requires that administrative structures are coherent, consistently apply the administration’s principles and values, and that institutions interact to maximum effectiveness. Administrations must also be able to deal with the unexpected, which means all levels need flexibility in their functions and responsiveness in their resourcing.

³⁸ To quote the 2016 DEVCO study (op. cit.) “Accountability without power is empty. Power without accountability is dangerous. Democracy - at any scale - needs both”.

Theme 4: Organisations – managing performance, quality and people

Organisations are the building blocks of the public administration. In the context of multi-level governance, the quality of every organisation counts. For this reason, governments set standards through civil service laws, codes of conduct, competency frameworks, and terms and conditions for civil servants and public officials. They expend resources on both generic and specialist staff development through leadership schemes, civil service training centres and judicial academies. They encourage public bodies to introduce better practices by promoting quality management systems across the civil and judicial administration.

Yet, the quality of public administration still largely depends on the decisions of individual organisations, the use of entrusted powers, resources and functions, the design of systems and procedures, the engagement of capable and motivated staff, and their interaction with citizens, enterprises, civil society and other administrations. This puts the onus on leadership and organisational strategy. Strengthening public administration means investing in administrative capacity and making the most effective use of available assets, especially the energy, expertise and experience of public officials.

According to the OECD³⁹, capacity building is the process by which individuals, groups, organisations, institutions and societies increase their abilities to perform functions, solve problems and achieve objectives, and to understand and deal with their development in a broader context and in a sustainable manner.

This theme is mainly about the organisational and individual levels of administrative capacity-building, with special attention to the elements that make public sector organisations function and perform well.

Key questions for theme 4	Ways and tools
4.1 Do we know what we do, why we are doing it and how we do it, and are we directing our performance towards achieving better outcomes?	<ul style="list-style-type: none"> ✚ Setting objectives and intended outcomes ✚ Linking mission, values, vision and strategy ✚ Using performance information
4.2 How do we integrate systems thinking and continuous improvement into a quality culture in public administration?	<ul style="list-style-type: none"> ✚ Using quality management models ✚ Stimulating a quality management culture
4.3. How do we manage, motivate and develop our people ?	<ul style="list-style-type: none"> ✚ Developing HRM strategies & planning for the future ✚ Managing competencies ✚ Attracting and selecting the right staff ✚ Getting the best out of people ✚ Promoting equality, diversity and active aging
4.4 How do we assure good and strong leadership in the public sector?	<ul style="list-style-type: none"> ✚ Creating a Senior Civil Service ✚ Recruitment, training and development

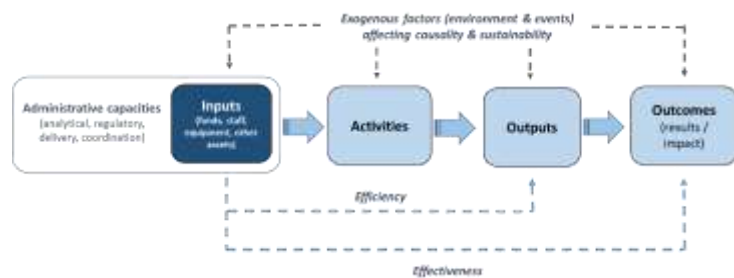
³⁹ OECD (2006), *The challenge of capacity development. Working towards good practice.*

4.1 Managing performance for results

Every administration has an interest in improving its performance, especially under ever-present attention from politicians, press and public. Managing performance is more than just setting metrics, gathering data and assessing their status. It is about an **agenda for change** and achieving results. Whether at the level of individual organisations, whole sectors (e.g. education, law enforcement) or the entire administration, performance management is ultimately about how best to attain better outcomes for society on a sustainable basis.

For the purposes of this Toolbox, **performance** is defined as the success with which public administrations achieve their policy goals and improve societal outcomes (social, economic and environmental) - such as a better quality of life for all citizens, increased prosperity and less inequality, and sustainable development to ensure the benefits are enjoyed by future generations.

Organisational performance is often seen through the prism of a **production process**, arranging inputs and activities to achieve outputs (e.g. pupils taught, patients treated), results (e.g. qualifications gained, diseases remedied) and impacts (e.g. jobs gained, life extended), using performance data to derive measures of efficiency and effectiveness. This is usually captured in a variant of the following diagram.⁴⁰ In this format, ‘activities’ is a broad notion that captures all the decisions and actions of the administration.



A **high-performing administration** then is one that has “*the capacity to perform and converts this capacity into ... outputs and outcomes*”⁴¹. It can improve the quality of its actions and the quality of its achievements.

In practice, the business of government (safeguarding citizens, ensuring the rule of law, generating economic growth and employment, protecting the environment, etc.) is highly sophisticated and the external environment is complicated, with a diverse set of stakeholders, which undermines the ‘production process’ analogy. Public administrations are **complex systems** within a continually changing context. The ‘black boxes’ of capacity and activities contain a lot of variables and relationships, which make their interaction hard to predict and even harder to control.

Nevertheless, the notion of ‘public administration as a factory’ underpins many of the **conventional instruments** of performance management that are popular today. In general, they rely on:

- ✚ **Setting a direction** – using objectives and targets;
- ✚ **Galvanising behaviour through incentives** – using budgets and payments;
- ✚ **Monitoring and assessing progress** – using indicators, appraisals and targets.

⁴⁰ See also [theme 1](#), where a similar diagram was used to illustrate policy monitoring and evaluation.

⁴¹ W. Van Dooren, G. Bouckaert and J. Halligan (2015), *Performance Management in the Public Sector*.

Increasingly, questions are being raised about the use and usefulness of each of these instruments in their application to public administrations. Are they conceptually sound? What happens in the real world? **Do they work in practice?** This topic, alongside others in the Toolbox, examines the pros and cons of performance agreements, budgeting, indicators, targets, appraisal, pay and audits.

With the focus on these specific tools, it is easy to overlook the importance of **capacity** and its contribution to performance, or to confuse one with the other. Administrations can fall into the trap of determining performance goals without fully considering the capacity to achieve them, or worse, employing techniques that are detrimental to capacity.

The UNDP refers to capacity as the “ability to perform functions, solve problems and set and achieve objectives”. [The Hertie School of Governance](#) has broken down capacities into analytical, regulatory, delivery & coordination.

Managing for results ultimately means doing things better - making the most creative use of available resources, as well as strengthening capacity through investment. Hence, **performance improvements** can come from:



- ✓ More effective **structures and relationships**, and efficient allocations of responsibilities within and across levels of government;
- ✓ Developing a capable, and most importantly, motivated & engaged **workforce**; and
- ✓ Streamlining and simplifying **systems and service provision**, through life event analysis, process re-engineering, the processing capabilities of ICT, better channel management (one-stop and no-stop shops), and co-creation with citizens and businesses, etc.

When approaching performance management, clarity of purpose is crucial (why are we doing it, what do we hope to achieve) and should be widely communicated to all affected staff. Tools should be selected carefully to ensure they are appropriate to the purpose, and take account of the effect on capacity and activities, to avoid ‘gamification’ and unintended consequences.

4.1.1 Setting objectives and intended outcomes

Results-based management typically starts with setting objectives, usually within the wider framework of strategies or programmes (especially the latter in the case of using EU funds). The **cascading of objectives** from the government to organisation to team to individual levels can be the basis for performance management.

Inspiring example:
Strategy for developing public administration (Slovenia)

Objectives set a way forward, act as a guide to public servants, and influence behaviour both inside and outside the administration. **Convention suggests that objectives should be ‘SMART’:**

Criteria	Meaning
Specific	Avoid ambiguity, to ensure the objective is meaningful
Measurable	Knowing when you have ‘reached your destination’.
Achievable	Objectives should be realistic, not speculative
Relevant	Another way of saying ‘evidence-based’, addressing a real-world problem.

Time-bound To convert objectives into concrete plans, objectives cannot be entirely open-ended, and hence it makes sense to set some time limits (however, see below regarding flexibility).

However, care must be exercised in interpreting and applying these criteria, to avoid dogmatically pursuing paths that lead into blind alleys and cul-de-sacs. The caveats are that information is often incomplete and imperfect, and the future is always uncertain. It is impossible to anticipate and analyse all possible scenarios, so **flexibility** is crucial. Goals are often achieved *indirectly*, in unplanned and unexpected ways - the concept of ‘obliquity’. Organisations that stick rigidly to their plans, set out in grand designs, can come unstuck when they hit an obstacle if they refuse to change direction. Given uncertainties and complexity, this argues for objectives to be kept high-level, which can also be understood as ‘aspirational’, taking small steps and making regular checks in striving towards the ultimate goal.

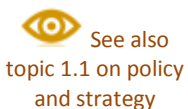


“There are no predictable connections between intentions and outcomes ... Problem-solving is iterative and adaptive ... irrationality lies in persisting with methods and actions that plainly do not work”. Professor John Kay, *Obliquity*, 2011.

Public bodies can struggle to differentiate between desired outcomes (e.g. reduced crime levels) and intermediate operational goals (e.g. recruiting police officers), especially when cause-and-effect are opaque. At the same time, they can pay too much attention to specifying inputs and outputs, rather than the eventual outcomes or the essential enablers, which depends on sifting through the available evidence.

Inspiring examples: Austria’s outcome orientation; and linking objectives to organisational & individual performance

4.1.2 Linking mission, values, vision and strategy

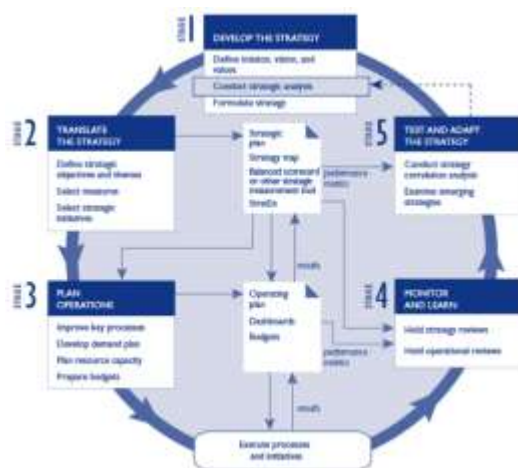


While governments might set out their policy and strategy for healthcare, or law enforcement, or public administration reform, individual organisations must also be clear about their goals within this framework. Depending on circumstances, this might mean taking account of several, relevant, **sector policies and strategies**. For example, the education ministry will need to take account of, say, the education policy & lifelong learning strategy, and at the same time, the government’s integrity policy and anti-corruption strategy, as well as its unique internal needs.

While the legal basis gives the organisation its **mandate** (*why are we here?*), **leadership** is ensuring that the organisation is driven by a clear mission (*where are we going?*) and vision (*where do we want to be?*) within the overall policy and strategic framework, but also **values** (*what steers our behaviour?*), communicating them and ensuring their realisation.

Inspiring example: Leadership in Lithuania’s ESF Agency

Implementing the mission and vision of a public organisation means making choices about the way forward, in the content of the policy framework, available resources, and beneficiaries' needs and expectations. Based on the mission, vision and values, organisational strategies start with robust analysis, defining strategic objectives, and cascading them down into measures and operational plans that can be executed, monitored, learnt from and adapted over time. The diagram (left) from the EU-funded [Community of Practice on Results Based Management](#) shows the cycle in full (based on Kaplan & Norton's "Mastering the management system").



Inspiring example:
Strategy development
in Upper Austria

To keep the momentum and ensure the overall picture is not clouded by detail, some organisations are replacing cumbersome documents with 'value creation maps', which depict the strategy and all its components on a single piece of paper (see example from Belfast City Council, right).⁴² This shows at a glance the intended outcomes and key relationships. Even if strategy maps are not used explicitly, plans should show how the organisation intends that today's inputs, processes and outputs will impact on tomorrow's outcomes.



Getting employees to buy into and follow a strategy means engaging them in the process, providing middle managers and front-line staff with meaningful feedback. If everyone knows what they are aiming for, and why, they are much more likely to get there. Ideally, administrations should reach out to stakeholders both within *and outside* the administration, especially citizens and business, during their strategic planning and subsequent implementation and reporting back.

Inspiring example: Everyone's
administration - the strategic plan
for modernising Castilla y León's
public administration (Spain)

4.1.3 Using performance information

To make sure objectives are achieved, public sector organisations need to assess whether, to what extent, and how these aims are being met. Performance management has been described as a "management style that incorporates and uses performance information for decision-making".⁴³

⁴² B. Marr (2009), *Strategic performance management in government and public sector organisations*, Advanced Performance Institute

⁴³ W. Van Dooren et al (2015), op. cit., also the table overleaf

Performance information has been said to fulfil eight possible roles⁴⁴ - evaluation, control, budgeting, motivation, promotion, celebration, learning, and improvement - which can be reduced further to three **meta-roles**:

	1. Giving account	2. Steering & control	3. Learning
Rationale	Communicating, explaining & justifying performance	Influencing and shaping activities	Improving policy, capacities and/or actions
Focus	External	Internal	Internal
Orientation	Past	Present	Future
Examples of tools	League tables, annual reports, citizens’ charters, performance appraisals	Performance agreements, performance budgeting, performance-related pay	Benchmarking, customer journey mapping, knowledge management

Inspiring example: Goal management & performance measurement (Belgium)

Various tools and guidelines exist to guide public sector organisations to find inspiration in designing performance information systems.

The UNDP Users’ Guide to Measuring Public Administration Performance describes 18 measurement tools.

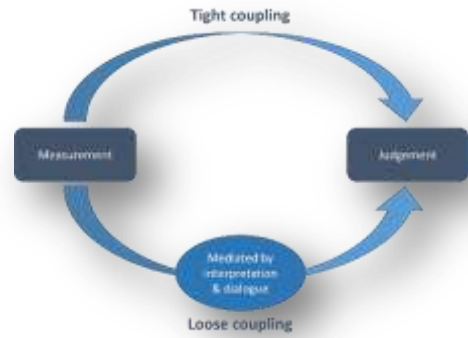
In an era of heightened expectations of public service delivery, widely accessible information and social media, the performance of public administrations and especially their results need to be demonstrated to a range of audiences. **Performance reporting** demands a tailor-made approach towards different target groups. The use of online ‘dashboards’ and ‘scoreboards’ is a useful tool for both the administrations and the public as they have the potential to increase transparency, accountability and trust, if the information is well-presented and explained. In principle, performance information is indispensable to: ministers, MPs, media, public servants and the public, but this does not always materialise in practice. A range of studies have reported communication disconnects and ‘missing links’.

Unfortunately, sometimes administrations focus **too heavily on measuring performance, rather than improving it**. They can end up dedicating resources to counting at the expense of executing their mission, and become overwhelmed with performance data without a vision of how they will apply it. Moreover, most public administrations in practice tend to: focus on accountability, which can easily become an exercise in assigning or avoiding blame for under-performance; try to steer and control, but often find the tools they are using are too blunt; and largely neglect the learning aspect of performance knowledge.


When considering performance measurement, the first question should be: what is the purpose? Is it accountability (explaining and justifying), steering and control (directing activities) or learning (improving how things are done)? The answer will affect what information is collected and when, who is involved in gathering it and will benefit from the findings, and how it will be used.



⁴⁴ Source: R. D. Behn (2003), *Why Measure Performance? Different Purposes Require Different Measures*, Public Administration Review, 63, pp 586-606, cited in Van Dooren et al (2015), op. cit.

As the diagram (right) illustrates: “A crucial decision is whether performance information will be used in a ‘hard’ or a ‘soft’ way”, depending on how tightly coupled are information and judgement, and whether formula-based or interpretative use is made. Hard use, for example, would be performance contracts that stipulate sanctions for agencies or senior officials that do not reach their performance targets, regardless of external factors from the wider operating environment. By contrast, soft use would be a benchmarking exercise or identification of training needs.⁴⁵



When setting objectives, measurability (the ‘M’ in the lexicon of SMART-ness) can be the most evasive. Performance information usually translates as quantification and the discredited philosophy: ‘if you can’t measure it, you can’t manage it’. The purpose of **performance indicators** is to help check progress against plans and steer the direction of policy delivery. But there are also dilemmas in formulating and applying metrics, including the following:

 See also topic 1.3 on monitoring & evaluation

-  Organisations typically rely on cost as a proxy for **inputs**, but this does not help to identify the most productive blend of people, skills, equipment, technology, other resources and their management.
-  **Output** and **outcome** indicators face the challenges of appropriateness, data availability, and objectives that are qualitative and/or multi-dimensional. In the context of good governance, how do you define performance (success) in legislating, restructuring, reorganisation, coordination, and other intangible processes of public administration?

In the public sector, there are fields of activity where the outputs, outcomes or both are not **quantifiable**. This has been codified as four types of public organisation, with examples below⁴⁶:


		Outcomes can be measured?	
		Yes	No
Outputs can be measured?	Yes	Post offices, tax collection, vehicle registration, waste management, wastewater collection & treatment	Mental health & counselling services, military (peacetime), youth prisons
	No	Military (wartime), doctor’s clinics, forest rangers	Research, diplomacy, intelligence services

⁴⁵ Van Dooren et al (op. cit.) and D. Moynihan (2008), *The dynamics of performance management: constructing information and reform*.

⁴⁶ J. Q. Wilson (1989), *Bureaucracy: What Government Agencies Do and Why They Do It*, cited in Van Dooren et al, op. cit.

Inspiring example: The balanced scorecard in the Polish social security administration

There is no perfect solution, but the balanced scorecard approach helps to reconcile some of the dilemmas around ‘hard’ metrics. There is a risk of information overload, however, attempting to measure so many variables that the sum is less than the individual elements. Given the limitations of the scorecard approach, it should be accompanied by an emphasis on explaining performance through evaluation (understanding underlying factors and assessing the qualitative dimension). The clue is in the name, indicators are signals only. Like any ‘health check’, the value of indicators of under-performance is to learn - **understand, explain and remedy** what went wrong - interpreting the raw data and taking account of qualitative and environmental factors. In some cases, it might be the indicator, not the action, which was wrongly chosen.

 See also topic 5.2 on systems thinking in service delivery

In public administration (as in sport), targets are something to aim at, they are not going to be hit every time. It is wise to **beware ‘the tyranny of targets’**. Whereas the value of indicators is that they provide a clear signal about progress along the path, targets can become the end in themselves in a way that distorts behaviour, creates perverse incentives and produce contradictory results. This reflects two phenomena, known as: [the Hawthorne Effect](#), in which public administrations and their officials adjust their performance to match expectations; and [Goodhart’s Law](#), which can be paraphrased as ‘when a measure becomes a target, it ceases to be a good measure’. Some of the dysfunctions of performance measurement, which appear as unintended side-effects, are summarised below⁴⁷:

Tendency	Description
Tunnel vision	Selecting indicators that are easily quantifiable, rather than qualitative indicators that are harder to measure.
Myopia	The pursuit of short-term targets at the expense of long-term objectives.
Ratchet effect	The tendency of target-setters to fix the next period’s targets as an incremental advance over the last period’s, which incentivises managers to restrict their performance below their maximum capacity, to avoid being set more stretching targets.
Threshold effect	A uniform output indicator / target that applies to all units in a system offers no incentive to excellence, and may instead encourage the top performers to reduce their performance to the level of the target.
Cherry-picking	The subject of targets limit service delivery to certain clients to make it more likely that they will achieve the indicator / target (e.g. the most qualified, the least expensive, etc.).
Output distortion	The subject deliberately manipulates reported results, for example through false coding (assigning the output to the wrong category).

The *pursuit* of performance for accountability or control purposes can lead to **gaming** of performance data, as public servants are incentivised to manipulate either the measurement or the indicator itself. It can also lead to **unintended consequences**, due to over-simplified assumptions about rational behaviour.

 See topic 1.2 on behavioural insights

⁴⁷ Source: Based on KPMG International (2008), *Holy Grail or Achievable Quest? International Perspectives on Public Sector Management*.

Ultimately, the main driving force behind behaviour in public administration should be principles and values, but these cases indicate that sometimes **ethics** can be overwhelmed by the fear of missing targets by which the observed are being judged. Among the dysfunctional effects of target-setting can be **levelling-down** among the better performers. Rather than strive to achieve the best results possible, the imposition of targets can de-motivate, especially if it creates a 'ratchet effect'.

Ideally, past assessment should inform future progress, but defensiveness over previous decisions can cloud objective dialogue about ways forward. **Learning-oriented approaches** involve:

- ✓ Seeing the performance measurement system as flexible and dynamic;
- ✓ Designing indicators in networks, rather than hierarchies;
- ✓ Engaging with an array of relevant stakeholders and their perspectives to build ownership;
- ✓ Using qualitative information as well as quantitative; and
- ✓ Regularly meeting and reviewing progress to change tack towards better outcomes.



4.2 Managing quality into the system

The quality of public administration is important for economic competitiveness and societal well-being. In the context of increasing demands and often diminishing resources, public sector organisations need to become more effective and efficient. Long-established as a concept in various fields from biology to anthropology, **systems thinking** is gaining greater prominence in improving the performance and quality of public administration, including the context of transactional service delivery. In some cases, the systems approach transcends organisational boundaries, in others the organisation *is* the system. The ‘silos’ that exist in the typical service organisation can interrupt the flow of information and its effective functioning, to the detriment of service users and stakeholders.

 See also topic 5.2 on service delivery

The essence of systems thinking is to consider all the relationships within the system and with the external environment, to understand what is happening, and to use this information to seek to improve it. This is also the basis of **total quality management (TQM)**, which is about the permanent mobilisation of all the resources to improve - in a continuous way - all the aspects of an organisation, the quality of goods and services delivered, the satisfaction of its stakeholders and its integration into the environment.

4.2.1 Using quality management models

TQM is a comprehensive and structured approach to organisational management that is characterised by ongoing refinements in response to continuous feedback. The focus is on recognising everyone’s role in the organisation and teamwork. The principle of continuous improvement is operationalised in PDCA: plan, do, check and act.

Phases of the PDCA cycle	
Plan	Define the problem to be addressed, collect relevant data, and ascertain the problem's root cause.
Do	Develop and implement a solution, and decide upon a measurement to gauge its effectiveness.
Check	Confirm the results through before-and-after data comparison.
Act	Document the results, inform others about process changes, and make recommendations for the problem to be addressed in the next PDCA cycle.

Organisations looking to adopt quality management systems (QMS) typically chose from three scenarios: satisfying established standards with certification, in which case the [International Organisation for Standardisation \(ISO\)](#) is the recognised body globally; using the Excellence Model from the [European Foundation for Quality Management \(EFQM\)](#); or following the [Common Assessment Framework \(CAF\)](#), created by [EUPAN](#) for the public sector in 2001, inspired by the Excellence Model.

Inspiring example:
ISO in the Irish Food
Safety Authority

The **ISO 9000** family of international quality management standards and guidelines is generic and applies to all countries and sectors. ISO 9001:2015 serves as a framework of how an organisation should work with regards to quality, to demonstrate its ability to consistently provide products/services that enhance customer

satisfaction and meet applicable regulatory requirements, and more specifically, what the organisation is required to do.⁴⁸ ISO 9001:2015 is founded on seven [quality management principles](#): customer focus; leadership; engagement of people; process approach; improvement; evidence-based decision making; and relationship management. The [process approach](#) is based on the PDCA cycle (*the numbers in the diagram above refer to applicable clauses in the standard*). The ISO issues non-prescriptive guidance for implementing ISO 9001 based on the following seven steps:

<i>Recommended steps for successful ISO 9001 implementation</i>	
Step 1: Engage top management	<ul style="list-style-type: none"> ✚ Agree on why to implement a QMS; ✚ Determine the context of the organisation, strategic objectives and business processes; ✚ Determine customer and interested parties' needs and expectations; ✚ Understand the quality management principles described in ISO 9000; ✚ Review the implication of risk-based thinking; ✚ Define the objectives of the organisation; ✚ Describe the scope of the QMS; ✚ Define the policy; and ✚ Determine quality objectives
Step 2: Identify key processes	<ul style="list-style-type: none"> ✚ Identify the processes needed to deliver products and services; ✚ Understand ISO 9001 requirements; and ✚ Determine the risks and opportunities applicable to the processes.
Step 3: Plan the QMS	<ul style="list-style-type: none"> ✚ Identify the gaps in the existing system compared to QMS requirements; ✚ Identify the process controls needed; ✚ Define the working environment needed; and ✚ Define the skills and facilities needed.
Step 4: Document the QMS	<ul style="list-style-type: none"> ✚ Document the processes, activities and controls needed; ✚ Prepare the documented information (procedures and records) required by the standard and in accordance with the organisation's needs; and ✚ Ensure the QMS conforms to ISO 9001 requirements.
Step 5: Implement the QMS	<ul style="list-style-type: none"> ✚ Control monitoring and measuring equipment; ✚ Train employees; and ✚ Verify the effective operation of processes.
Step 6: Manage the QMS	<ul style="list-style-type: none"> ✚ Monitor and measure performance; ✚ Audit process effectiveness; ✚ Focus on customer satisfaction; ✚ Manage system and operational change; and ✚ Perform management reviews.
Step 7: Improve the QMS	<ul style="list-style-type: none"> ✚ Seek third-party certification/registration; ✚ Strive for improvement with reference to ISO 9004; and ✚ Consider implementing an excellence model in the organisation.

⁴⁸ It is accompanied *inter alia* by ISO 9004:2009, which focuses on how to make a quality management system more efficient and effective, and ISO 18091, which is guidelines for implementing ISO 9000 in local government.

Quality excellence models may be used for self-assessment or as the basis of external assessment. **CAF** is less demanding than the Excellence Model and therefore suitable for organisations starting with the implementation of TQM, but also less systematic.



The steps are shown in the diagram below:



More and more public sector organisations are working with TQM instruments. By doing this, they improve the functioning of their organisations step-by-step and can demonstrate that they gradually improved their results over the years, in terms of efficiency and quality.

Inspiring examples: Using CAF in Austria, Germany, Belgium & Norway

4.2.2 Stimulating a quality management culture

In the private sector, some industrial customers make it a condition that their suppliers have QMS in place, but it remains relatively rare for governments to require public sector organisations explicitly to adhere to quality management principles. There is every reason for administrations to add it to their mission, however, as it has the potential to improve motivation, increase innovation, and raise the standards of service quality and delivery. In the absence of external stimulus, TQM needs to be encouraged and enabled in public administration.

The first step is **raising awareness** of its importance and added value. The use of TQM can be triggered by introducing and integrating it into the policy framework as part of strategic and operational planning documents. Central government can also create initiatives to stimulate quality management in regional and local government.

Inspiring example: Quality management in strategic policy documents & ESIF programmes in Poland

Various Member States have also invested in **supporting** public sector organisations in using TQM instruments, for example through: publications, manuals and guidelines on quality management; training the trainers and technical assistance; setting up a supporting and coordination structure; and networking with the private sector and academic world.

Inspiring example: Italy's CAF strategy 2012-2015 in education & training

The exchange of knowledge gained in **benchmarking** public services can help speed up the learning process, but is not a simple matter. Comparing performance of public organisations can be very complicated, because measurement of social objectives is often difficult, and account should be taken of the political and administrative cultures in public organisations.

Inspiring examples: Benchmarking local government performance in the UK & the Netherlands

Ways can also be foreseen to encourage the pursuit of quality management by **recognising and rewarding** the results achieved. This can be done through certificates, labels, selection of good and best practices, and presentations at conferences. In many cases, quality awards are based on quality excellence models, identifying public agencies that excel in some field and making their success factors visible to other organisations. Such awards act in some ways as surrogates of competition in the public sector where a market does not exist, as competing is intended to motivate public agencies to increase organisational quality. In case they win the award, they are likely to act as a model for other organisations; in case they do not win the award, they hopefully draw lessons on how to become better in the future, including learning from each other. This means that there is also a cooperative element which is perhaps the most important function of quality awards if they are to be an instrument in fostering innovation and quality in the public sector.


Inspiring example: Estonian Public Sector Quality Award

4.3 Managing, motivating and developing staff

Like any service organisation, the most precious asset and productive resource of any public administration is its ‘human capital’: public servants, their collective know-how, their individual ingenuity, and their diversity of backgrounds, education and experience. It serves everyone’s interest that staff are competent, motivated, ethical, responsive and flexible.

Most EU countries have adopted a **civil service act or code** that lays down the basic rights and values of an independent, well-functioning public administration, although practices differ regarding implementing and safeguarding these rights. Each Member State is also distinguished by its own unique civil service system in accordance with its legal, administrative and cultural traditions⁴⁹. Civil service systems are usually classified in two types (although most countries have moved towards a mix): **career-based or position-based**.

During recent decades, the public services of the EU Member States have gone through considerable reforms in the field of human resources management (HRM) to improve performance, mostly inspired by the private sector. Traditionally, public employment across Europe was a major employer, stable and certain, and ‘career-based’ with entry-level recruitment after school or university followed by steady progression to retirement, and pay and promotion typically based on seniority. This orthodoxy has become increasingly outdated. The caricature of government as monolithic and hence a ‘unified employer’ is certainly not the scenario of the 21st century. With the use of agencies, and the advent of contracting-out and privatisation, many jobs have moved into the ‘semi-state’ sector, altering the terms and conditions of employment over time towards greater flexibility and less predictability.

 See also
topic 4.1 on
performance
management

More recently, the fallout from the global financial, economic and fiscal crisis led to a **contraction in public administrations**, with the EU’s public administration recording 800,000 net job losses over 2008-2015, equivalent to around 5% of the headcount, through redundancy, (early) retirement and resignation. Many also instigated hiring freezes, and/or deployed other measures to bring down the pay and benefit bill. There have also been trends towards fixed-term contracts and moving from civil servant status to employment contracts (depending on civil service law, contractual arrangements and the role of trade unions). The fiscal impact has been felt in the investment in training too. These cuts were largely made in haste to cope with squeezed public budgets, without prior impact assessments to predict the effect on efficiency and effectiveness, raising concerns about capacity and detrimental effects on morale, job intensity and stress among those who remain.

In the meantime, the pressures on **public service delivery** have continued unabated, and in many cases risen. Citizens and enterprises increasingly expect high service standards for their transactions and interactions. Most administrations have engaged in programmes to simplify and automate their

 See also
themes 5 & 6

⁴⁹ OECD (2008), [The State of the Public Service](#), OECD Publishing.

processes, and make services accessible through physical one-stop shops, online portals or whatever channel suits the user's circumstances. This in turn has implications for the number, location and competences of their public employees.

Commentators are increasingly highlighting '**the rise of the robots**' as the emerging phenomenon⁵⁰ that will shake up service-based jobs in the private and public sectors. It is expected that the advance of big data processing and artificial intelligence (AI) will make jobs involving analytical and decision-making tasks increasingly redundant, even when they are knowledge-based. A combination of processing power, predictive algorithms, cloud computing, and massive datasets enable computers to 'machine-learn', and to replace tasks which involve repetitive processes and patterns, and are therefore predictable. Genetic programming allows computers to replicate creativity too.

This combination of a smaller, more highly skilled but ageing workforce, and a digital society where citizens and enterprises increasingly expect online public services at their convenience, creates a **complex HRM environment**, especially when set against the full panoply of policy dilemmas faced by governments. These trends are not new, but rather the accentuation and acceleration of old ones. Nevertheless, Member States will need to adjust to a 'new normal', and deal with four high-level challenges:

- ✚ How to **anticipate these changes** and adjust to them in advance, rather than simply react to circumstances as they arise and risk being overtaken by them;
- ✚ How to **develop the tools and approaches for a new & different human resources management** - more adequate selection, more focus on skills in general and especially those of managers, more opportunities for skills adaptation - and how to reconcile the concept of a civil service career and the need for versatile experience;
- ✚ How to **compete with the private sector in recruiting and retaining staff**, given businesses typically have greater flexibility over pay and conditions and enjoy a simpler operating environment; and
- ✚ How to **motivate staff** in a demanding but often highly structured environment, both values- and rules-based, and raise people's performance without risking integrity.

Public administrations can borrow HRM techniques from business, but the complexity of their operating environment and a more restrictive and rigid legal framework⁵¹ highlights the need to seek new and tailored solutions. As a service industry, however, one lesson that can be learned is recognising that the service user's contentment relies on a skilled, motivated and capable workforce.

⁵⁰ See M. Ford (2015), *Rise of the Robots: Technology and the Threat of a Jobless Future*, Oneworld Publications; also, J. Kaplan (2015), *Humans Need Not Apply: A Guide to Wealth and Work in the Age of Artificial Intelligence*, Yale University Press.

⁵¹ Y. Emery et al, [Towards Innovative Public Services: A framework for the development of the innovation capability of European public administrations, January 2016](#), page 15, see also [annexes](#)

“Learn to look after your staff first and the rest will follow. If you treat your staff well, they will be happy. Happy staff are proud staff, and proud staff deliver excellent customer service”, Sir Richard Branson, founder and chairman, Virgin Group.

4.3.1 Developing HRM strategies and planning for the future

Public administrations across the EU face constant questions on how best to manage their workforce. Traditionally, ‘personnel management’ was a stand-alone activity, legalistic and input-oriented. In recent times, public administrations have moved to a **more strategic approach**, acknowledging the link between their HR policies and organisational performance.



The search for savings during the recent fiscal crisis and an ageing workforce has sparked an upsurge an interest in **workforce planning**, as evidenced by a 2013 EUPAN survey.

Workforce planning is a structured and systematic process that brings together strategic planning and human resources management, to enable organisations to better achieve their goals and priorities, by having the right people with the right skills and competencies in the right place at the right time. It covers the size, composition, deployment, skills and knowledge of the workforce, and includes all managed movement into, around and out of the organisation - including recruitment, promotion, mobility, secondment, redeployment, attrition and retention.



Workforce planning models typically break down the process into a series of steps (see the framework developed by Ireland’s Department of Public Expenditure and Reform, left), which can be performed by individual organisations separately or across the entire administration simultaneously. Across the public administration, workforce plans help to inform policy-makers of various HR-related issues emerging across the system in areas such as

knowledge management, succession planning etc. Like the policy process, workforce planning is **not necessarily a neat and sequential, end-to-end process**. It can also be viewed as an exercise in permanent evolution, where the whole organisation is working to an overarching plan, but is nudged in different directions as circumstances change. Critical factors in workforce planning include ownership, the planning horizon, risk management, responsibility, budgeting, data quality, and morale & motivation

Inspiring example: Workforce planning in Ireland’s Property Registration Authority

In executing their plans, public administrations are increasingly recognising the importance of **talent management** - finding (and keeping) the right people with



the right attitudes, aptitudes and abilities, especially when competing with private employers. There are four main components, shown right.

Within this context, public administrations are increasingly turning to **competency frameworks** to crystallise the right blend and balance of skills needs - professional, technical, attitudinal and behavioural - for achieving organisational goals.

4.3.2 Competency-based HRM

Over time, human resources management in Europe has shifted from a *legalistic, status-based approach*, which centres around qualifications and time served, towards a *competency-based approach*, which considers staff's skills, know-how and attitudes in the round for the maximum use of human potential. As well as technical skills and knowledge, so-called 'soft skills' - such as results orientation, self-motivation, communication, ability to work with others, assertiveness, negotiation, adaptability, resilience, etc. - are increasingly seen as essential. There is now hardly any European country that has not started to manage its staff with a more competency-based approach.

“Competency management, sometimes called competency-based management, involves identifying the competencies that distinguish high performers from average performers in all areas of organisational activity, constructing a framework and using it as the foundation for recruitment, selection, training and development, rewards and other aspects of employee management”. Income Data Services (IDS), Developing Competency Frameworks Study, 1997

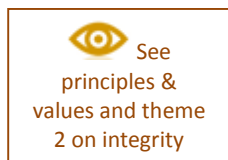
Competency management can contribute to enhancing **organisational performance** by aligning people's competencies with the organisation's mission and vision (vertically) and, at the same time, providing the platform to integrate aspects of HRM (horizontally) – workforce planning, recruitment & selection, performance management, training and development, etc. Strategic tools such as a mission statement and organisational objectives should be in place before organisational competencies can be identified.

 See topic 4.1 on organisational strategies

At an individual level, this approach aims towards a more professional and result-oriented management of staff's performance and development. By establishing competency frameworks, the organisation can also create a **shared understanding** about which competencies matter to achieve the mission and goals, as well as about the meaning of the different competencies, and to use these competencies for defining job roles and descriptions. Competency-based job profiles promote a common vocabulary, foster transparency and enhance the visibility of career opportunities.

Often a distinction is made between generic competencies which all staff members (or those in a specific grade) are expected to demonstrate, and technical, job-related competencies. There is no right or wrong way to devise **competency frameworks**, and myriad examples exist across the EU.

DG TAXUD has developed an EU competency framework for the customs profession, comprising core values, and professional, operational & management competencies.



It is important to choose competencies that reflect the **principles and values** of the whole public administration and the organisation itself. In this context, ethics should be a core component of any competency framework, as all evidence suggests that organisational integrity is heavily influenced by staff appointments. It is also essential that competency frameworks are kept fresh and **up-to-date**, regularly reviewed and revised to reflect the prevailing HR needs of the organisation. Given the impact of eGovernment, competency frameworks should incorporate the digital skills that will be increasingly integral to public administrations. A successful implementation of competency management depends first on establishing a model that fits the needs of the **legal and administrative culture**.

Competency management is particularly popular in those Member States that have engaged in a far-reaching change process or public service reform. In this same context, competency management can change the traditional personnel administration into a **more strategic HRM**. Competency-based approaches can become a useful tool for a more effective workforce planning, especially in times of demographic change, more limited resources, higher rates of retirement, less recruitment and an ageing workforce, or where reorganisation or budget cuts have created a pool of staff that are “redundant” or need to be reassigned. Equally, a growing number of organisations are identifying competencies for vacant leadership positions, which are then used to rank candidates for each position. Competencies are also used to identify gaps between current and desired competency levels during appraisals and to implement development plans.

Inspiring examples: The forward workforce planning approach; and the inter-ministerial register of professions (both France)

Success factors for implementing competency management

- ✓ Organisational readiness and the need for a broader cultural and organisational reform;
- ✓ Commitment and participation of stakeholders;
- ✓ Integration of values specific to the public sector, such as integrity and loyalty;
- ✓ Adaptability to needs at agency level particularly regarding technical competencies;
- ✓ Compliance with the three dimensions of integrated competency management (alignment with the strategy and integration of different HR processes and implementation);
- ✓ Planning for future competencies;
- ✓ Review and continued interest.

Source: Drawn from S. Op de Beeck and A. Hondelghem (2010), “Managing Competencies in Government: State of the Art Practices and Issues at Stake for the Future”, OECD, Public Employment and Management Working Party

4.3.3 Attracting and selecting the right staff

Recruitment and selection is arguably the most important HRM instrument for talent management. It is better to get the decision right at the outset, than to try and correct it later. The establishment of a fair, transparent, impartial and open recruitment and selection system is key for a professional public service. Vacant posts should only be allocated according to objective criteria (e.g. merit, qualifications, competencies) and according to a formalised procedure. In this sense, citizens should not be exposed to public officials that are given jobs only because of personal reasons, family ties or tradition, and who lack the necessary competence and qualification for the post.⁵²

⁵² Michael Walzer, *Sphären der Gerechtigkeit, Ein Plädoyer für Pluralität und Gleichheit*, Frankfurt/New York 2006, p. 198.

Even before a prospective candidate considers applying for a position, whether entry-level or chief executive, they will be influenced by their **perception of public administrations as employers** – traditionally, safe but staid, offering job security but uncompetitive salaries, and characterised as bureaucratic and rules-based. To overcome negative perceptions, generate an appealing image, and best match potential candidates with employment opportunities, public administrations should consider the following questions: What are your target group’s expectations from employment? Do you know how potential candidates view your organisation? What channels do they use to find out about job opportunities? What ‘brand image’ do you wish to create as an employer How will you judge success?

Whether recruits are taken at entry-level or mid-career, the small percentage of **‘millennials’** in the workforce can be expected to increase. Public administrations will have to become more attractive to potential recruits of all ages, if they are to satisfy their staffing and skills requirements.

HR professionals refer to **‘psychological contracts’** as the implicit expectations that employees have from their employers (reciprocal obligations and expectations), which change throughout their working lives, especially with regards to learning and job security. Understanding these ‘contracts’ is useful for customising recruitment messages to different demographic groups, especially if the detail is analysed (what is considered ‘interesting work’, what is a good pay rate for the occupation and locality, etc.).

A 2015 ESF-funded study for the Latvian State Chancellery⁵³, which included an EU-wide literature review, looked at what **attracts and deters** people concerning public administrations as employers:

Attracts	Deters
<input checked="" type="checkbox"/> Stability and sustainability of work and remuneration;	<input checked="" type="checkbox"/> Difficulties in offering competitive remuneration;
<input checked="" type="checkbox"/> Substantively interesting and responsible work (especially at management level);	<input checked="" type="checkbox"/> Hierarchical work structures;
<input checked="" type="checkbox"/> Long-term social guarantees; and	<input checked="" type="checkbox"/> The negative public image of public administration.
<input checked="" type="checkbox"/> Opportunities to work internationally	

Compared to the image of safe but unexciting ‘jobs for life’ that might prevail in the public’s mind, most of the public services in Europe nowadays are more flexible, open to change, transparent and have developed their interaction with stakeholders and citizens. Work is more often project-based than procedural. **Active employer branding** involves breaking through negative or misconceived perceptions, and reaching out to future recruits through a multiplicity of messages and media, especially those that appeal to younger candidates, such as serving the public good, meaningful and challenging work, variety and problem-solving.

Salary levels are a pinch-point in some occupations, where public administrations find it hard to compete even at entry level. Research into whether public officials are motivated extrinsically by financial rewards (and

Inspiring example:
Malta’s market correctors.

⁵³ Baltic Institute of Social Sciences & Organisation Development Academy (2015), [The Study on the Future Role and Development of the Public Administration](#)


sanctions), or intrinsically by serving the community – specifically in the context of creativity and innovation - has been pulled together in a useful summary by NESTA: “*Getting the balance right between rewarding intrinsic and extrinsic motivations is not easy*”.⁵⁴

In **career-based systems**, civil servants are typically recruited for a clearly defined career path, entering public service after school or university. Recruitment procedures tend to emphasise rule-orientation, objectivity and equal access. In the past, mid-career access to civil service positions or the selection of professionals from the private sector was hardly possible, although this is changing in the context of demand for more specific competences (e.g. IT, commercial or managerial skills). The open competition (concours) is still the most often used procedure, with the advantage that it reaches more potential applicants and thus potentially better applicants.

Inspiring example: Lithuania’s system of open competition & examination








Civil servants in **position-based systems** apply for a clearly defined ‘job’ and must take care themselves of career progression. The interview technique is often used to select the most successful candidate. As interviews are more vulnerable to subjectivity and the risk of favouritism, it is important for reasons of fairness and equal treatment that clear rules for the conduct of interviews are laid down in government regulations.

EU Member States also vary regarding the organisation of the recruitment and selection system, which follows either a **centralised, decentralised or mixed model**, with a clear trend towards mixed or decentralised, but also shared services.

 See topic 5.6 on shared services

Given the major challenges of demographic change, related skills shortages, competition with the private sector to attract staff, etc., what can be done to reach the ‘right’ people with the attributes for public service?

Useful tools to broaden the appeal and attract the right candidates

-  Develop an attractive job profile based on competency and ensure there is sufficient information with regards to job content;
-  Publish all vacancies in the most important print media, but also social media and central websites of governments, with the aim of reaching all relevant target groups;
-  Invest in image campaigns, career fairs, marketing campaigns, image campaigns;
-  Collaborate with job agencies to publish vacancies to reach as many job seekers as possible;
-  Check the advertising campaign reaches out to all sections of society, irrespective of age, gender, ethnicity and physical ability;
-  Make sure recruitment procedures are not too lengthy (especially compared with the private sector);
-  Emphasise interesting career perspectives, a challenging job content, promote working for the public good and a good work-life balance.

In an increasingly **diverse** society, the attraction of candidates from all groups of society and irrespective of age, gender, ethnicity etc. becomes more important. Regarding the recruitment of people with disabilities, for instance, there is a trend in the EU’s Member States to introduce a quota system.

 See topic 4.3.5 on diversity

⁵⁴ J. Casebourne (2014), [Why motivation matters in public sector innovation](#), NESTA

To structure its decision-making, every administration formalises its recruitment requirements in **selection techniques**, using various methods (e.g. literacy and numeracy tests, personality tests, multiple choice questions, face-to-face interviews, role-playing exercise) to assess whether applicants can show the requisite skills and competencies. Another important reform trend is the differentiation of selection procedures for groups of staff. Although there are no fixed rules with regards to the use of selection methodologies, some general trends can be observed. For example, assessment centres and competency-based tests tend to be used for more senior and leadership positions, while multiple choice and more practical tests are mostly used for lower staff levels; computer-based tests can be used for various levels to easily process results. Personality tests are only used as an additional tool for high-level positions or for specific professions (police, security services). Psychological tests are rarely used and, where they are, this is always in combination with other tests. In some countries, selection boards are submitted to stricter rules regarding their expertise, composition and tasks (some useful minimum standards are available).

 See also
topic 4.4.2 on
recruiting leaders

Although diploma requirements and qualifications remain important, the assessment of **competencies** during open competitions and interviews is gaining in significance across the EU. According to EUPAN research, the most often tested competencies in Member States are: verbal & numerical reasoning, teamwork & social skills, planning & analytical skills, job-specific competences, leadership, creativity & pro-activity, communication, technical skills and language skills. Competency-based selection is also more and more used for the recruitment of top managers.

Inspiring example:
Competency-based
recruitment in the Federal
Public Service (Belgium)

Many public administrations have begun to use **computer-based testing (CBT) linked to competencies**, to ensure rigour, consistency and efficiency, especially in mass recruitment. The EU institutions' European Personnel Selection Office (EPSO) provides a prime example of CBT in practice. Member States are also putting the application process online to reach a large audience, followed by competency-based selection. When considering online solutions, account must always be taken of the digital divide - the extent to which applicants have access to the Internet in some remote or rural communities.

Inspiring example:
Online
recruitment &
selection (Ireland)

4.3.4 Getting the best out of people

To build the evidence base of how public officials perceive their work, the administration, and its organisation and management, most Member States now engage in some form of **employee survey**, ideally across the entire central public administration, to construct a comprehensive picture and allow comparisons across units.⁵⁵ Such surveys should be performed regularly, typically as annual exercises,

Inspiring example: Ireland's
employee engagement survey.

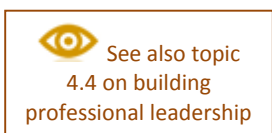
⁵⁵ OECD (2016), [Engaging Public Employees for a High-Performing Civil Service](#), OECD Public Governance Reviews, OECD Publishing, Paris.

to enable trends analysis. This evidence should then be employed to raise the quality of HRM policies and interventions.

Employee surveys can be stepping stones to greater **employee engagement**, if the exercise is supported by top management, robust and rigorous, and the findings are followed through into decisions, actions and communication. According to the OECD, there is an empirical link between more engaged employees and better organisational outcomes (efficiency, productivity, innovation, and public trust in institutions). Employee surveys serve to assess, track, ensure and maintain engagement.

Public administrations are increasingly alive to the importance of a **stimulating work environment**. A prime case is the Danish scheme ‘A Wealth of Ideas’, in which frontline staff in Copenhagen’s University Hospital are invited to come forward with their innovative ideas. Possibly the best-known example in Europe is the transformation of the working culture in Belgium’s Federal Public Service of Social Security, which has lifted its status from least attractive employer in the Belgian public sector in 2002 (18% of young recruits wanted to work there) to the most attractive (93%).

Inspiring example: Achieving results by empowering staff (Belgium).

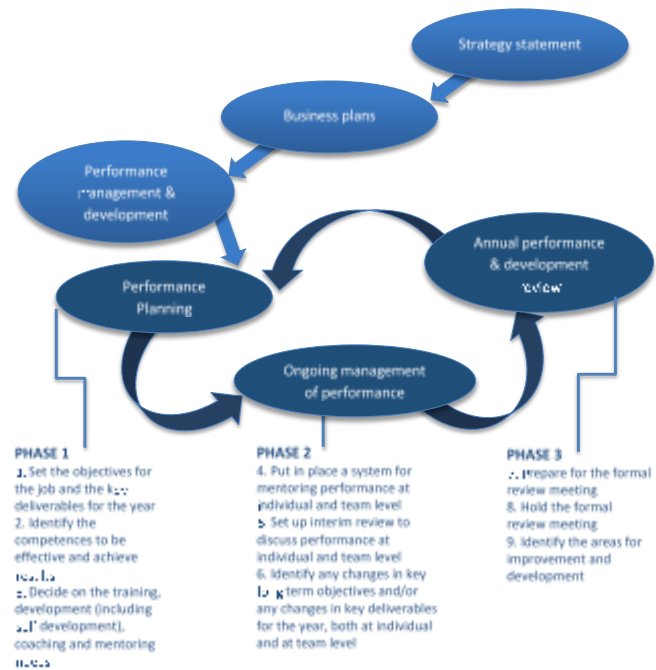


In managing their human resources, organisations can seek to control, constrain, enable or empower their employees. This is about **leadership** at all levels within an administration - in overseeing the work of more junior grades, responding to citizens and businesses, and representing the administration with external stakeholders. As some administrations move from pyramid structures to a more matrix style, leadership extends to project management.⁵⁶

	‘Traditional’ leadership	‘New’ leadership
Roles	<ul style="list-style-type: none"> Ensures stability and continuity; Leader leads people through rules, procedures and processes (‘subordinates’); Executive leadership ≠ visionary leadership; Managerial culture: execution and ‘getting the work done’; Transactional leadership. 	<ul style="list-style-type: none"> Key role of leader in change processes; Leader acts as talent manager; Leader ‘leads the unknown’, ‘makes sense’ of it; Gives vision, direction, purpose; Leads people through motivation, communication, involvement, inspiration (‘followers’); Transformational leadership.
Skills	<ul style="list-style-type: none"> Top-down decision-maker; Directive style, to only lead by instructions; Primarily expertise (through seniority), planning, budgeting, organising; Authority through position. 	<ul style="list-style-type: none"> Facilitator of new and innovative solutions; Inclusive, collaborative style → collaborative problem-solving; People management, management of change, teams, networks, strategic thinking, values and ethics (‘sense making’), communication; Authority through engagement, motivation.

⁵⁶ Source for table: Danielle Bossaert of the Luxembourg Government’s Public Administration Observatory

However, leadership also needs a context, which is support systems for **performance feedback and reward**. All employees need and deserve to know how they are performing, to motivate them by highlighting their strengths, to help improve them by pinpointing their weaknesses, to help develop them by identifying gaps in their competences, and to signal when they might be ready for promotion. They also have the right to expect a remuneration package which reflects their knowledge, experience and contribution. The debate within HRM is how best to establish this feedback loop, and the link to payment.



Many administrations across the EU either have performance management systems which centre on **performance appraisal**, or are undergoing the process of introducing them. This typically follows a standard format (manager-employee interview at an agreed time, following preparation) and a structured template, which may include a scoring system. However, Member States apply very different approaches, according to their **administrative systems and culture**.⁵⁷

The positioning of appraisal within strategic HR management systems is illustrated by the example of Ireland (right)⁵⁸. With respect to assessing **individual performance**, we can basically distinguish crudely between two systems. Traditionally, performance was rated using a set of criteria and indicators, and scored on a scale (e.g. 1-5; A-D; 'excellent', 'good', 'fair', 'poor'). Alternatively, appraisals are used to agree objectives to be achieved in the following year and the employee is evaluated, based on the targets that were set in the previous period. Many countries employ a mix.

The appraisal process is also frequently linked to **competency frameworks**, so that employees are not only assessed against their personal work objectives and their learning and development objectives, but also the extent to which they have demonstrated core competences (for their grade), such as team work, integrity, applying expertise, effective communication, etc.

Inspiring example: Moving from tasks to qualities in assessing performance (Malta)

Performance appraisal techniques are constantly evolving. **Notable developments** include: a stronger alignment of individual with organisational objectives; a trend towards simpler and shorter appraisal forms; more dialogue-based, participative employee interviews and target agreements; promoting employees' professional development and identifying training needs; use of '360 degrees' appraisal, whereby views on performance and competence are also sought from colleagues

⁵⁷ OECD (2011), *Government at a Glance*, p. 128.

⁵⁸ Source: Tony Bass, *Performance Assessment – Irish case study*, Seminar on designing and implementing effective performance appraisal systems, EIPA, 13-14 September 2010.


within the ministry, supervised staff), and/or colleagues from outside the ministry who have worked with the official. Increasingly,

Senior managers are subjected to different evaluation systems than other public servants, regarding the achievement of strategic organisational goals and regarding their managerial and leadership skills. In some cases, low performance can even lead to the termination of the employment contract.

Carrying out yearly evaluations remains a challenging task for managers, more so if they are linked to pay and job security. The setting, communication and measurement of goals, the achievement of objectivity and fairness, the management of under-performance, as well as the more dialogue-based style, requires a full set of competencies from managers, including for example, interpersonal and social skills, conflict management, assertiveness and listening skills. The take-up of performance appraisal creates a risk of more bureaucracy and a higher workload, which must be weighed up in any cost-benefit analysis.

[SIGMA's 2007 paper on PRP in OECD and EU Member States](#) identified five elements of a good performance appraisal system.

Performance-related pay (PRP) is another practice that was transplanted from the private sector from the 1980s onwards. PRP represented an alternative to the previous convention of paying salaries based solely on seniority and service length, by establishing an element of reward within the remuneration package for individual and/or group performance. The intention was to introduce incentives into the pay structure, and hence to encourage officials to exercise more effort in advancing the objectives of the public organisation.

 See also topic 4.1 on results-based management

However, PRP has also proved contentious, as it introduces competition in the workplace, given some officials will be rewarded at higher levels than others, and some might receive nothing, possibly as a precursor to demotion or dismissal.

PRP also faces several **practical problems and downsides**: it is hard to set measurable objectives, and assessing qualitative performance is inevitably subjective, which raises questions of fairness when it affects pay and often promotion prospects; there is an ever-present risk of 'grade inflation' (supervisors tend to mark scores up); however, many PRP systems have a fixed bonus pot, and hence officials are grading 'on a curve', so there must be winners and losers, which can be seen as

A [2005 OECD study](#) concluded that PRP has little or no effect on increasing the motivation of public servants.

unfair and demotivating; the injection of competition can undermine teamwork in achieving policy goals. This can be mitigated by building 'teamwork' into the criteria for evaluating the PRP score, but ultimately, the division into winners and losers can create tensions in the workplace; PRP focuses on ranking performance, but does not necessarily address

the reasons for under-performance. No performance appraisal scheme can be fully objective, as all have an element of subjective judgement. In public bodies that are characterised by favouritism, especially nepotism, PRP is likely to be particularly ineffective. There is risk that it does more harm than good.

 See also theme 2 on ethics & anti-corruption

Deloitte has developed an alternative approach for its staff that centres on [continuous learning and dialogue](#), using the 'performance snapshot'.

Pay is not the only element that stimulates work motivation. Other factors such as job content, task responsibility, flexibility, empowerment, working environment and cooperation matter as well. Some countries are now using PRP sparingly or moving away from it altogether, while some of the leading private enterprises (e.g. General Electric and Adobe) and consulting companies that advise governments globally (Deloitte and Accenture), are [turning their back on formal assessment systems](#), while maintaining regular communication and feedback between manager and worker. Quality management systems that emphasise employee participation, communication and openness also contribute to the feedback loop and a motivational environment.



See also topic 4.2 on quality management

Whether administrations adopt performance appraisal or not, and whether this extends to PRP or not, **line managers** play a critical role in implementing the HRM system, motivating staff and converting organisational objectives into operational performance. This makes their recruitment, selection and development imperative.

Learning and development is the natural counterpart to performance feedback. In knowledge-based societies, the continual investment in people's skills at all levels throughout their whole careers is an important prerequisite for maintaining and raising productivity. Moreover, life-long training and learning opportunities prevent skills obsolescence and skills mismatches, and promote staff's employability and workability until the career end, and thus individual and organisational capacity.

As **training is a strategic element of HRM** and a tool to achieve organisational as well as personal objectives, it should be carefully planned and coordinated. In most Member States, training needs are regularly identified during the yearly staff evaluations. Hence, learning and staff development becomes an ongoing process, which is often fuelled by the development of long-term individual training plans.

Inspiring examples: Participative method to identify training needs in Spain's Public Administration National Institute; building competencies through 'development circles' in Belgium

In the context of a competency-based HRM approach, the aim of learning and development is not only to strengthen knowledge to foster performance, but also to develop attitudes, behaviours and abilities. Hence, Member States are increasingly **widening the scope of their training programmes** by adding transversal competencies (e.g. analytical skills, strategic thinking, project and personnel management, etc.) Many administrations offer traditional training through a range of media (classroom-based, one-to-one, distance learning, online e-Learning, modular, etc.) but this may not be sufficient to fully satisfy their needs. Other ways of fostering new skills and know-how include: experiential / learning by doing (including secondments to other units and project work), staff exchanges, and mobility schemes. Given the ageing workforce, there is a move to learning tools which encourage knowledge transfers between older and newer / younger employees, including the more traditional mentoring and the new wave of intergenerational exchange.



See also topic 4.3.5

Inspiring example: Finland's Change Makers Network.

It is increasingly recognised that there are limits to how much individuals can develop their own knowledge, and that the strength

of an organisation is its collective know-how, with growing interest in **learning in networks**. The capacity to learn from others has been formalised in several EU members with, for example, Austria's Cross-Mentoring Programme and Belgium's Innovation Learning Network.

Some administrations have placed these modalities within the broader framework of a **knowledge management** system, comprising a set of processes to record, disseminate, share and develop the collective knowledge of the organisation's employees. It is often seen as the solution to retaining institutional memory, which can suffer with staff turnover, redundancy and retirement, but also a way of promoting inter-generational learning. Given the challenges of capturing explicit and tacit (implicit) knowledge, it sits at the intersection between HRM (especially competency management & succession planning) and other corporate disciplines, including information and document management, communications and change management.

Inspiring practice: Knowledge management in the Ministry of Finance (Belgium)

Learning through knowledge sharing should become part of the administrative culture, which is transparent, characterised by open and clear communication, and the existence of IT tools to facilitate it. According to the concept of lifelong learning, both formal and informal learning should be valued. In this light, some public administrations are moving towards **certified recognition of all different forms of learning**, including former professional experience.

Bersin by Deloitte has put forward a vision of 'continuous learning' which consists of three elements: immediate, intermediate, and transitional.

Being able to offer a variety of learning opportunities across the whole administration can become part of the 'brand', in competing with private enterprises to recruit and retain staff. A more employee-centric **organisational culture** is also an attractive element of the non-pay offer that administrations can make to their current and future staff, particularly the 'millennial generation', including: less rigidly-hierarchical work organisation; more delegation of responsibility and autonomy; encouragement to innovate and less risk-adversity; greater employee involvement and commitment; and flexible working arrangements, such as open space, teleworking, flexible working hours.

[Eurofound's research](#) has revealed examples of employees in publicly-funded bodies & state-owned enterprises encouraged & enabled to put forward innovative ideas to improve their own workplaces.

4.3.5 Promoting equality, diversity and active ageing

Public administrations are a microcosm of society. Increasing female employment is a major workforce trend, as well as reducing employment obstacles for people with disabilities. A **diverse and more representative workforce**, which better mirrors the composition of societies with respect to age, gender, disabilities, ethnic origin and cultural backgrounds, is viewed as a valuable resource to improve public service delivery.

Inspiring examples: Diversity policy in the Belgian public services; UK Talent Action Plan

Among the more powerful long-term movements across Europe is the combination of a low birth rate and higher mortality rate, as well as raising the retirement age. Public administrations are characterised by an **ageing workforce**, often with a higher average age than staff in the private sector. From Eurofound's analysis, more than 1 in 3 public service workers in Europe are now over 50 years old. Skills obsolescence becomes a risk if older employees do not receive training and opportunities for learning and career progression through to career end, to reinforce their competencies. Over the last decade, EU Member States have promoted measures to prolong their active working lives, including the prevention of discrimination. In the context of longer working lives, higher work speed and psycho-social risks, health management is high on the HRM agenda in many countries. Other important age management measures to stimulate productive and active ageing in the public service⁵⁹ include:

Inspiring example: Examination of laws according to age discriminating formulations in City of Hamburg, Germany

- ✓ Age-sensitive HRM during the whole career;
- ✓ Age-conscious leadership;
- ✓ Life-long learning and participation in training at all ages;
- ✓ Autonomy and responsibility;
- ✓ Combination of private life and work;
- ✓ Work-life balance, and flexibility in working time (flexi-time);
- ✓ A good working atmosphere;
- ✓ Mobility, varied career paths and interesting jobs;
- ✓ Career development until career end.

Some administrations have not only recognised the ageing workforce is a reality, they have also embraced it actively and built their forward plans around age-friendly policies.

Inspiring example: Strategic plan for HRM development in Trento (Italy)

⁵⁹ D. Bossaert, C. Demmke and T. Moilanen (2012), *The impact of demographic change and its challenges for the workforce in the European public sectors*, EIPA Working Paper, 2012/W/01.

4.4 Building professional leadership

Effective direction from top management is essential to achieving organisational objectives and outcomes (the opposite, weak leadership, has evident effects in rudderless institutions). Once policy goals have been established, their operational achievement requires management that is competent and chosen on merit rather than political affiliation, with the powers and autonomy to operate (freedom to manage), and the ability to adapt to ever-changing environments. The de-politicisation of top management of ministries, municipalities, agencies and state-owned enterprises is increasingly recognised across the EU (and aspiring members) as a necessary pre-condition for good governance of organisations.

4.4.1 Creation of a Senior Civil Service

To provide stability and professionalism, but also a platform for greater flexibility, there is a tendency among Member States to pay special attention, as a group, to their senior civil servants: the higher non-political positions in government that manage policy advice, operations and service delivery. Countries fall into five categories in their approaches to the senior civil service (SCS), depending on whether the SCS operates under special conditions such as relating to recruitment and remuneration (or not), whether it is recognised with a formal status (or not), and whether this formal SCS is supported by a central office (or not).

Inspiring examples of formal Senior Civil Service with centralised organisations and special conditions: The Netherlands and UK

The creation of a separate SCS helps to break down the monolithic structure of the civil service. By creating a hierarchy of status within the civil service, it reinforces the boundaries with politicians by defining the top tier of recruited (not elected) officials as professional and highly qualified advisers. It also helps to establish an *'esprit de corps'* in the context of autonomous organisations, based on shared values across government, and to facilitate mobility. A separate SCS does not bring about, by itself, a corporate culture for its members. Other relevant factors include the size of the SCS, opportunities to network and exchange ideas, and the mobility of senior civil servants within and between ministries – which is another key rationale for creating an SCS. The SCS can also facilitate flexibility of employment conditions, especially pay and contract arrangements (including length of tenure, payment by results), to attract the best and the brightest, including from the private sector.


In general, there are two types of employment systems in the SCS. Under **career-based** systems, general civil servants have the opportunity to 'climb the ladder' and gain promotion to the SCS on merit. Under **position-based** systems, the SCS is appointed, making it open to both internal and external candidates, according to their suitability for the job. It aims to provide a wider choice of candidates, including those with specialist skills, which promotes competition, cultural renewal, and adaptation in the civil service. This system makes it easier to adapt recruitment to specific competence needs in different activities, to differentiate pay and other employment conditions in accordance with market conditions, and to

Inspiring examples of hybrid Senior Civil Service systems, mandate systems & performance agreements (Belgium and the Netherlands)

achieve a strong performance orientation. Member States are starting to combine elements in **hybrid systems**.

Where **central offices** exist, they are responsible for recruitment or the supervision of it, ensuring that it is done fully competitively. Such offices may report to either Parliament, President, Prime Minister or a specific minister, but their day-to-day operational independence is paramount, accepting that a well-functioning civil service is a public good, rather than an extension of party politics.

4.4.2 Recruitment, training and development

 See principles and values of good governance

Given the scale and scope of the sector, public administration leaders are extraordinarily important. The traditional view of civil service management - defined by command & control, hierarchy, conformity, and authority through position - is being transformed by cultural values, especially openness, transparency, efficiency and effectiveness. Today, managerial authority is conveyed by 'what you do', not simply 'who you are'.

In more and more countries, specific **competency frameworks** are designed for top managers. Key competencies and behaviours in this context are strategic thinking, managerial and HRM skills, decision-making power, collaboration, result-orientation, networking ability, political awareness etc. Very often, these competency frameworks are also used to promote a more integrated HRM policy by better linking selection to performance evaluation, training and staff development.

There are several ways of ensuring public sector leaders have the requisite know-how and skills. Not all can be developed, and hence competence profiles should be used in the **recruitment** process to define the requirements for specific vacancies or for a group of positions at a specific level. These can include not just generic 'people skills', but more specifically, innovation, emotional intelligence, self-control, and increasingly, the ability to manage a multicultural team and knowledge of international affairs, especially European.

Inspiring examples: Danish code for chief executive excellence; Estonian SCS E-Competence Centre

Some competences can be improved or developed by **training and development** activities for individuals or groups. Most Member States train their SCS on (elements of) leadership skills and

Inspiring examples: Finland's Forum of the Senior Civil Servants & Future Leaders Programme

A EUPAN survey in 2012 found the following tools *inter alia* to be important for top managers: mentoring & coaching; participation in Networks and Leaders' Forums; mobility and diversified career path (job transfer, fellowships); individual development plans; management agreements; effective performance assessment tools

different management skills, especially adaptive leadership to better deal with resistance to change in turbulent times. Some other interesting topics taught by Member States include: ethics and corruption prevention; transparency in public administration; cooperating with politicians; quality, innovation and modernisation; communicating with the media; and EU rules and regulations. In a career-based system, common training is usually provided to all civil servants, but mainly at entry-level staff to ensure everyone has the same level of general knowledge and skills. In a position-based system, candidates are selected largely based on their expertise prior

to taking the job, and as such, in-service training is unlikely to be offered except at inception. However, opportunities do exist for senior civil servants to follow in-service training, register for external training, receive individual coaching or mentoring, or exchange with other organisations.

The main **provision** of training and development can come from: universities or free-standing institutes; public agencies at 'arms-length' from the central ministries and departments; or a national school with close ties to the centre of government. Some operate on market principles (fees paid for participating in individual programmes), others are partly or largely subsidised by baseline funding from the relevant public authorities, and/or have guaranteed allocations of course members.

Inspiring examples: The UK's National School of Government, the Estonian Top Civil Service Excellence Centre

4.5 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

- 📊 Manage performance by formulating and focusing on high-level objectives, setting out to achieve them step-by-step, developing and using indicators to monitor progress along the way and learn lessons, acknowledging indicators will tend to affect behaviour so design & assess them accordingly, gathering contextual intelligence with the indicators and evaluating the reasons for performance, and always be ready to adjust plans to reflect new realities, evolving and emerging events;
- 📊 Set out a clear organisational strategy (mission, vision, actions) that embodies and applies the values that politicians and public expect, and that managers can use to actively towards their goals and intended outcomes while maintaining an open mind about the precise means to get there;
- 📊 Use systems thinking to understand your organisation from an outsider's perspective and build a quality culture, using quality management techniques to look both inwards and outwards at ways to continuously improve, gain the recognition the organisation deserves and build public trust;
- 📊 Encourage and equip each official to optimise his or her contribution to achieving the organisation and their own objectives and aspirations, through competency-based recruitment and development, employing innovative learning techniques, investing in developing leaders, empowering staff to be creative, engaging in continuous dialogue on performance, and sharing and managing knowledge;
- 📊 Irrespective of the vogues and latest techniques in public sector management, recognise that rules-based and values-based entities (so-called 'Weberian bureaucracies') represent the core of modern public administrations, having arisen as a response to failing civil services that were historically founded on patronage, and adopt HRM practices that ensure the prevention of abuse and protection of the public interest and prioritise professionalism and expertise.

Every public organisation is confronted by external 'shocks' from time to time: events change the operating environment and put pressure on management to respond. Institutions that excel already are often more robust and better equipped to manage change.

Theme 5: Service delivery and digitalisation

Public services encompass not just the high visibility ones (health, education, police, welfare, etc.), but also every instance in which citizens, businesses and others interact with the administration and some form of exchange of information or finance takes place: registering, licensing, applying, paying, borrowing, making an enquiry, etc.

This theme is concerned less with the services themselves, and more on how they are processed, packaged and delivered. The motivation for improving service delivery can be demands from citizens and businesses for higher quality or greater accessibility, or an internal search for more cost-effective ways of working and better organisation in trying to ‘do better with less’ in the current financial climate. Globalisation, the digital society, 24/7 media and social networks have opened the eyes of citizens and businesses to what is possible. Learning from their experiences with the commercial sector, they want public services that are better, faster, cheaper, and in many cases, they want more from their public administrations. ICT has a transformative role in public service design and delivery. The rise of the ‘digital society’ has heightened expectations from e-Service delivery among citizens and businesses.

In the EU, the creation of the Digital Single Market Strategy for Europe (DSM)⁶⁰ provides a further motivation to ensure the creation of a real internal market, ensuring public services that also work cross-border. New EU policies aim to remove existing digital barriers and to prevent further fragmentation arising in the context of the modernisation of public administrations (see: EU eGovernment Action Plan for 2016-2020⁶¹); and ensuring high quality, user-centric digital public services for citizens and seamless cross-border public services for businesses (See Ministerial Declaration on eGovernment - the Tallinn Declaration October 2017⁶²).

“We are going to radically change the relationship between public administration and citizens. We want public administration to move at the same pace and speak the same language as its users. The approach of many administrations still focuses too much on obligations and procedures and too little on improving citizens’ quality of life.” Marianna Madia, Italian Minister of Public Administration and Simplification, European Commission conference, 1 October 2014

Every country organises its public services in its own way, in accordance with its institutions, culture, traditions, and its choices regarding the boundaries between public and private provision, and state, community and individual. This theme is about channels, not structures: how does a modern public administration interact with service users, including other authorities?

⁶⁰ COM(2015) 192 final


⁶¹ EU eGovernment Action Plan 2016-2020 - Accelerating the digital transformation of government
<https://ec.europa.eu/digital-single-market/en/news/communication-eu-egovernment-action-plan-2016-2020-accelerating-digital-transformation>









⁶² <https://ec.europa.eu/digital-single-market/en/news/ministerial-declaration-egovernment-tallinn-declaration>

Key questions for theme 5	Ways & tools
5.1 Do we know what citizens / users expect from our organisation in terms of services and their delivery?	<ul style="list-style-type: none"> ✚ Direct contact (surveys, panels, Policy labs and focus groups) ✚ Indirect feedback and representation ✚ Mystery shopping ✚ 'Life events' analysis & customer journey mapping ✚ Consultation, Stakeholder participation, Co-production ✚ Data driven insights from non-personal digital behaviour. (e.g. from Internet of Things, digital infrastructures)
5.2 How do we improve our systems and processes , to optimise service delivery?	<ul style="list-style-type: none"> ✚ Process re-engineering ✚ Systems thinking and the 'Vanguard Method' ✚ Organisational interoperability ✚ Administrative simplification ✚ Implementing Once-Only Principle in Public Administrations ✚ Ensure digital interaction between citizens and public administrations ✚ Create user-centred public services.
5.3 Are user demands met through the 'front office' interface with the administration?	<ul style="list-style-type: none"> ✚ One-stop shops ✚ End-to-end digital service delivery ✚ Multi-channel service delivery
5.4 Given all the above, do we make best use of eGovernment in delivering these services through online channels?	<ul style="list-style-type: none"> ✚ Interoperability ✚ Online 'life events' for citizens and businesses ✚ Key enablers (eID, single sign-on, etc.) ✚ 'Once only' registration ✚ 'Digital by default' ✚ 'Open by default', Government as a Platform (GaaP), and 'clouds of public services'
5.5. Do we know how satisfied users are with our services and how we deliver them?	<ul style="list-style-type: none"> ✚ Users' service charters ✚ Satisfaction measurement and management ✚ User instant feedback
5.6 How can administration better manage their whole service portfolio ?	<ul style="list-style-type: none"> ✚ Public service portfolio management ✚ Creative decommissioning ✚ Sharing core internal services ✚ Collaborative commissioning

5.1 Understanding users' needs and expectations



In designing and delivering services, public administrations should not only rely on their own expertise and insights. Public service users should be involved in expressing their needs and expectations, and already are more and more. Various ways and means can be used to capture them - the choice depends on the situation faced by the service provider. The following options are complimentary, not mutually exclusive, each provides its own insights into customer wants, behaviours and motivation. Consultation should be viewed as a continuum that starts with identifying initial needs and expectations, and later monitors and evaluates satisfaction that these preferences are being met during delivery or have evolved. In principle, all evidence gathered through consultation activities should be made available to the public, ideally via open data portals in machine readable formats. This will foster the participation of users in the design and development of digital public services, and will ensure better transparency and accountability of the administrations.

 See also topic 4.6 on customer satisfaction

The administration	Potential tools
... Has the time and resources to initiate original customer research, and hence make direct contact with actual and potential service users.	<ul style="list-style-type: none">  Performing user surveys to ask citizens and businesses directly about their preferences and experience  Setting up focus groups for more qualitative research  Creating citizen/user panels for qualitative dialogue and continuity
.... Makes the most of more readily available sources of information, to get indirect feedback from existing service users and their representatives	<ul style="list-style-type: none">  Seeking insights from front-line staff (feedback they receive from users indicating needs)  Performing analysis of comments and complaints made by existing service users  Making formal and informal contact with representative bodies
... Invests in objective testing of the suitability and strength of service delivery, simultaneously taking the users' point of view.	<ul style="list-style-type: none">  Using 'mystery shoppers' to independently evaluate the service experience  Performing 'customer journey mapping', usually based on 'life events', to walk the path that users have to follow to receive the service

5.1.1 Direct contact with citizens and businesses

Current and potential clients can be approached directly for their views and insights. The main strength of **user surveys** is they allow for mass collection of information, and hence are especially useful in building up a comprehensive picture using quantitative data. If done correctly, this information should be representative of the whole population, whether citizen-users or business-users. Four types of user surveys are possible, within two main categories:

-  Led by a **competent interviewer**, either face-to-face or telephone-based;
-  Requiring **self-completion** of questionnaires by the respondent, either postal or web-based.

Their respective advantages and disadvantages are set out below⁶³. The choice of survey format should be tailored to the purpose and the audience, by analysing the total population of users in advance.

Survey type	Pros and cons
Face-to-face	<ul style="list-style-type: none"> ✓ Surveys conducted face-to-face are able to collect fuller, more complex data. ✓ The use of an interviewer gives more control over who is approached and therefore who actually answers the questions. This is important with strict statistically representative sampling designs. ✓ Designed with care and administered well, they will generally have better response rates than other types of survey. ✗ Face-to-face interviews are labour and time intensive, and are likely to be more expensive than other options.
Telephone	<ul style="list-style-type: none"> ✓ This format can be very cost-effective, if the survey is relatively short and straightforward. ✓ Appropriate for service-specific surveys where there is a contact number for each person from which to draw a sample (a pre-condition). ✗ Some categories of people will be systematically under-represented, especially those who are hard-to-reach.
Postal	<ul style="list-style-type: none"> ✓ Like telephone interviews, these need to be shorter than face-to-face surveys and use mainly simple, 'tick box' types of questions to achieve a reasonable response rate. ✓ They can be very cost effective (cheap to set up) and provide anonymity which may prompt a better response rate for more sensitive topics. ✗ They offer very limited scope to ask qualitative questions, even less than telephone surveys. ✗ Response rates tend to be low, for example only 10-20% of questionnaire being returned. This has to be planned into the survey design. ✗ There is a high risk that some citizen groups will be over or under-represented, such as those with language, literacy difficulties or with support needs.
Internet	<ul style="list-style-type: none"> ✓ Electronic surveys can be very cost-effective with a high response rate for users which are easy to target through the internet, for example, professionals, public bodies, even businesses. (Available free of charge to everyone, EUSurvey is the Commission's official survey management tool). ✗ At present, web-based or email surveys are of limited value in customer research in public service contexts, because the distribution of access to the web is not evenly spread across all sections of the population.
Digital Non-personal Behaviour	<ul style="list-style-type: none"> ✓ Emerging data technologies (advanced and predictive analytics, artificial intelligence) allow for real time, cost effective, data-driven insights. ✗ Technical limitations; the emerging nature of these technologies creates difficulty to implement, raises great expectations with the risk of non-delivery as expected. Limited skills available in the public sector. Procurement policies not allowing for innovative implementations.

The main drawback of surveys in general is that there are limitations on getting qualitative impressions from users, even with face-to-face interviews. This technique can capture new insights through several rounds and layers of questions, but at the cost of fewer topics and a smaller sample group than quantitative surveys would allow. A more appropriate device for in-depth qualitative research is either:

- ✚ **Focus groups** - bringing together a small but diverse group of actual or potential users for a one-off discussion; or

⁶³ Communities Scotland (2006), "How to gather views on service quality", Scottish Executive, p.72.

- ✚ **User panels** - a group of service users, who are broadly representative of the whole population and who have consented to be part of a pool of people that will be used to take part in periodic research and consultation exercises.

The main advantage of user panels is their continuity, which allows a dialogue to develop and different scenarios to be tested over time. Set-up represents the bulk of the costs, but panels also need to be actively monitored and refreshed to maintain the desired level of ‘representativeness’, and are not immune from all the common problems of research fatigue that are evident in other approaches. At the local level, there is scope for citizen-user panels to become more than just ‘sounding boards’, if the municipality chooses to give them a formal advisory role, or even co-decision powers on grants and initiatives.

Whichever direct techniques are employed, they should be ‘fit for purpose’. In making websites more user-centric, for example, public administrations can survey what users *actually* do when they click on the site, rather than what they say they do.

Inspiring example: Liverpool City Council’s task-focused website

5.1.2 Indirect feedback and representation

Trust in public services starts with openness, which means willingness to accept feedback even when it is critical, and to learn from it. **Comments, suggestions and complaints schemes** are valuable sources of information for public administrations on service relevance and quality. Such schemes often tend to record formal complaints in which the service user is seeking explicit redress. It is vital to regularly monitor and act expediently on such concerns, using various channels (contact centre, website, post and fax) as appropriate, to respond quickly to concerns on service quality.

Inspiring example: Complaint Front Office in Milan

Furthermore, public administrations can introduce government-wide policies on complaints handling and conflicts resolution. This approach starts by recognising that the process (including any appeals) carries high costs for both administration and citizen / business, and hence the best way to raise satisfaction levels is for officials to take the initiative and make quick and direct contact with the complainant.

Inspiring example: The Dutch Informal Pro-active Approach Model (IPAM)

Many informal suggestions may go unrecorded in comments and complaints schemes, but can provide valuable insights into service users’ views.

Tips to make best use of both formal complaints and informal comments include:

- ✚ Contemplate all the possible avenues by which feedback can be gathered, and look to the experience of the private sector which is increasingly using **social media** as the main channel – but which also requires systems in place to deal rapidly with the potential volume;
- ✚ **Train staff** to spot informal ‘complaints’, see them as valued, and record them consistently;

- ✚ Consider **definitions** - what is actually meant by a complaint; for example, if service users actually request information, but these requests can only be recorded as 'complaints', statistics may be misleading;
- ✚ Review the complaints systems to ensure **clarity and consistency** in recording (including informal ones), classifying across the organisation, and analysis by management, but also ensure that this does not become too bureaucratic or burdensome for staff;
- ✚ Be ready to **provide an instant response**, but equally allow time to **investigate the substance** of a complaint to understand what happened and draw out the wider lessons;
- ✚ Collect detailed information to help **identify patterns or causes** of complaints in relation to geographical areas or service user characteristics.

In some cases, administrations may wish to focus their research on specific target groups that face a higher risk of being excluded from accessing public services, if their specific circumstances are not taken account of sufficiently, for example people with disabilities by reaching out to **representative bodies** and identifying improvements in both communication and physical access.

Inspiring example: Improving access to the Łódź–Bałuty tax office in Poland

5.1.3 *Mystery shopping*

Sometimes, the best way to understand service delivery from the user's perspective, and to spot opportunities for improvement, is to send a representative out into the field to see for themselves. 'Mystery shopping' is a well-established private sector technique that has transferred to public services: the use of individuals trained to observe, experience and measure any customer service process, by acting as customers and reporting back on their findings in a detailed and objective way. This procedure can be used over the telephone, in face-to-face situations, or by email. The exercise involves deciding on suitable scenarios - typical situations or issues that service users may present, rather like 'frequently asked questions'.

Inspiring examples: Mystery shopping in the social welfare service (Belgium); mystery shopping to strengthen standards & performance (Malta)

The whole quality and value of the mystery shopping process depends on the design and execution of the scenarios used to test service delivery:

- ✚ Don't be too ambitious - **planned but simple approaches** are likely to be the most effective;
- ✚ Be careful to ensure **ethical behaviour and not entrapment** - it is important that staff and other appropriate parties such as trade unions know that mystery shopping is planned, although they should not be told exactly when and where it is to happen as this would undermine the process;

- ✚ Emphasise **learning lessons not allocating blame**, as (like the use of complaints as feedback), the critical issue is the culture of the organisation, meaning that the identity of the parties involved is not really the point; and
- ✚ Provide **feedback to staff** on the findings and the intended follow-up actions, so that they see the value of the entire process from beginning to end.

Mystery shopping is the technique used in the [European Commission’s annual eGovernment benchmarking study](#) applied to seven life events.



5.1.4 Life events and customer journey mapping

While individual services can be assessed at specific points in their life cycle, a more dynamic analytical approach is to evaluate users’ experiences of **‘life events’** – common, crucial moments or stages in the lives of citizens or the lifespan of a business. For the user, accessing the service that they are entitled or obliged to receive typically involves multiple contacts with more than one administration. Often, individual elements of the ‘life event’ service are fragmented across units within one organisation or across several different institutions, according to the competences assigned by the executive. The ‘life event’ approach is both a tool of analysis, and the basis for organising public services, especially online by exploiting the processing and networking power of ICT.


See also topic 5.4 on ‘life event’ e-Services & topic 6.2 on business ‘life events’

The essence of ‘life events’ analysis as a technique is two-fold: understanding all the individual steps involved in achieving the desired outcome; and identifying all the institutions and their units or agencies that are involved along the way. The perspective is both user-centric and government-wide, understanding each event as the citizen or business sees it, revealing where services are both more and less appreciated, and evaluating the experience of the whole service coming from multiple organisations. There is no universally agreed definition or directory of ‘life events’, but the following table shows typical **examples**.

Citizen-users	Business-users
✚ Having a baby	✚ Starting and registering a business
✚ Attending hospital	✚ Applying for licenses and permits
✚ Studying	✚ Building, buying, renting or renovating a property
✚ Looking for a job	✚ Hiring an employee
✚ Paying income taxes and social contributions	✚ Running a business
✚ Marrying / changing marital status	✚ Paying tax and social security contributions
✚ Buying, building, renting or renovating a property	✚ Trading across borders
✚ Travelling to another country	✚ Closing a business
✚ Moving	
✚ Applying for a driver’s licence	
✚ Owning a car	
✚ Reporting a crime	
✚ Retiring	
✚ Dealing with the death of a close relative	

This leads to the concept of **end-to-end service delivery**, whereby a request for service delivery with the administration is opened, processed and delivered at the same point of entry for the user, irrespective of how many individual public institutions are involved or how many back-office transactions take place to satisfy the request.

In some cases, there will be **links between individual 'life events'**, especially with cross-border services (e.g. moving to another country may be preceded by applying for a job or arranging to study in that country and involves arranging property, registration, etc.).

 See also
topic 5.4 on
interoperability

To design a service that is truly fit-for-purpose, this means also conducting an **in-depth investigation of process steps**, as well as data used in the interactions with end-users, and how can they be managed to create the optimal path and most satisfying experience for the user.

This is where additional methodologies come in, like **customer journey mapping**, which traces a user's steps during their interaction (documents to be provided, case files to be opened, timings to meet, deadlines to be complied with, etc.) and the emotional responses these provoke (*when do users feel dissatisfied and why?*). In general, three different techniques can be applied:


- ✚ **'Buddy up'**: The assessor accompanies a customer and front-line staff member going through the same process or system, experiences things exactly as they do, notes down the steps taken and levels of satisfaction from both perspectives, and compares internal and external experiences.
- ✚ **'Walk the walk'**: Like mystery shopping, the assessor steps into the shoes of their users, takes time to walk personally through the entire system/customer journey step-by-step, takes detailed notes focusing on time taken, duplication, points of high and low efficiency, and compares thoughts with colleagues.
- ✚ **'Steal with pride'**: The assessor identifies agencies/companies/service providers who have similar systems to those being mapped, from both public and private sectors, and asks the following questions: What do they do differently? Which parts of the system are better/worse? What can you learn and use in your own system?




The main 'hot spots' can be identified by putting mapping and comments together (e.g. poor quality reception at entry, lack of information, procedures too complex to complete, inconsistency, etc.).

Inspiring example:
Journey mapping with
businesses in France


5.2 Improving processes to benefit public service users

Administrative burdens are the costs to businesses and citizens of complying with the information obligations that arise from laws and regulations. In delivering 21st century public services that meet user expectations, one of the main policy drivers has been the desire to achieve **administrative burden reduction (ABR)**, usually known as ‘cutting red tape’. Regulations determine what documents are required, what checks are made, what follow-up is needed. Regulatory reform has a direct impact on service delivery, as it affects both *what* institutions do and *how* they do it (including when, where and in some cases, how much they charge). It generates some administrative simplification of itself and creates the right climate for more. But it is not the whole story:

 See topic 1.2 on regulatory reform

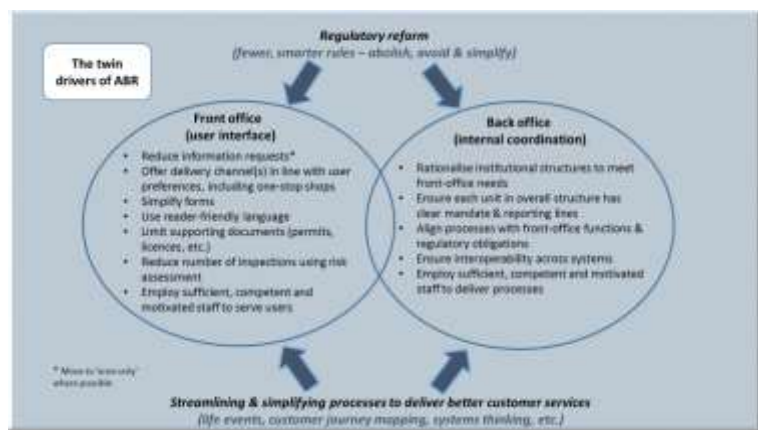
-  Regulations are often open to interpretation by administrations, in respect to how they are implemented. Public administrations have **choices** about how information requests, inspections and other processes are applied.
-  Public administrations also have **decisions** to make anyway about the organisation of services, the location of facilities, the delivery channels offered to users, the number of staff that are recruited, trained and incentivised, and the IT and other resources that are utilised.
-  Public administrations often have **discretion** when considering applications from citizens and businesses, within the framework of the rules, which can have positive effects (expertise and judgement) - but also negative ones (abused power).

 See also topic 2.3 on reducing opportunities for corruption

 See also topic 5.4.2 'Once-only' principle and interoperability

All these factors affect the user’s experience of the service. Even without regulatory change, public administrations can **streamline and simplify processes** to reduce the burden on citizens and businesses, as well as freeing up resources and realising savings.

Inspiring example: Reducing administrative burdens for Austria’s citizens



Customer journey mapping can be the inspiration. To balance necessary bureaucracy compliance costs down, administrations need to understand, manage and improve their internal working processes (back office) and the interface with the user (front office).

5.2.1 Process re-engineering and systems thinking

Processes are what make institutions function. They are the set of activities that turn inputs into outputs, with the aim of meeting policy and operational objectives. While the user has a high-level objective (e.g. ‘get a job’), they have to achieve a series of intermediate goals first. Each ‘life event’ (e.g. finding a job) is a **composite** of *individual public services* (e.g. help with searching for job vacancies), each of which is usually made up of several *processes* (e.g. registering interest with employment services), and each process in turn comprises a number of *operations* (e.g. finding the local employment office, meeting an advisor, completing a form with personal details and aspirations, etc.).

From the administration’s perspective, the **challenge** is: how to bring all these operations together into a process that is easy for the user to access as a service, within the whole life event. This involves both back office and front office considerations, in which ICT and interoperability now play vital roles.

Optimising process flows is a precursor for major advances in front-end service delivery, such as creating one-stop shops and online delivery. In this regard, public administrations can learn from successful practices to improve process flows in the private sector, such as techniques of ‘**lean thinking**’ from the auto industry.

Process re-engineering also entails looking at how the interface with the administration is experienced from the end-user’s perspective and tailoring the ‘back-office’ processes to make service delivery as user-friendly as possible, which can be achieved through ‘**co-creation**’: working with end-users to develop new or better solutions and cooperating across administrations.

Inspiring example Using co-creation to develop user-friendly digital services in Denmark



See also topic 1.1 on systems thinking in policy-making, topic 4.2 on quality management and theme 3 on multi-level governance

Reforms to service delivery are increasingly driven by **systems thinking**, including through the [Vanguard Method](#), which is a customer-centred approach to studying service organisations as systems, to make informed choices for their redesign. Hierarchical management and the fragmented nature of public administrations create ‘silos’ of thought and process, which along with a target-driven culture, can constrain the effectiveness of organisations in serving people’s needs. This leads to ‘failure demand’ – the pressure that comes from not satisfying the client, thereby incurring extra costs and reducing user value (e.g. from repeating activities and remedying mistakes). The methodology draws inspiration from the philosophies of W. Edward Deming, who propounded continuous quality improvement, and Taiichi Ohno, the architect of the Toyota Production System, with an approach of Check-Plan-Do. The Vanguard Method sees the ‘front office’ and ‘back office’ as a false distinction, as the emphasis should be on the ‘economies of flow’ and how best to design the overall system to maximise value to the service user, and puts organisational design *before* automation.

“Most troubles and most possibilities for improvement add up to proportions something like this: 94% belong to the system (the responsibility of management); 6% are attributable to special causes”.

W. Edwards Deming

5.2.2 Administrative simplification

Administrative simplification is designed to reduce regulatory complexity and uncertainty, and reduce unnecessary burdens created by bureaucracy and paperwork. There is not one single model that can be applied everywhere, however the OECD has set out **success factors** to overcome five strategic and seven technical barriers to administrative simplification.⁶⁴ The following tips draw in large part from this guidance, which are summarised below

- ✚ Take a ‘user-focused’ approach;
- ✚ Establish a comprehensive programme with broad policy priorities;
- ✚ Take a “whole-of-government” approach;
- ✚ Get powerful support from a highly visible political figure;
- ✚ Ensure administrative simplification is independent from the electoral cycle;
- ✚ Prioritise based on evidence;
- ✚ Make institutions accountable;
- ✚ Use success stories and ‘early wins’;
- ✚ Promote a ‘reform and innovation’ mentality;
- ✚ Adopt a multi-disciplinary approach;
- ✚ Develop guidelines and offer help-desk assistance;
- ✚ Find simplification ‘champions’ to act as ambassadors for the programme;
- ✚ Build ownership and momentum with users;
- ✚ Internalise the benefits of simplification to citizens and businesses within the administration.

As an example of **leadership** in overcoming both strategic and technical obstacles, the Netherlands took a decision at the top of Government and found the greatest administrative burden on citizens the delivery of social assistance. A particularly interesting dimension of the Dutch programme was the ‘seduce and support’ approach, whereby municipalities were pushed on by each other’s successes (‘seduce’), while in parallel, regional advisors on cutting red tape were hand to provide practical assistance (‘support’).

Inspiring example:
Bureaucratic simplification
of social assistance in the
Netherlands;

Inspiring examples: Lisbon
simplification programme,
‘Simplis’; process re-
engineering in Milan

ABR can be organised at **any territorial level** of public administration and in any field. Portugal’s Simplex programme of administrative simplification, which was organised at the national level under the responsibility of the Minister of the Presidency of the Council of Ministers from 2006 to 2009, was extended to municipalities as a partnership with central government in 2008. In an example from Italy, the focus of administrative simplification in Milan was registration and housing of immigrants. The solutions were found in a blend of organisational reforms, within and beyond the municipality, and simplifying information requirements.

⁶⁴ See OECD (2009), *Overcoming barriers to administrative simplification strategies: guidance for policy makers*

5.3 Meeting user expectations of easy access to services

Accessibility is a crucial aspect of service delivery and can be both physical and virtual. Again, the underlying principle here is aligning with users' expectations, even if this means an adjustment in the administration's approach, subject to affordability and available resources.

All EU Member States and European Free Trade Area Countries have agreed that the design and delivery of their services will be guided by specific principles of **user-centricity**. The commitment is part of the [Ministerial Declaration on eGovernment signed in Tallinn](#) in October 2017:

Interacting with public services and using digital public services, citizens and businesses should expect:

Digital interaction

- ✦ To have the option to digitally interact with their administrations

Accessibility, security, availability and usability

- ✦ That the services are made more accessible (including findable) and secure and can be used by all in a non-discriminatory manner, with appropriate assistance available upon need
- ✦ That the principles of universal design have been applied to the setting up of the services and that the websites are simple to read and easy to understand
- ✦ That the authenticity of digital public services is secured and can be recognised in a clear and consistent manner

Reduction of the administrative burden

- ✦ That public administrations make efforts to reduce the administrative burden on citizens and businesses, namely by optimizing and/or creating digital processes and services where relevant and possible, and by offering personalised and pro-active services
- ✦ Not to be asked to provide the same information to public services more than once, in due respect of data protection rules and regulations

Digital delivery of public services

- ✦ That public services can as much as possible and appropriate, especially upon request of the user, be fully handled online, including the provision of any evidence required to obtain a right or fulfil obligations
- ✦ That the status of service delivery can be checked online where relevant

Citizen engagement

- ✦ That digital means are used to empower citizens and businesses to voice the views, allowing policy makers to collect new ideas, involve citizens more in the creation of public services and provide better digital public services

Incentives for digital service use

- ✦ The barriers to use digital public services should be effectively removed, including by extending and promoting the benefits of, for example, higher confidence, speed, effectivity and reduced costs to individuals who are able to use them

Protection of personal data and privacy

- ✦ That handling of personal data respects data protection regulation and privacy requirements; as applicable informing citizens about the use and storage of their personal data and allowing citizens to access and ask for the correction and deletion of personal data, where appropriate

Redress and complaint mechanisms

- ✦ That redress mechanisms are available online and that citizens and business have access to complaint procedures online, while also in other available channel(s) of their choice

5.3.1 The one-stop shop (OSS)

A one-stop shop (OSS) is essentially a single channel (office or webpage) where multiple services are offered and hence the customer can find the information they need and typically conduct

Inspiring examples: Citizens Services Centres in Cyprus; the Bürgerbüro in the Austrian district of Reutte; the Public Services Relay in the Ardennes at the France-Belgium border

transactions in one place, either physical or ‘virtual’.⁶⁵ The OSS is usually described as bringing many services ‘under one roof’. This scenario is popular among municipalities in many countries, for example, for representing a range of functions or departments in one location,

 See also topic 5.4 on the Single Digital Gateway & theme 6 on OSSs for business




as an alternative to the town hall. OSSs are sometimes created with the aim of serving users in remote (as well as urban) locations, who might otherwise be excluded, including the establishment of mobile OSSs. OSSs can also deliver cross-border services in rural border regions.

OSSs can also be created for **specific services** relating to life events, such as tax administration, or buying and selling a property.

Inspiring examples: Exclusive Office in Romania; ‘On the Spot House’ in Portugal

The aim should be that the citizen or entrepreneur can initiate, process and complete a request to the administration through a OSS. This requires that users know what administrations can do for them, which translates into a ‘catalogue of services’, with standardised descriptions that can be understood across the administration. The services should follow the structure of ‘life events’ whether business or personal.

There is no template for designing an OSS, the form generally follows its function. Broadly speaking, OSS fall into three categories, although individual OSS in practice can mix elements from each one:

-  **‘Reception’**: A signposting role, providing information and pointing the user towards the individual agencies and services they require. This runs the risk of being just ‘one more stop’.
-  **‘Surgery’**: The OSS is like a general practitioner, able to provide a diagnosis, feedback and to deal with common conditions, but referring to specialists for treating more complex cases.
-  **‘Multi-clinic’**: This model is full service, able to manage the case end-to-end, from initial consultation to completion, with all specialist inputs provided along the way.

Most OSSs can be categorised as falling into the surgery or multi-clinic models, or some combination of the two in specific fields. When contemplating an OSS project or implementing an existing one, here are some **questions to consider**, which are elaborated further in the full Toolbox chapter:

⁶⁵ Please note: ‘one-stop’ is not the same as ‘once only’ (see [topic 5.4.2](#)). The OSS is a mechanism to access multiple services, but does not necessarily mean that user information will be shared across administrative units and never again requested. While *some* OSS do also offer ‘once only’ data registration, this is not a definitive characteristic of an OSS.

Considerations for instigating or implementing OSSs

- ✦ Are there any legal barriers to establishing the OSS?
- ✦ Is the OSS just a 'window' into the administration or does it involve a more substantial relocation or reorganisation of resources?
- ✦ Does the OSS have the authority to make decisions?
- ✦ Is the OSS in effect a new and additional agency?
- ✦ If the OSS is a physical location, it is accessible and visible?
- ✦ Are staff competent to handle the OSS role?
- ✦ Has the OSS been properly costed and its benefits evaluated, to justify the spending and upheaval, and is it sustainable?
- ✦ Has the OSS been accompanied by administrative simplification?


Once in place, the OSS can also provide valuable feedback on further possibilities for administrative simplification, helping to identify the most cumbersome procedures.

Inspiring example: Government Windows (Hungary)

5.3.2 Multi-channel service delivery

Nowadays, users want their interactions to be convenient, and they prefer to be online, rather than in line. To meet this expectation, administrations need to deploy a variety of channels that allow users to consume their services anytime, anywhere and anyhow. It should always be possible to provide citizens and businesses with the option to interact via digital channels with public administrations, if they choose to. However, this should not be the only available channel. Services should be tailored to the needs of individual users, as far as this is possible; user segmentation is a step in that direction.

Generally, users want services to be flexible, accessible, complete, easy and secure. This is recognised by European Member States, hence the principles of digital-by-default, inclusiveness and accessibility which aim to ensure that European citizens and businesses may interact digitally with public administration, if they choose to do so and whenever feasible and appropriate from a cost-benefit and user-centricity perspective⁶⁶; A user's channel preferences are influenced by circumstances such as the nature of the service required, or his/her need for direct, person-to-person interaction. Scenarios range from traditional channels, such as the counter and telephone, to electronic channels such as internet, email, SMS-messaging, interactive voice response systems and digital television. Each has its merits, as indicated by an earlier European Commission study, which are elaborated in the full Toolbox chapter.

 See also topic 5.4.3 Moving towards digital by default

A multi-channel strategy can address two objectives faced by today's public bodies: improving the services provided to the user community and/or reducing the costs of providing its services. Each administration should find out the preferences of their user segments in relation to the services and the types of transactions required. Preferences vary considerably depending on:

Inspiring examples:
Customer service reforms in the City of Linz in Austria

⁶⁶ [Ministerial Declaration on eGovernment - Tallinn declaration](#)

- ✚ **Demographic and socio-economic factors:** These might include gender, location (urban or rural based, region) and health.
- ✚ **Delivery phase:** For example, whether orientation, information, consultation or transaction.
- ✚ **Complexity:** Research has shown that the channel over which users seek information is often also the channel they prefer in the following service steps, but users prefer direct channels (especially by phone) for complicated interactions.
- ✚ **Personal or impersonal:** Users who prefer personal contact when seeking general information are not usually inclined to use phone or internet in the following process steps. But users who use the phone are more inclined to switch to the internet.
- ✚ **Type of service:** For example, research shows women in the EU use the internet generally less than men, but are more likely to use it to search for health-related information.

Customer preferences are not set in stone, however, and technology does not stand still. Providers should look to innovative solutions in the medium-term, in dialogue with service users.

5.4 Using eGovernment to access faster, cheaper, better services

Performance gains in the public sector are among the key drivers of the productivity that generates economic growth. As a labour-intensive sector, public administration has been constrained in the past by the limits of technology. No longer. ICT's blend of processing power, flexibility and networking capabilities has unleashed untapped potential for better, faster and cheaper service delivery. This entails more than technological innovation. It reflects and requires a radical shift in thinking about back office functions, as well as the interface between administration and user, whether citizen, business or other administrators. Digitalisation of public administration is not an end, but a means to improve efficiency, to increase user-friendliness and accessibility, and to promote ethical practices and reduce opportunities for corruption.

The goal of the EU [eGovernment Action Plan](#) is that, by 2020, public administrations & institutions in the EU should be open, efficient & inclusive, providing borderless, personalised, user-friendly, end-to-end digital public services to all EU citizens & businesses, *inter alia*.

5.4.1 Information to interaction

Increasingly, public administrations and the judiciary are using the Internet to bring services to citizens and businesses. This evolved quickly from the passive (one-way access to basic public information) to the interactive (two-way engagement, allowing sophisticated transactions to take place). Public administrations are now moving beyond interaction to a new stage of e-service maturity, where the service is automatically delivered in a phenomenon that has been termed the 'no-stop shop'.

Inspiring example: Purchasing public certificates online worldwide in Ireland







See topic 5.4.2
'Once only' Principle
and Interoperability

With Governments across Europe looking to increase further the availability of online services, the question for public administrations is: how best to generate demand among businesses and citizens by ensuring the highest quality user experience, both nationally and across borders? The answer brings us back to citizen and business 'life events'. The challenge is for the IT systems of the participating agencies to cooperate (or 'interoperate') for the seamless delivery of the e-Service.

The Commission's [2016 benchmarking study](#) of seven life events shows 81% of national public services are available online, but cross-border services much less so.

At present, life event journeys are rarely completed end-to-end without interruptions, which implies incomplete availability of online services. In approaching service delivery from a 'life event' perspective, public administrations should take account of the following factors:

Inspiring example: Access to government entities through a single national page in France

-  Users know their own needs best.
-  'Life events' overlap.
-  Users achieve their 'life event' goals with a mix of public *and private* services.
-  Users take an 'atomised' approach to handling their life event - focusing on a series of discrete activities, not following a systematic end-to-end plan.

The implication is that user interfaces should be personalised for individual citizens or specific business. Online access needs to cater for users that like to move in and out of government sites as they assemble their own bundles of public services to deal with life events, while helping them with orientation (*what do I need?*) and navigation (*where do I find it?*). The headline challenge is to design **packages of online services** (or catalogues) to be fully user-centric: comprehensive enough to cover every eventuality, and flexible enough so that users can choose the route that reflects their situation.

Challenges for public administrations

- ✚ Making sure the user does not have to break their life event journey because they find themselves at a dead-end.
- ✚ Helping the user to take the path that suits them best, irrespective of their starting point.
- ✚ Ensuring the user does not get lost along the way.

This links to the growing trend for [collaborative e-Services](#) (co-production), as well as administrative simplification. Each individual public service needs clear parameters (rules, information requirements, data and service consumption, and provision and sequences of processes), and terminology that translates the public sector's legal and administrative jargon into language that is familiar to citizens and businesses.

5.4.2 Interoperability and 'once only' principle

The changing relationship between administration and service user through eGovernment can only happen if institutions are willing and able to work together. This is all about **interoperability** (technical, semantic, legal and organisational): the ability of systems to work together, within or across organisational boundaries and EU borders, to exchange, interpret, use and re-use information. The European Interoperability Framework sets out 12 principles for establishing interoperable public services at the EU level.

General principles for establishing interoperable European public services

- | | |
|--|--|
| 1. Subsidiarity and proportionality | 7. Inclusion and accessibility |
| 2. Openness | 8. Security and privacy |
| 3. Transparency | 9. Multilingualism |
| 4. Reusability | 10. Administrative simplification |
| 5. Technological neutrality and data portability | 11. Preservation of information |
| 6. User-centricity | 12. Assessment of effectiveness and efficiency |

Governments can lay the foundations by [opening up non-sensitive public data](#), in line with the [PSI Directive](#), and basing development and delivery of online services on open standards. Governments should also take action to put in place the **key enablers** that enable public administrations to offer

Inspiring example: The Netherlands' DigiD

secure and seamless electronic services to citizens and businesses: electronic identification (eID), single sign on (SSO), eSignature, electronic documents, authentic sources (base registries) and electronic safes. However, key enablers have been implemented in just 49% of the EU's life events where they could be used.

[Regulation for eID & electronic trust services](#) adopted in 2014 will facilitate cross-border services & e-Business



The more advanced the e-Government development, the greater the reduction of administrative burdens on businesses and citizens. Moving towards **full interaction** with the user, so that they can engage directly with the administration online, provide data and manage its updating and usage, inevitably requires both interoperability and key enablers.

Both key enablers & cross-border interoperability will be pushed forward in 2014-2020, with EU's support for Digital Service Infrastructures (DSIs) from the [Connecting Europe Facility \(CEF\)](https://ec.europa.eu/cefdigital). (see also <https://ec.europa.eu/cefdigital>)

There is still a long way to go in making **cross-border** public services, to make it easier for citizens and businesses that want to move, work or start up in another EU country. To move things forward, the Commission has supported Large Scale Pilot (LSP) projects to devise and test practical solutions in real operating environments across Europe:

[STORK](#) for e-ID; [PEPPOL](#) for e-Procurement; SPOCS for e-Business; [epSOS](#) for e-Health; [e-CODEX](#) for e-Justice; and [e-SENS](#) to consolidate and extend the LSP solutions further. All LSP projects' results have been taken over by the Commission under [CEF DIGITAL](#) as Building Blocks (eID, e-Signature, e-Delivery, e-Invoicing).

Base registries, combined with interoperability, allow network benefits to be unleashed, including implementing the **'once only' registration principle**: citizens and businesses should not have to provide the same basic information (e.g. address, ID number) to the public administration multiple times. After it has been registered once by one authority, it will not be requested again; and even not only once if the data/information is produced by a public administration. The implication is that all the relevant authorities must cooperate, take action to store and share this data securely, and put the user first. While 'once only' registration is easy to conceive in principle, however, it is harder to realise in practice. The public administration faces legal, institutional and technological obstacles, and important considerations of data protection and privacy. For example, some countries are restricted from sharing citizens' data by law, which may be resolved by asking users to 'opt-in' to data sharing.

"Once only principle: public administrations should ensure that citizens and businesses supply the same information only once... Public administration offices ... internally re-use this data, in due respect of data protection rules, so that no additional burden falls on citizens and businesses." (eGovernment Action Plan 2016-20). The once-only principle is currently being implemented see [Tallinn Declaration](#).

Factors to take into account when introducing once-only⁶⁷

- ✦ A robust legal framework is essential, especially regarding data privacy and protection.
- ✦ Data belongs to the citizen or business - they should be able to trust the administration with its safekeeping, decide who can access it, give consent for reusing and take corrective action if data is felt to be incorrect or insecure.
- ✦ Data protection means authentication (eID to validate and verify identity).
- ✦ 'Once only' requires back office cooperation, not an internal 'market' with parts of the administration charging others for data exchange.
- ✦ Good technology is not enough, interoperability and cultural change are critical.

In some countries, 'once only' has transcended the status of *opportunity* for citizens, and become established as a *right*, enshrined in law and hence an obligation for the administration.

Inspiring example:
X-Road (Estonia).

While much of the EU is at different stages in taking-up 'once only', the scope is already clear for cross-EU benefits for citizens and businesses that operate or move across borders and wish their data to follow them. On its own, 'once only' can involve a net increase in public spending, as the benefits largely accrue to businesses and citizens, while the upfront costs are borne by the administration. That is why it is typically part of a broader eGovernment programme.

The Commission has launched a large-scale pilot project on implementing the 'once-only' principle (TOOP – website) across borders in the business-to-government area, and will assess the possibility to apply once-only principle for citizens across borders (SCOOP4C), with respect to data protection & privacy.

The latest generation of service delivery is taking advantage of interoperability to introduce the concept of '**no-stop shops**', whereby citizens and businesses receive the services they need *automatically* without demanding them, by exploiting creatively the data exchange among back offices of the public administration established to make the once-only principle work.

Inspiring example: Child benefit without application (Austria).

Public bodies remain largely rules-based organisations, and this often leaves them constrained by 'paper trail' thinking, rather than a 'solution-orientation'. Many public administrations, affected by the inertia of traditional practices, require citizens and businesses to provide paper-based documentary evidence to access public services, in some cases counter-signed by notaries. The rationale is that this proof is required by law, but this is increasingly outdated in a digital society and being rapidly overtaken by eID. As well as being costly and time-consuming, it also conveys an absence of trust in the service user, which is then reciprocated in a lack of trust in the public administration. Public administrations can make leaps forward by **thinking 'data' not 'document'**: in other words, asking the question 'how can the necessary information be found most easily', and considering the sources of data as the starting point - flexible and open to re-use in potentially many alternative situations.

Inspiring example:
Providing eGovernment and self-service (Estonia)

"In the country I know best, we figured out that, just because of e-signatures - digital signatures - we were able to save 1 working week during the year. It means 2% from our GDP, which is equal to our defence expenditures. So, defence expenditure in Estonia is coming from e-signatures". European Commissioner Andrus Ansip⁶⁸

⁶⁷ Drawn from [EY & DTI \(2014\) "Study on e-Government and the Reduction of Administrative Burden, Final Report: A study prepared for the European Commission, Directorate-General of Communications Networks, Content & Technology"](#)

⁶⁸ European Commission Vice-President for the Digital Single Market and former Prime Minister of Estonia, 'From ISA to ISA²' Conference, 3 March 2016, Brussels, https://ec.europa.eu/isa2/isa2conference_en

5.4.3 Moving towards digital by default

'Digital by default' means that public administrations should design and deliver services digitally (including machine-readable information) as the preferred option (while keeping other channels - face-to-face, telephone, postal - open for those who are disconnected by choice or necessity). In other words, at least one digital channel should be available for accessing and using a given public service. In addition, public services should be delivered through a single contact point or a one-stop shop and via different channels. As well as benefits to users, 'digital by default' typically presents cost savings to the administration, in comparison to other service delivery channels.

To reach the point of readiness, the public administration already needs to have an engrained approach to 'thinking digital' and have attained a high degree of **maturity in online service delivery**. 'Once only' data supply is likely to be in place, although this is not a pre-condition. Public services have been through a transformation, to reach the point where they are cheaper, faster, better. It will generate a huge upsurge of digital service demand that will need to be matched by server capacity and system maintenance. It will also test the quality of these channels, their capacity to meet users' needs, and the back-office support to customer enquiries. User-centricity will need to keep pace with demand.

What requires close attention is **not digitalising the bureaucracy**. Digitalising public services and providing them 'digitally by default' requires changes in organisation, culture of designing, creating delivering and using services, and finally standards-based data management in the back office of the administration.



See topic 5.2
on administrative
simplification

Most countries take a phased approach, starting with the most advanced e-services where online take-up is already high, or the services with the greatest number of users. Strategies for rapid roll-out are likely to have the greatest impact, as 'digital by default' creates its own inevitability.

Inspiring example: UK's
Digital Strategy and 'Digital
by Default Service Standard'

Member State experience suggests **success factors** include: build the business case around costs and benefits; get a political mandate; align (with) the law; invest in forward planning with a realistic timetable; involve all affected entities from very early in the process; ensure effective coordination; and especially take the users with you, consulting with citizens and businesses from the outset, and communicating intentions and expected timetables. The public must be partners in change.

An [online 2012 survey](#) found 33% of citizens were 'believers' who had used online public services & will continue to do so, and 16% 'high potentials' who had not yet, but wanted to. But 13% were 'drop-outs' who do not intend to use public e-Services again, and 38% 'non-believers' who hadn't before & wouldn't in the future.

The success of 'digital by default' relies on both **willingness and ability to access online services**. One-fifth (20%) of Europeans had never used the Internet in 2013, the proportion reaching over 40% in some Member States. In a survey of Internet users, convenience was found to be the principal driver for using online public services: saving time, and flexibility in time and place. But more than half of surveyed EU citizens say they are unable or unwilling to take-up online public services, even though a high percentage use the Internet daily. What influences their behaviour? What are the obstacles

preventing or dissuading them from using e-Government portals? Assuming public services are online and hence available, public administrations face five main potential barriers as the basis for designing policy solutions:

Barrier	Key question
Accessibility	Do citizens and businesses have internet access, and if not, how can coverage be ensured?
Awareness	Are businesses and (especially) citizens sufficiently aware of online channels as an option for accessing the administration?
Ability	Are there any physical obstacles to using online services, such as sight, other physical handicaps, mental ability, and if so, how can prospective users be helped with access?
Aptitude	Do potential users have the comprehension and competences to interact with online channels, and if not, how can these be best provided or circumvented?
Attitude	Are users resistant to using online services, and if so, what are the reasons?

Attitudes can be the most rigid barrier, either because citizens prefer personal contact, expect other channels to be easier or quicker, believe personal visits or paper submission will be required anyway or do not trust the service, because of concerns about protection and security of personal data.

Regarding aptitudes, the Commission has launched a multi-stakeholder partnership, the [Digital Skills and Jobs Coalition](#), to develop a large digital talent pool and ensure that individuals and the labour force in Europe are equipped with adequate digital skills.


Potential measures to improve take-up

- ✚ Increase generally the transparency of the public administration;
- ✚ Provide the required level of data security (eID with secure authentication) and consider trustworthiness when introducing new services, as all initiatives should go beyond mere compliance with the legal framework on personal data protection, privacy and IT security to build trust and take-up;
- ✚ Recognise the diversity of customer segments among citizens (by age, employment, education, ability) and businesses (by age/phase, size, sector), and customise both promotional messages and actual services accordingly;
- ✚ Make service reliability a prime concern;
- ✚ Provide supportive customer services to assist the user in navigating problems when they arise, such as helplines, discussion forums and live chat (as well as more conventional contact details and FAQs), and take on board user feedback.

Some administrations are taking steps to actively reassure citizens and businesses on the security of their data, and to provide connectivity to high speed broadband, backed up with education, training and applications. In the short-medium term at least, there will be a sizeable proportion of the population that is not able or willing to take up online services. To

Inspiring examples: Italy's privacy policy and office; Viladecans – Digital City, Smart City (Spain)

avoid digital exclusion, this percentage should be projected and arrangements made to ensure alternative channels or 'hand-holding' assistance is available (e.g. telephone helpline services, or 'drop-in' centres). This places the onus on public administrations to ensure that service design reflects user expectations, which can be aided by behavioural insights.

 See also topic 1.2 on behavioural insights

Interoperability and increasing connectivity also pave the way to realising the potential of '**open by default**' to increase transparency and accountability, and to generate opportunities for creating new businesses. Government-collected data is *presumed* to be available to

Openness and transparency is also the foundation of many Horizon 2020 projects, such as DigiWhist, YourDataStories and OpenBudget.eu.

all - in free, accessible and machine-readable formats - unless there is a compelling reason to keep it confidential.

By providing building blocks of online information, public administrations can open the space for third parties (other administrations, enterprises and individuals) to engineer their own solutions - **Government as a Platform (GaaP)**. This would enable them to combine modular services into new, personalised, user-friendly and innovative e-services, characterised by an [EU-funded study as the 'cloud of public services'](#). This could ultimately achieve the aspiration of citizens and businesses being able to assemble their own, fully customised, service solutions to meet their individual 'life event' needs at a time and location of their choice, using an online application offered by the public administration or a third party. The GaaP building blocks include:

- ✚ **Open data portals**, web-based gateways used by public administrations to publish large volumes and variety of data, without the burden of having to respond to individual requests. These make it easier to find re-usable datasets with the help of search functions. The portals can also offer Application Programming Interfaces (APIs) that enable direct access to data for software applications.

The Commission operates the [EU Open Data Portal](#), which will feed into the [European Data Portal](#).
- ✚ **Catalogues of standards**, such as the [EU Catalogue of ICT standards](#) and technical specifications, which is being assembled by the European Commission as an EU-wide resource for public procurers preparing calls for tenders.

Inspiring example: Stelselcatalogus (The Netherlands)
- ✚ **Catalogues of services**, such as the [EU Catalogue of Public Services](#), a Commission initiative to identify common service attributes or descriptors that can enable users to find similar web-based public services in other Member States.

GaaP enables administrations to create an open environment in which the creativity of citizens and businesses can flourish, as they are encouraged to use public information (open data and other content) and instruments (applications, catalogued standards & services, etc.) to generate new social value, which can also directly benefit the actors themselves.

The Commission will create a platform for public authorities to open their data and services as part of the [European Cloud Initiative](#), creating a Government as a Service (GaaS) base for the EU.

The combination of these various tools and techniques opens the possibility for a **comprehensive package** of organisational, governance, regulatory, infrastructure and simplification measures acting in concert to improve efficiency and user-centricity.

Inspiring example: Administrative simplification & eGovernment in CORA (Spain).

5.5 Committing to service standards and measuring satisfaction

Ultimately, the test of good service delivery is whether it has lived up to the needs and expectations of the customer. This brings us full circle back to the first step, understanding what users want. Administrations have two potential instruments to define and check performance: codifying user expectations in the form of service charters; and measuring customer satisfaction to ensure performance levels are being reached, and ideally exceeded. In both cases, these tools can be a catalyst for action and further innovation.

5.5.1 Service charters

A citizen or user charter is a unilateral declaration by a public service provider of standards for its services, within the framework of its mandate and tasks stipulated by legislation. The essence can be summed up by 3Cs: **C**lient-oriented standards; **C**ommunication; and **C**ommitment. The radical idea is to give rights to the clients of public services that are not statutory, but the ‘pressure’ of the promise is such that the organisation will do a great deal to fulfil the commitments it has made.

The charter can comprise a ‘soft’ standard (e.g. *“we will treat you with friendliness and respect”*), but the most important are concrete and measurable (e.g. *“you will be helped within 15 minutes”* and not *“ready while you wait”*). The standard should also be formulated from the **individual client’s perspective** (e.g. *“you can expect to receive an answer from us within two weeks”*, rather than *“95 percent of the letters are processed within two weeks”*). They should also concern the entire spectrum of service, which can bring user charters closer to the ‘life event’ and ‘customer journey’ approaches. The user charter is suitable for all organisational elements with client contacts, but also engages the employees of the front office, as well as management.

Inspiring examples: User charters in health care in the Netherlands and UK

The charter commits the organisation to realising the standards and clearly indicates the **consequences** if the service falls short of the published standards. As well as internal solutions, options include letters of apology and small compensations, which acts to hold the administration to account, and could be said to set a benchmark for assessing performance.

5.5.2 Measuring and managing satisfaction

In terms of service transformation, measuring and managing satisfaction is a key strategic tool. It can give organisations an understanding of the ‘drivers’ that they can actually shape (as compared to issues around perception and the media, over which they have little control), and allows them to monitor performance and service evolution over time. Users’ experiences of services can be explored in various ways:

- ✚ **Qualitative** research techniques can be used to better understand a service through the customers’ eyes, and to explore in depth their experiences and expectations.

- ✚ **Quantitative** research can provide numerical measures of customer satisfaction and statistically representative findings to assess the performance of a service and provide information to drive improved service quality.

Thinking well in advance about what the organisation wants to achieve with satisfaction measurement is important in deciding which measurement tools and techniques to apply to which user groups:

Important questions in setting up satisfaction measurement

- ✚ What do you want to know?
- ✚ Why do you want to know this?
- ✚ Should the customers be segmented (e.g. by sector, location, regularity of contact) and different measures or techniques applied to different groups?
- ✚ Are there baselines for comparing performance and progress over time?
- ✚ Are there benchmarks which the measures should be aiming to achieve (e.g. service charters)?
- ✚ What is the motivation for measuring satisfaction (reporting, reforming) and how does this affect how you collect and capture information?
- ✚ Will the measurement itself and the choice of tools) act to strengthen relations with your users?

Inspiring examples: Quality of service of the Ghent City Administration in Belgium; use of the Net Promoter Score in the Netherlands

Administrations can use multiple methods, such as face-to-face, online and telephone surveys, and 'mystery shopping' to feed into refining or re-designing services, in line with

 See topic 5.1 for research methods

citizen-user responses. This can include the 'Net Promoter Score', which reveals the difference between those citizens and businesses that rate the public service highly ('promoters'), and those that give it a score below acceptable levels ('detractors').

Customer-focused organisations view satisfaction measurement as a means rather than an end, as part of a cycle of continuous improvement in service delivery, and as part of a wider toolkit of customer insight techniques, to focus its time and resources more effectively. This equally applies to the use of EU funds, given that project performance is vital to the success of ESIF, and this type of feedback can help the managing authority and intermediate bodies to better build capacity among beneficiaries.

Inspiring examples: Citizens' evaluation of Italy's local services & facilities; measuring customer satisfaction in Lithuania's ESF

5.6 Managing service portfolios

The design and delivery of public services does not stand still. Over time, the essence of interaction (registration, certification, etc.) and ‘life events’ might stay the same, but the ways and means do not. Administrations are increasingly obliged to consider *what* they offer, *how* they organise delivery, and *who* they involve. They must adjust not just to emerging channel preferences (e.g. online), but to expectations of content too. As major players, responsible for huge service portfolios, public administrations should be up-to-speed with service innovation. This might mean retiring or replacing services which are no longer fit-for-purpose or where better alternatives are available, and inviting the participation of citizens and businesses in designing new services for procurement.

5.6.1 Public service portfolio management

Like Janus, the mythical Roman god who could look in two opposite directions at the same time, modern public administrations should have both an outward and inward perspective in managing public services. The primary focus is *external* relationships: how best to serve the ‘customer’, whether citizen, business, or other administration. However, public administrations can also think more holistically, drawing on the notion of **service portfolios**, which captures *internal* inputs, as well as interactions with third party providers. This concept comprises three elements:

- ✓ **Service ‘pipeline’** - services which have not yet been launched, and are under development or testing;
- ✓ **Service ‘catalogue’** - active services, both internal and external; and
- ✓ **‘Retired’ services** - services which have exceeded their usefulness.

In 2013-2014, Estonia’s Government Office commissioned PwC to conduct a [study into PSPM](#), focused on transactional services by central government, with the support of the ESF-funded Foundation of Smart Decisions.

Public service portfolio management (PSPM) can be a useful tool for thinking about the life cycle of public services and the synergies and interlinkages between individual services.

Inspiring example:
Reviewing and retiring
employment services
(Germany)

While techniques such as life event analysis and customer journey mapping look at public services from the perspective of the user, PSPM starts from the position of the provider. In both cases, the user-provider interface is critical. In many cases, portfolio ‘mismanagement’ can happen unconsciously. As the study for Estonia found, the life cycle of public services is often determined by legislative drafting – new services are created, reshaped, and ended by changes in legislation. But drafting legislation and the design and delivery of services are often entirely separate processes, performed by different people. There is a case for **regular reviews of the service portfolio**, to check whether: the services are (still) aligned with policy objectives and/or user needs; the services are being implemented as intended; they are effective or are encumbered by legislative constraints; and they remain relevant or should be retired.

Inspiring example:
Defining the common
vocabulary for describing
public services (Estonia)

This requires a **common language to describe public services**, especially for the interoperability of e-Services, within and across institutions, levels

(e.g. national, regional and local) and borders, such as the [EU's Core Public Service Vocabulary \(CPSV\)](#), and catalogues of standards. Service delivery also demands the informed choice of a channel, either over-the counter (face-to-face), telephone and/or electronic.

5.6.2 Creative decommissioning

The innovation charity, NESTA, coined the phrase 'creative decommissioning' to capture the concept of stopping those services that are no longer serving their original purpose satisfactorily, and in this way, releasing resources for more effective replacements.

[NESTA's study](#) of creative decommissioning, based on analysing over 60 examples, presents eight case studies from Poland, the United Kingdom and the United States.

This can be contentious and challenging, as change is resisted by established service suppliers and inhibited by the implied upheaval and upfront costs. To be successful, the two strands - creative and decommissioning - should be linked and mutually reinforcing. Dissatisfaction should drive the demand for better approaches, which in turn heightens dissatisfaction with the status quo. Early wins through testing should build impetus. Proper preparation and planning pays off, as the process takes time and requires a dedicated team and forging new alliances. NESTA identifies **seven blocks of activity** to make creative decommissioning happen, some of which can happen simultaneously: challenge; engage and understand; show current provision is untenable; create a vision, mobilise around it; plan to make the break; formalise and scale; and dismantle, switch and redeploy.

5.6.3 Sharing core internal services

The 'total service' perspective of PSPM means contemplating how in-house service delivery can be better organised and oriented. The **shared services** model involves the consolidation of back-office operations that are used by multiple parts of the same organisation or group of organisations (e.g. ministries, municipalities, hospitals, police forces, universities) to deliver a common service as a single provider in a specific field, typically human resources management (e.g. recruitment, payroll), information & communications technologies (e.g. maintenance), finance (e.g. accounting) and/or procurement.

Research in 2016 by the European Public Administration Network (EUPAN) found that most Member States' central administrations were either implementing shared services or expected to integrate it into their reform agendas.



See topic 3.2
on inter-municipal
cooperation

There is no single model. Shared service centres (SSCs) may be directly under the Government's supervision or constituted as independent agencies. Their scope might cover the entire administration or all the units of an individual ministry. Shared services are also increasingly popular among municipal administrations, sometimes seen as an alternative to outsourcing, or organised on a 'hybrid' basis, as a joint venture with a private provider.

The principal **case for** shared services is made around efficiency, economies of scale, standardisation, specialisation and the expectation of cost savings. The SSC becomes an internal service provider and its

Inspiring example: Shared services in IT, finance and HR (Denmark)

resourcing is shared, either using a chargeback formula to bill the ‘customers’ for usage, or as a central overhead of the entire administration. Typically, the performance of the SSC is monitored using key indicators, such as caseload, unit cost, timeliness etc.


Nevertheless, shared services are not without their **potential downsides**: establishing the SSC can be disruptive to the workflow during set-up and transfer and potentially de-motivating to the workforce; by concentrating all expertise in a central unit, shared services can remove useful skills which are needed ‘down the line’ (e.g. losing finance management skills to accounting SSCs, which can be invaluable for budgeting in decentralised units); initial set-up costs can be hard to quantify in the cost-benefit analysis and SSCs can take longer to establish than the expected timeframe; the expected net efficiency savings and performance gains do not always materialise as predicted. Shared services can even lead to a reduction in service quality, if they become disconnected from the operational needs of the specific entities they serve, the obligations on both parties are unclear or not carried out, or there is inadequate oversight or insufficient staff. The concept of shared services has also found its critics within proponents of systems thinking, as ‘*simplify, standardise, centralise*’ can prevent the system from absorbing variety.⁶⁹

Lessons from a Western Australia [cost-benefit analysis inquiry](#) into the withdrawal from shared IT services identified lessons from this experience: before embarking on shared services, conduct a risk assessment of likely outcomes and strength-test all assumptions; an incremental approach based largely on existing systems is likely to be less risky than a ‘big-bang’ approach which implements new systems (e.g. new software); ensure robust service level agreements (SLAs) that define expected service standards, clearly state the responsibilities of the clients, and set out the performance indicators - and monitor their performance to ensure accountability; and ensure good governance arrangements with a designated individual responsible for the SSC and a transparent role for the governing body in operational decisions.

Inspiring example:
Centralisation of State
shared services in Estonia

5.6.4 Collaborative commissioning

The role of citizens and enterprises is evolving from passive recipients to active participants in service design, delivery and feedback – at the administration’s invitation or as the result of taking the initiative themselves. When it comes to their participation in procurement, however, public administrations can be constrained by conventional approaches to commissioning and contracting services.

 See also
topic 8.2 on
public
procurement

As a way forward, the OECD⁷⁰ has drawn attention to ‘collaborative commissioning’ as a tool for involving service providers and especially service users in the preparatory stages before the procurement process becomes competitive.








Inspiring example: People-
powered health commissioning
(United Kingdom)

⁶⁹ J. Seddon (2010), “[Why do we believe in economies of scale](#)”.

⁷⁰ M. Daglio, D. Gerson and H. Kitchen, *Building Organisational Capacity for Public Sector Innovation*, Background Paper prepared for the OECD Conference ‘Innovating the Public Sector: from Ideas to Impact’, Paris, 12-13 November 2014.

5.7 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

-  Gather information on needs and expectations, in order to fine-tune services and the channels that deliver them, through surveys, panels, comments, complaints, mystery shoppers and representative bodies;
-  Interpret 'customer intelligence' in the context of life events and journey maps, based on the steps that citizens and businesses *actually* take, not what the administration thinks they do (including complementary contacts with non-public services), and identify bottlenecks, dead-ends, detours, repeat requests for information, and missing links along the way;
-  Acknowledge users' growing preference to be online not in-line, and to minimise their contacts with administrations (ideally one portal for all needs), but also their diverse circumstances and the varying complexity of their interactions, so that 'once only' and digital can be the default scenarios, but personal contact and hand-holding assistance should remain on offer;
-  Ensure a complete, comprehensive and interoperable digital service offer, so that each citizen and business can assemble the fully-customised and cloud-based package that fits their individual situations, backed up by support services as needed;
-  Enable this radical transformation in the relations between public authorities and service users to happen by re-engineering back office and front office functions, ensuring interoperability between systems, and achieving a seamless user interface, by engaging in systems thinking;
-  Commit to service standards that correspond to customer satisfaction, according to user feedback; and
-  Consider the whole service portfolio, whether systems remain relevant or could be updated and upgraded, in dialogue with enterprises, citizens and civil society representatives.

This ambitious agenda represents a daunting challenge, to stay in step and up to speed with the expectations of citizens and businesses in the digital age, but the experience of Member States shows that public administrations are increasingly rising to it.

Theme 6: Business environment

Good governance creates a conducive climate for business development: giving confidence to aspiring entrepreneurs to risk time and money to form new firms, forging favourable conditions for businesses to flourish, and directing resources into public services that the market cannot provide effectively or at all. Governments have a duty to safeguard public interests and to

The [Public Administration Scoreboard](#) was the first EU-wide exercise to analyse administration's the fitness for purpose in promoting growth & competitiveness.

ensure robust and fair competition among all

enterprises, but also to remove potential impediments to business initiative, investment and innovation. Successful economies have strong public institutions that regulate where necessary and facilitate wherever possible.

The [2014 European Competitiveness Report "Helping Firms Grow"](#) showed the impact of efficient public administration on business competitiveness & finds tax administration deficiencies, corruption & ineffective justice systems to be most detrimental to firm growth.

Small and medium-sized enterprises (SMEs) receive special attention, because of the contribution they make to the economy and the circumstances they face. Overwhelmingly, SMEs comprise the majority of the business community, generate the bulk of net new employment, ensure a flow of new ideas into the economy, and enable large businesses to succeed as suppliers, service providers and sub-contractors, as well as partners in collaborative ventures. But they also generally lack the scale economies and management assets enjoyed by larger enterprises.

The [Small Business Act](#) is a comprehensive policy agenda that *inter alia* aims to anchor the 'Think Small First' philosophy in policy-making & reduce the administrative burden.

Key questions for theme 6	Ways and tools
6.1 How can we make compliance with essential 'red tape' as painless as possible for all businesses?	<ul style="list-style-type: none"> ✚ Administrative simplification programmes ✚ Mitigating measures to reduce burdens (exemptions, transition periods, simplified implementation & enforcement, etc.) ✚ Awareness-raising and clarification of essential rules ✚ Certification of good public services
6.2 How can public administrations ensure easy, fast and cheap access to public services to help enterprises at all stages of the life cycle?	<ul style="list-style-type: none"> ✚ 'Indivisible' government ✚ Single Points of Contact & other One-Stop Shops (OSS) ✚ eGovernment for business (G2B)
6.2.1 What can administrations do to encourage aspiring entrepreneurs , by reducing the cost, time and steps to start up in business?	<ul style="list-style-type: none"> ✚ Removing minimum capital requirements ✚ Simplifying registration through inter-agency cooperation, e-Services & removing process steps ✚ Reducing the statistical burden on new start-ups
6.2.2 How can administrations best support established businesses to operate, employ, and expand if desired?	<ul style="list-style-type: none"> ✚ Unifying corporate data provision (fiscal & statistical) ✚ Easier empowerment of intermediaries ✚ Less frequent tax & social contribution declarations ✚ e-Filing and e-Payment of business taxes ✚ Risk-based tax inspections ✚ Simpler & on-line employer reporting ✚ Interactive online tools and standard templates for meeting employment and health & safety duties ✚ Streamlining permit applications ✚ Simplifying & automating property registration ✚ Cutting the incidence of late payments.

Key questions for theme 6	Ways and tools
6.2.3 How do authorities make trade , especially beyond the EU's borders, as seamless for business as possible?	<ul style="list-style-type: none"> ✚ Reducing reporting thresholds for intra-EU trade ✚ Simplifying import, export & transit procedures ✚ Introducing certification systems to fast-track trade ✚ Risk-based goods inspections ✚ Investing in e-Customs ✚ Establishing the 'Single Window' in all Member States
6.2.4 Faced with the prospect of insolvency and business closure, what is the best way to protect the interests of all parties and create the conditions for new or re-modelled businesses to emerge?	<ul style="list-style-type: none"> ✚ Promoting early restructuring of enterprises in difficulty with the purpose of avoiding their insolvency ✚ Making available mediators to assist negotiations and reorganisation of insolvent enterprises (see theme 7) ✚ Quickly liquidating non-viable enterprises ✚ Ensuring a second chance for honest bankrupts ✚ Improving efficiency & transparency in restructuring, insolvency and second chance procedure.

6.1 Putting business first

The EU's future economic success will be built on the foundations of a dynamic business base, delivering products and services that meet customer needs and capable of competing in world markets. 'Think small first' (TSF) has spurred governments towards fewer and better regulations, setting the framework for lightening the administrative load on businesses. Fundamentally, this is a matter of mind-set: changing attitudes so that every actual and potential interaction is seen from the business viewpoint, considering the consequences of rules and regulations for SMEs especially. As small firms lack the time and resources to navigate bureaucracies, relative to their larger counterparts, the TSF principle is timeless.



See also topic
1.2 on regulatory
reform

6.1.1 Streamlining and simplifying 'red tape'

Excessive 'red tape' is a distraction for businesses and a drain on resources that could be deployed more productively. Across the EU, governments at all levels are engaged in a concerted push to streamline the regulatory framework, especially with respect to SMEs. In many cases, Member States have embarked on **administrative simplification programmes**, which involve a stock-take of the existing burdens on businesses, in consultation with enterprises and experts from industry and government, and identifying a plan of action for systematically cutting non-essential red tape. Businesses operating in Member States with decentralised systems can face very fragmented regulatory environments at the national, regional and local levels, which raises the complexity and cost of compliance. Some Member States are seeking to rationalise and harmonise this framework, for example, Spain's Law on the Guarantee of Market Unity.

Inspiring examples: Denmark's Business Forum for Better Regulation; France's Administrative Simplification Committee; 'Simple Lombardy' in Italy

In some cases, public administrations reduce burdens as a by-product of a change in policy direction, either by design or default. In most cases, however, the underlying policy objective is pre-cooked and the challenge is to ensure the compliance costs are minimised, especially for new and small businesses. This often allows a 'lighter touch' to be applied to micro-enterprises or SMEs, where justified by the impact assessment. Public administrations should consider a **risk-based approach**, targeting legislative provisions on those operators that constitute the highest risk, typically by sector and/or size bands. The use of size-related criteria should be approached with care, however; if the threshold effect is too large, the benefits to small firms may be outweighed by the disincentive to move into a higher size bracket, and impede business growth.

Based on experience from both the European Commission and Member States, public administrations can draw upon nine types of **mitigating measures** to relieve the administrative burden on businesses, especially micro-enterprises (fewer than 10 employees) or all SMEs. These can be inserted into the legal text itself during drafting or re-casting, or applied in its practical implementation and enforcement, depending on the judicial and administrative culture.

Potential measure	Description
Tailored legislation	The legislation is (re)drafted, so that it makes specific provisions for different size categories of business.
Permanent exemptions	The law specifies that businesses below certain size thresholds (e.g. micro-enterprises or SMEs) would not have to comply with specific obligations, as long as this does not invalidate the original purpose of the legislation and there is no danger of market distortion. These exemptions could apply to the whole legislation or only part of it.
Temporary exemptions	Businesses are allowed transition periods during which they are exempted from the provisions of the law to give them time to adapt (again, subject to the same caveats as permanent exemptions). This provision could be restricted to businesses below certain size thresholds (micro-enterprises or SMEs).
Extended transition periods	This is similar to temporary exemptions, except that it applies to the proposed transition periods for all affected parties and extends them further in the case of businesses below certain size thresholds, to provide even more time to adapt.
'De minimis' rules	Exemptions are applied below a specified threshold, which is not related specifically to the size of the business, but tends to favour micro-enterprises and some SMEs (for example, state aid rules, which do not apply below €200,000 of aid in most cases).
Simplified implementation	The new or recast legislation makes compliance less onerous and costly by easing the reporting obligations on some or all businesses through, for example: reducing reporting frequency to the bare minimum necessary to meet the substantive objectives of the legislation; aligning reporting frequency across related pieces of legislation, where possible; requiring records to be held for a shorter time; or introducing the mandatory / voluntary use of faster, cheaper online channels for information exchange to reduce cost; use sampling for data collection, rather than require every business to submit reporting statistics.
Simplified enforcement	The new or recast legislation makes enforcement less onerous and costly by reducing the frequency of inspections and audits, and/or simplifying the process, by applying risk management techniques, for example.
Financial compensation	For the proposal to be 'cost-neutral' for affected businesses, the legislation could include provisions to redress certain affected businesses (e.g. SMEs) financially in relation to the regulatory costs incurred, provided this is compatible with existing legislation (e.g. state aid), by reducing fees and charges.
Voluntary arrangements	The law seeks to achieve its policy objective through voluntary means, either for all enterprises or just businesses below a certain size threshold (micros or SMEs).

Many Member States have also taken advantage of **derogations in EU legislation** to ease the requirements on their SMEs, to tailor their own legislation accordingly, and simplify implementation or enforcement.

Once an essential regulation is adopted, the administration can make life easier for enterprises by **raising awareness of the rules and providing clarifications**, using business-friendly language and communication tools. Public administrations should spell out the implications, especially in the case of complex pieces of legislation that require explanation or legal expertise.

Governments can also encourage public bodies to enhance their services to business by providing **certification to public administrations** that achieve certain standards that are agreed with business representatives.

6.1.2 Business-centric administration

Creating a business-friendly climate is not just a matter of regulatory reform, but also improving the responsiveness of the administration, which is about attitudes and structures. TSF is an ethos for the whole of government, at all levels, with public administrations offering seamless public services that improve, rather than impede, business performance. Government should be **'indivisible'**: businesses should be able to expect the same high quality and customer-oriented service whichever office they are dealing with.

Inspiring example: Business ambassadors in the Municipality of Hultsfred's LOTS project (Sweden)

Many Member States have sought to enhance the front-office experience by creating **one-stop shops for business** to improve the public-private interface. These *include* the Points of Single

Inspiring example: Austria's Business Service Portal

Contact (PSCs) under Services Directive 2006/123 EC. The priority is increasingly to offer online Government-to-Business (G2B) services. As

Internet usage is more widespread among the business community than the general population, the shift to better, faster, cheaper e-Services is particularly benefitting SMEs. Specific e-Business portals are now widespread across Europe based on 'life events' in the business cycle. In the ideal situation, there is only a 'single portal' to access all the services that enterprises require. Streamlining the front-office is commonly

Inspiring example: Belgium's Crossroads Bank for Enterprises

complemented by back-office reforms to improve professionalism and responsiveness to SME needs. Enterprises will always wish to minimise their contact with administrations

on purely mundane matters, and hence **'once only'** data entry is a winning formula for business-friendly public services.⁷¹

PSCs are supported by IT tools through the SPOCS project, and are benchmarked in the [Single Market Scoreboard](#). In line with the [eGovernment Action Plan 2016-2020](#), *inter alia* the Commission is launching a large-scale pilot project on implementing the once-only principle for business-to-government across borders, and will continue working with Member States on the interconnection of their business registers. The PSCs will become part of the Single Digital Gateway (see [topic 5.4](#)).

⁷¹ For the difference between one-stop shops and 'once only' data registration, please see theme 5.

6.2 Streamlining administration for businesses

For public administrations, reducing the burden on business is not only a matter of the number and nature of regulations, but also how the public-private interface is managed at each stage in the business life cycle. Some interactions will always be necessary, when setting up, running and closing a business to comply with company and employment law, tax and social security rules, building and environmental regulations, etc. For businesses who wish to trade and invest across borders, there are customs regulations to consider, but also the prospect of dealing with different administrative cultures. There is huge variation across the EU in the number of steps, involved institutions, time taken and cost of these essential processes. These metrics are regularly tracked and compared globally, especially by the World Bank's annual [Doing Business reports](#). The following topics take each 'life event' in the business life cycle and present ways in which Member States have acted to make processes more efficient and effective⁷². In practice, of course, many such reforms are planned and implemented in parallel, often as a package.

Inspiring example: Improvement of business environment (Latvia)

6.2.1 Starting a business

Start-ups create jobs and inject new investment, ideas and initiative into the economy. They also put pressure on established firms to innovate, to improve product and service quality, and to raise their productivity. The decision to set up a company is rarely taken lightly. It involves financial commitment, personal risk to the owners, and an uncertain future.

"Starting a new business involves multiple unavoidable obstacles, but excessive bureaucracy should not be one of them". World Bank, Doing Business 2014.

There are **potentially many steps** to take before crossing the threshold of incorporation: as a minimum, registering the business and dealing with the tax authorities. DG CNECT's [eGovernment benchmarking study](#) identified up to 24 possible steps before and during registration, which have been clustered into eight groupings



Apart from quick and cheap procedures, prospective entrepreneurs need a **supportive ecosystem for start-ups**. Entrepreneurs contemplate setting up in business either out of desire or necessity.

Inspiring example: StartUpGreece

⁷² Some of the challenges faced by established businesses are also relevant to new ones, such as taxes, employment & property: the 'life event' concept should be treated flexibly.

Either way, the starting point is awareness of business start-up as an option, and the knowledge, skills and financing to bring the business concept to fruition.

There is an overwhelming economic case for **reform in start-up procedures**: new firm formation is strongly correlated to sustained increases in productivity, employment and growth. The European

At the May 2011 Competitiveness Council, Member States signed up to a target of 3 days & €100 cost to start-up a private limited company, achievable through an OSS.

Commission has played an active role, and there has been much progress within Member States in recent years. By 2014, the average time to start a business in the EU had fallen to 3.5 days, the average cost had fallen to €313, and 23 Member States were operating OSSs that handle fully all the procedural steps

pertaining to the preregistration and registration of a company. But there is still some way to go: just five countries are fully compliant with all three EU-wide targets. The cost target is perhaps the most elusive, as it requires that lawyers and notaries are no longer necessary to the process. Slovenia is the only country in the EU where the cost of setting up a private limited company is zero EUR.

One of the most common reforms in recent years has been to reduce or in some cases remove the **statutory minimum capital requirement** for establishing a limited liability company. Many Member States have made significant

Inspiring examples: Introducing a simpler form of incorporation for start-ups in Greece; Portugal's 'On-the-Spot Firm'

progress in simplifying registration and hence stimulating business starts in the recent past. Specific reforms relate to better inter-agency cooperation and/or abolishing specific steps, and applying the

The May 2011 Competitiveness Council called on Member States to reduce the time to obtain business licences to a maximum of 90 days.

'once only' principle of data entry to provide public services proactively and automatically. Several EU Member States have adopted major reforms to simplify and streamline procedures for **business licence** applications, such as

Inspiring example: Zero Licensing initiative in Portugal

switching from ex ante approval to ex post checks.

6.2.2 Running and growing a business

Once the enterprise is up and running, smooth interaction with the public sector is vital to keep the hidden costs of business administration as low as possible. The direct interface of private enterprise with public authorities is about information, registration, application, and payment in both directions. This can be seen as a **discontinuous series of interactions**, some of which are regular (e.g. VAT returns, submitting audited accounts), others irregular. Ideally, all relations with the public administration would be managed through one office or one portal, with each interaction at the maximum convenience and minimum cost to the business, involving the fewest steps possible.

Businesses are required by law to **disclose corporate data** for a range of reasons: for statistical purposes, to enable effective economic analysis and public finance planning *inter alia*; for tax calculations, as a precursor to tax demands and payments; and for investor and creditor protection. Some Member States have successfully unified the legal obligation to provide accounting, tax and statistical information to different public bodies, so that it is once only, electronic, cheap and quick.

Inspiring examples: Simplified corporate information in Portugal; Bulgaria's Single Entry Point

Irrespective of the taxation system, structure and rates, the aim of the public administration should be to make it easy to **pay business taxes**, whether direct or indirect, at minimal cost and time. One of the simplest reforms is to reduce the frequency with which companies must file and pay taxes and contributions (e.g. from monthly to quarterly), although creates a funding gap for financing government operations that must be filled from other sources. A more fundamental reform is to move to electronic systems for filing and paying taxes, which accelerates the process whatever the frequency. The system should also be sufficiently flexible to ensure errors can be corrected and to refund any over-payments. Where eGovernment systems are sufficiently advanced to apply the ‘once only’ principle to data entry, it also opens up the scope for pre-filled tax declarations.

Inspiring example: Inland Revenue Services On-line in Malta

The Commission has carried out [studies and projects](#) on tax compliance to find out how to improve the situation for SMEs.

Administrations reserve the right to physically inspect the records and systems of corporate taxpayers. As with other fields of regulatory enforcement, executives have the option to apply risk assessment techniques to **tax inspection**.

Inspiring example: Austria’s ‘Fair Play’ inspections in the 1st business year

The majority of Europe’s enterprises are sole traders that do not **employ staff**. In some cases, this arrangement suits the entrepreneur or the sector’s business model (self-employment), but in others, it is a conscious choice, because the extra burden of dealing with bureaucracy (withholding taxes & social contributions, health and safety obligations, reporting & consultation requirements) is seen by the entrepreneur as outweighing the benefits of expansion. A clear framework of rights in the workplace is essential; the key question is how labour regulations are implemented and enforced.

Inspiring example: Finland’s Palkka.fi, which helps small businesses & households to fulfil all their employer obligations electronically & interactively

Not every enterprise needs to **apply for permits** to perform its business activities, but it can be a daunting and time-consuming process for those that do. For example, building controls are necessary to safeguard public safety and strengthen property rights but excessive bureaucracy and delays in construction permits can encourage illegitimate and unethical activity. Various reform options are available, including:

Potential reforms to issuing construction permits

- ✚ Ensuring building rules are consistent and comprehensible;
- ✚ Orientating the system to outcomes (performance requirements), rather than inputs;
- ✚ Streamlining the number of agencies involved in approval and inspection, including through a one-stop shop approach;
- ✚ Using risk-based systems, whereby simpler and less risky structures require fewer inspections than more complex or high-risk structures (such as hotels);
- ✚ Moving to passive approval for low-risk structures, only requiring notification that construction has commenced, rather than active approval-seeking in advance
- ✚ Reducing the steps to obtain approvals, by eliminating requirements or by merging procedures, so that they are performed in parallel;
- ✚ Setting time limits for decision-making by the administration, and applying the principle that silence implies consent.

Another specialist area is the approval of environmental permits, and follow-up compliance and inspection obligations. Depending on the legislative framework and the specific environmental media, this can involve a complex and confusing web of agencies at the national and local levels. Similarly, it should be feasible to simplify and streamline licensing regimes for manufacturing industry, by shortening the procedure, reducing the cost, moving from ex ante to ex post checks, and putting the application process online.

Inspiring example: Austria's EDM Environment, a cloud-based, e-Government solution

Inspiring example: Licensing manufacturing activities in Greece

For new or established businesses that purchase land or buildings, the ease of **registering property** is important to ensure the asset can be put into productive use as quickly as possible, and to secure future access to credit as collateral. Rapid registration requires an effective public administration to converge with an efficient and high quality judicial system, reducing the steps in each procedure and the timescales for each one. Like permit applications, there is a case for setting legal limits on time taken. There is scope for using one-stop shops to present a common 'front office', and rationalising back office processes by removing document requests and approval stages, combining steps, digitalising and harmonising registries, and allowing online lodgement and transfer of documents. Electronic processing also strengthens title security, as it makes it easier to spot errors and overlapping titles. It can take several years of progressive adjustments to achieve wholesale change.

Inspiring example: Digitalising & automating registration in Denmark

The [Late Payment Directive 2011/7/EU](#) set a 30-day limit for all payments by public authorities for procured goods & services, or 60 days in very exceptional circumstances.

Addressing **late payments** is high on the EU agenda. Payment delays create liquidity problems that impede investment in expansion, but more fundamentally, endanger the existence of the business itself, especially SMEs. Public authorities can have no excuse for late payment, except for poor budgetary planning and execution, especially with regards to public procurement, and yet the problem is prevalent. To accompany the EU's late payment information campaign, some Member States have established national websites on late payment, to give more prominence to obligations and entitlements (interest & compensation). Several have adopted specific measures to accelerate the payment of arrears, such as allocating extra funds to debtor entities at central, regional and local levels.

About 50% of EU businesses expect reduced growth prospects due to late payments. The public sector remains the slowest payer, with average length of payment at 58 days. (European Payment Index 2014)

6.2.3 Trading across borders

Efficient trade facilitation at border crossing points is a critical factor in business performance in international markets. Businesses trading within the EU's Customs Union benefit from an internal market of almost 500 million people, and face very few additional administrative demands compared with trading within national markets, the main exception being the collection of intra-community trade statistics, which can be simplified wherever possible.

Inspiring example: Raising reporting thresholds in Germany

Looking beyond the EU's boundaries, 80% of world trade happens within global value chains coordinated by transnational corporations (TNCs), according to the United Nations' UNCTAD. Excessive red tape and overly complex clearance procedures that drive up costs are not just inconvenient, but also an impediment to investment, as TNCs will choose to locate their operations and source their supplies elsewhere to ensure they remain competitive. Some Member States have sought to **speed up and simplify** cross-border trade by streamlining procedures and reducing the number of documents required for import-export and transit, or investing in the physical and IT infrastructure at the border crossing points. These reforms not only reduce preparation and waiting times for traders, but also lower the potential for unethical behaviour.



See also topic 2.3 on tackling corruption through simplification

The calculation for policy-makers is how best to ensure the smooth flow of cross-border trade without sacrificing other policy interests, such as tackling organised crime, illegal migration, smuggling and human trafficking, protecting national security and preventing the spread of human, animal and plant diseases. The answer lies in integrated border management with strong inter-agency cooperation between border police, visa control, customs administration, and sanitary, phytosanitary, and veterinary inspections. **Goods inspection** can also be streamlined using risk management techniques, to enable more efficient use of customs resources by concentrating on "high-risk" movements of goods and making customs clearance more predictable.

Inspiring example: Risk-based trade control system in Turkey

The solution to smoother administration and multi-agency collaboration is **e-Customs**, which is well advanced in many Member States. The ongoing developments under the MASP offer many advantages to traders at a pan-European level, including access to the EU Customs Information Portal, the opportunity for simplified procedures under the Authorised Economic Operator (AEO) system, the potential to receive preferential tariff rates as Registered Exporters, and the availability of an online one-stop shop for customs procedures through Single Electronic Access Points (SEAPs). These front-office benefits are underpinned by behind-the-scenes developments which strengthen back-office functions, including the Risk Management Framework and the Integrated Tariff Environment. However, the full benefits of this OSS will only be felt when operators across the whole EU are *also* able to enjoy 'once only' submission of *all* regulatory documentation which is then seamlessly transferred to *all* relevant agencies through the **Single Window**, which will not be complete until every *national* single window is operational and interconnected.⁷³

Inspiring example: Paperless Customs & Excise in Luxembourg

The [Multi-Annual Strategic Plan \(MASP\)](#) sets out the ways in which the Commission & Member States will set up secure, integrated, interoperable & accessible electronic customs systems for data exchange.

As well as trade in goods, **cross-border online data flows** are increasingly vital to business operations. As the 2014 Swedish Board of Trade study "[No Transfer, No Trade](#)" shows, public administrations are starting to become alert to the potential impediments from local storage and 'forced localisation', as well as issues around data privacy and protection.

⁷³ See footnote on [topic 5.3.1](#) on one-stop shops.

6.2.4 Dealing with insolvency & second chance for honest entrepreneurs

Enterprises go out of business all the time, due to better competitors, economic downturns, shrinking markets, obsolete products, over-rapid expansion by the entrepreneur, problems accessing finance, or many other factors. This is especially the case with new and young businesses: around half of enterprises survive less than five years.

The trigger for business collapse is almost always when an enterprise is unable to meet its obligations: it is cash-flow insolvent. Some entrepreneurs foresee that situation before it arises, and seek to manage the business down before they default. Others face more immediate financial distress and have to deal with their creditors, either voluntarily or following legal action. All countries have **laws and institutions** to handle insolvency, which usually present a range of options for both creditor and debtors to take action. All systems seek to safeguard creditors in some form, otherwise businesses would find it harder and costlier to access finance, supplies and services.

A quarter of the EU's insolvencies are cross-border (a debtor's assets or liabilities are located in more than one state or the debtor has creditors from other Member State or is subject to the jurisdiction of courts from two or more states). The Commission has proposed a new Directive on [preventive restructuring frameworks, second chance and measures](#) to increase the efficiency of restructuring, insolvency and discharge procedures. [EU Regulation 2015/848](#) on Insolvency Proceedings obliges Member States to set up domestic electronic insolvency registers by 2018. The Commission will establish an electronic interconnection of insolvency registers by 2019, available on the [European e-Justice Portal](#).

It is typically in every party's interest that enterprises continue to operate as going concerns, if the business can be made viable again. This puts the onus on **work-out, not wind-up**. This approach to insolvency proceedings places the priority on restructuring businesses in financial difficulties and restoring them to financial health. Some Member States make provisions in their insolvency

In 2014, DG Justice published a [comparative overview](#) of proceedings in Member States aimed at rescuing companies & individuals in financial difficulties.

proceedings to incentivise business rescue and reorganisation. Others have gone a step further by taking a preventative stance: better to step in early when the enterprise identifies it is facing difficulties, and help to steer it back to viability. At the same time, policy-makers must

recognise that not all businesses can be saved, so there must be a mechanism to enable their **orderly closure**, and this process should be as efficient, transparent and predictable to all parties. Given the

Inspiring example: Improvement of insolvency procedure in Latvia

costs, time and value-destruction involved in litigation, it is preferable to seek out-of-court solutions, where possible. Some Member States have introduced reforms in recent years to speed up the process of insolvency, to avoid tying up time in claim and counter-claim by creditors and debtors, and to free up business assets for more productive use.

Inspiring examples: Bolstering reorganisation within the insolvency framework in the Czech Republic & Italy; Denmark's Early Warning System

Laws should incentivise good business practice and discourage dishonesty and recklessness. But policy-makers should also ensure insolvency proceedings are fair and do not discourage entrepreneurial flair. As well as the potential personal costs,

In a [2012 survey](#), 43% of the EU public said the risk of going bankrupt would make them afraid of setting up a business, 82% felt that honest entrepreneurs should be given a second chance.

there is a social stigma to bankruptcy. In the event of closure, there should be a proportionate, not punitive, period to **discharge honest ex-owners from bankruptcy** and allow them to start-up in business again. The Commission's proposed Directive sets a maximum discharge period of three years.



6.3 Conclusions, key messages and inspiration for future action

The main messages from this theme (within the wider context of themes 1, 2, 5 and 7) are:

- 🏗️ Recognise the rightful place for regulations among the policy instruments for influencing business behaviour (on competition, pollution prevention, standards, protecting investors, innovators, contractors and creditors), but also the compliance costs; don't create or cut regulations without considering the consequences;
- 🏗️ Perform impact assessments (including competitiveness proofing and SME tests from theme 1) on the regulatory flow, and fitness checks on the regulatory stock, to mitigate the risk of excessive rules on business;
- 🏗️ As administrations face choices in executing and enforcing necessary rules, commit to excellence in service delivery, simplify implementation as far as possible, and choose delivery channels that match the way that businesses operate, to minimise the burden;
- 🏗️ Adopt a pro-business perspective, sympathetic to the cause of enterprise while maintaining objectivity and impartiality;
- 🏗️ Make services to business available through one-stop shops, including strengthening the PSC network, and make progress with e-Services for life events, given the vast majority of enterprises has Internet access and the interactions are less diverse in nature than for citizens.

Like citizens, each business is unique. An enabling environment can tailor public services to the enterprise's circumstances, rather than the administration's convenience.

Theme 7: Quality justice systems

An effective justice system is a fundamental right of citizens, as well as underpinning business confidence, job creation and economic growth. Enabling entrepreneurs to protect their rights, settle their contracts, and recover their debts is vital for enterprise, investment, innovation and fair competition. Across the EU, mutual understanding and trust in justice systems - their quality, independence and efficiency - is essential to the functioning of the internal market. Quality, independence and efficiency are the key components for an effective justice system, a **fundamental right of citizens**, enshrined in Article 47 of the [Charter of Fundamental Rights of the European Union](#) and in Article 6 of the [European Convention on Human Rights \(ECHR\)](#).

Trust in justice underpins business confidence, job creation, and **economic growth**. Effective justice systems create the right climate for enterprise, investment and innovation, ensures fair competition, and reduces transaction and borrowing costs, by enabling entrepreneurs to protect their rights, settle their contracts, and recover their debts. Each EU member state has its own legal tradition and unique justice system to administer civil, criminal and administrative law. At the same time, mutual understanding and trust in each other's judicial administrations is the foundation of the internal market's operation. It provides the reassurance for enterprises to set up, employ and trade, and for the public to move, work and buy across borders. Whatever the model of the national justice system or the legal tradition in which it is anchored, independence, quality and efficiency are the essential parameters of an effective justice system and need to be ensured.

See the [EU Justice Agenda for Europe 2020](#), and the Commission's [Justice Programme for 2014-2020](#)

Timeliness of outcome is essential for all parties which demands efficiency ('justice delayed is justice denied'), but too great an emphasis on the speed of the process can lead to miscarriages of justice ('justice hurried is justice buried'). An **effective justice system** manages to integrate three essential elements: quality, independence, and efficiency. This theme looks at how judiciaries assess their functioning, quantitatively and qualitatively, to inform ongoing improvements and innovations. In that respect, it is important to underline that any justice reform should uphold the rule of law and comply with European standards on judicial independence.

See EU's [Justice Scoreboard](#) - an information tool to achieve more effective justice by providing objective, reliable and comparable data on justice systems in all Member States on an annual basis.

Key questions for theme 7	Ways and tools to strengthen capacity
7.1 How can the functioning of the judicial system be assessed, and its quality and efficiency enhanced, drawing on intelligence from inside and outside the judiciary, to meet the expectations of citizens and other users?	<ul style="list-style-type: none"> ✚ Performance monitoring & reporting ✚ Performance evaluation ✚ Quality groups ✚ Satisfaction surveys & other consultation techniques ✚ Quality management systems
7.2 How are judiciaries maximising access to justice under civil and commercial law, including Europe-wide case law?	<ul style="list-style-type: none"> ✚ Information for court users ✚ Media relations ✚ Court coordinators & case law databases ✚ Alternative dispute resolution (arbitration & mediation)
7.3 How are justice systems being modernised , so that the judicial process is better, faster and more	<ul style="list-style-type: none"> ✚ Process re-design ✚ e-Justice

Key questions for theme 7	Ways and tools to strengthen capacity
cost-effective, especially across the European judicial space?	<ul style="list-style-type: none"> ✦ e-CODEX ✦ e-SENS
7.4 How can judges, prosecutors, court administrators and other legal professionals keep up-to-date with the latest legislative developments and changes in the operating environment through training and continuing professional development ?	<ul style="list-style-type: none"> ✦ Training needs analysis ✦ Curricula and training plans ✦ Training methodologies ✦ Training tools to apply EU law ✦ Training assessment

7.1 Assessing and enhancing functioning

Before you can strengthen the quality of any system, you need to understand its functioning - its strengths, stress points and bottlenecks. In seeking to drive up standards, the starting point is to find out the current position and the factors behind it, to feed this information into forward planning, and to follow changes over time.



See also topic 1.3 on monitoring & evaluation

All Member States are now engaged in some form of performance measurement and monitoring, using indicators - and increasingly ICT - to gather and analyse information on the effectiveness of the justice system. Increasingly, this assessment is going from the quantitative into the qualitative, based on internal and external dialogue with court users to answer the questions:

Driving up standards

- ✚ Is the justice system performing to expectations, demonstrating efficiency and delivering quality outcomes?
- ✚ If not, what needs to change?

Raw data is important, but it needs interpretation. This has led judiciaries to employ techniques such as establishing quality groups from within the system (judges, prosecutors and court staff), to consult citizens and other court users (lawyers, notaries, expert witnesses, etc.) and to introduce quality management systems found elsewhere in the public and private sectors, which emphasise an ongoing process of feedback, reflection and improvement.

7.1.1 Monitoring and evaluation

Member States are increasingly using performance data to assess and improve the efficiency of their justice systems. Regular monitoring of daily court activity is commonplace in all EU Member States, according to the 2016 EU Justice Scoreboard. For the vast majority, this data and other information is used specifically for management purposes, by identifying **performance indicators** to assess the proper functioning of their courts, including some or all of the following:

- ✚ Number of incoming cases;
- ✚ Length of proceedings;
- ✚ Number of closed cases;
- ✚ Pending cases and backlogs; and
- ✚ Productivity of judges and court staff.

The efficiency of the court system can be assessed by calculating two composite metrics from the number of incoming, resolved and unresolved cases, namely clearance rates and disposition times.

Inspiring example: Slovenia's Judicial Data Warehouse & President's Dashboards Project; managing efficiency in the judicial system - the Stasis-ECRIS project (Romania)



See also topic 5.1 on e-Government & topic 7.3 on e-Justice

To manage performance in real-time relies on ready access to reliable information. **ICT** is revolutionising data collection, interrogation and dissemination. Instead of the old paper-based systems, completed by hand

and posted to a central location for manual entry into a database, ICT allows each court to submit information directly and automatically, subject to statistical quality control. Data processing can be highly dynamic and flexible online, mined and manipulated to deliver analytical reports on demand.

The key phrase in the Slovenian case study is ‘from statistical reporting to strategic management’. The value of performance indicators comes from their **interpretation**. Performance indicators can be used for snapshot comparisons (cross-sectional), or tracked over time to examine trends and the effects of changes (time series). Comparisons should be made with care and treated with caution, however. Headline metrics need evaluation to add meaning as they do not take account of the variety or complexity of individual cases, the legal instruments available (including simplified procedures) or wider contextual factors such as increases in criminality or a tendency to litigate, the introduction of new laws, etc.

The performance of the justice system goes beyond efficiency, of course. Justice is not just a case of timely judgements, but also robust ones – well-reasoned, correct and fair. Quality criteria which incorporate *all* aspects of the judicial process can be used to review and reflect on performance, by establishing **quality groups** (judges, court administrators, prosecutors and their staff) in a process of evaluation and improvement.

Inspiring example: ‘Quality Project’
in Rovaniemi courts, Finland

Example of quality benchmarks

Aspect	Quality criteria
The process	<ul style="list-style-type: none"> ✓ The proceedings have been open and transparent vis-à-vis the parties. ✓ The judge has acted independently and impartially. ✓ The proceedings have been organised in an expedient manner. ✓ Active measures have been taken to encourage parties to settle. ✓ The process has been managed effectively and actively (both procedurally and substantively). ✓ The proceedings have been arranged and carried out so that a minimum of expenses is incurred by the parties and others involved in the proceedings. ✓ The proceedings have been organised in a flexible manner; ✓ The proceedings are as open to the public as possible. ✓ The proceedings have been interactive.
The decision	<ul style="list-style-type: none"> ✓ The decision is just and lawful. ✓ The reasons for the decisions should convince the parties, legal professionals and legal scholars of the justness and lawfulness of the decision. ✓ The reasons are transparent. ✓ The reasons are detailed and systematic. ✓ The reasons of the decision are comprehensible. ✓ The decision should have a clear structure and be linguistically and typographically correct. ✓ Oral decision should be pronounced so that it can be, and is, understood.
Treatment of the parties & public	<ul style="list-style-type: none"> ✓ The participants in the proceedings and the public must at all times be treated with respect to their human dignity. ✓ Appropriate advice is provided to the participants in the proceedings, while still maintaining the impartiality and equitability of the court. ✓ The advisory and other services to those coming to court begins as soon as they arrive at the venue; ✓ The participants in the proceedings are provided with all necessary information about the proceedings. ✓ The communications and public relations of the court are in order, where necessary. ✓ The lobby arrangements at the Court are in accordance with the particular needs of various customer groups.
Promptness of proceedings	<ul style="list-style-type: none"> ✓ Cases should be dealt with within the optimum processing times established for the organisation of judicial work. ✓ The importance of the case to the parties and the duration of the proceedings at earlier stages

Aspect	Quality criteria
	<ul style="list-style-type: none"> have been taken into account when setting the case schedule. ✓ The parties also feel that the proceedings have been prompt; d) time limits that have been set or agreed are also adhered to.
Competence & professional skills of the judge	<ul style="list-style-type: none"> ✓ The judges take care of the maintenance of their skills and competence. ✓ The judges attend continued training sessions. ✓ The judges' participation in training is subject to agreement in annual personal development talks. ✓ The court has specialised judges. ✓ The parties and the attorneys should get the impression that the judge has prepared for the case with care and understands it well. ✓ The judges participate regularly and actively in judges' meetings, in quality improvement conferences and other work of the Quality Working Groups.
Organisation & management of adjudication	<ul style="list-style-type: none"> ✓ The organisation and management of adjudication are taken care of with professionalism and they support the discharge of the judicial duties of the court. ✓ The assignment of new cases to the judges is methodical and carried out in a credible manner. ✓ The specialised competence of the judges is also utilised in the processing of cases. ✓ Adjudication has been organised so that the use of reinforced compositions is de facto possible. ✓ Personal development talks are held with every judge, every year. ✓ The court should have a methodical system for the active monitoring of case progress and for taking measures to speed up delayed cases. ✓ The security of the participants in the proceedings and of the court personnel is guaranteed. ✓ The responsibility of the management of the court for the judges and other staff not being overloaded with work.

Note: This listing is a summary from Finland's Rovaniemi courts, and not exhaustive.

7.1.2 Consulting with court users

As a public service, the judiciary is ultimately **accountable to the citizenry**. In the words of the [European Court of Human Rights \(ECtHR\)](#), “public confidence in the judicial system ... is clearly one of the essential components of a State based on the rule of law”. Once the public loses faith in the judicial system, due to inconsistent decision-making or perceived lack of independence, it is hard to rebuild that trust. Increasingly, European judiciaries recognise the value of dialogue in maintaining a consensus that justice is being delivered and is seen to be done. If legitimate concerns materialise, then remedial action can be taken in time. This requires courts to become outward-looking and to view the carriage of justice as a service to the public. This raises three questions:

- ✚ What do users expect from the justice system?
- ✚ What standards of service delivery should courts be setting?
- ✚ Does the service match those expectations and standards?

Across the EU and beyond, **satisfaction surveys** are increasingly commonplace - not with the outcome of judgements, of course, but with the system and the process (before, during and after).

CEPEJ has produced a [model survey and methodological guidance](#).

Such surveys can cover a wide range of court users, either directly or indirectly involved in the court proceedings often on a targeted basis: judges, court staff, public prosecutors, lawyers, parties, witnesses, jury members, relatives, interpreters, experts, representatives of government agencies, etc.

Usually starting with anonymised information to establish the respondent's role in the proceedings (including if plaintiff or defendant, whether the judgment found in their favour), examples of questions for **direct court users** might include:

Potential survey questions for direct court users

- ✚ How accessible was the court (access, signage, waiting conditions)?
- ✚ Were the proceedings clear?
- ✚ How satisfied were you with information on the court system and/or your rights?
- ✚ How quickly was the case dealt with (time lapse between summons and hearings, punctuality of proceedings, delivery of decision, etc.)?
- ✚ What was your experience of the judge, prosecutors and non-judicial court staff (attitudes, politeness, competence)?
- ✚ Whatever the outcome, was the court process impartial?
- ✚ Was the judgment and reasoning well-communicated?
- ✚ To what extent do you trust the justice system?
- ✚ Were you informed about how the judgment rendered will be enforced?

Inspiring example:
Customer service strategy
for Ireland's courts

Some judiciaries are selecting from the much **wider menu of measures** employed by public administrations to assess the effectiveness, efficiency and user-centricity of their service delivery, including: user groups and panels; mystery shopping; and comments and complaints procedures. This enables court administrations to get a more rounded picture of the user experience. As the example of Ireland demonstrates, there is also scope for judiciaries to sign up to pre-defined standards through 'customer service charters'.



See also topic 5.1 on user needs and expectations, and topic 5.5 on customer satisfaction

7.1.3 Moving to total quality management

Quality criteria, internal dialogue through quality groups, and external consultation on service performance are all building blocks for total quality management (TQM) within organisations. In



See also
topic 4.2 on TQM

common with many public administrations throughout Europe, EU judiciaries are turning to quality management systems (QMS) to strengthen their service delivery and resource management. Judicial

Inspiring example: Implementing
& evaluating quality service
delivery in Lithuania's courts

administrations are applying models such as ISO 9001, the Common Assessment Framework and the Customer Service Standard, to improve quality but also enhance public trust in their institutions.

7.2 Improving access to justice

Access to an effective justice system is a fundamental right under the EU Charter of Fundamental Rights and the ECHR, as well as the foundation of a functioning democracy and prospering economy. This accessibility is put at risk when court proceedings are too intimidating, too hard to understand, too expensive, or too time-consuming. It is undermined when the legal representatives of citizens and businesses are not able to get full and easy access to the case law that allows them to perform as advocates. Good practice dictates that judiciaries search for ways to explain court processes and judgments in plain language, to inform the general public and lawyers on legal precedents, and to promote voluntary alternatives to court which are potentially faster, cheaper and more conciliatory in the service of justice.

7.2.1 Explaining court processes and decisions

Judiciaries are becoming more pro-active in not only listening to court users, but also developing and delivering communication policies with a mission to inform, explain and educate. Such policies concern relations with the public, the media and those involved directly in court proceedings - the subject of an [Opinion on Justice and Society](#), published by the Consultative Council of European Judges in 2005.

The quality of judgements is affected by a range of factors, not least the willing participation of citizens, who can find the judicial process to be a daunting prospect. Increasingly, countries are finding ways to provide information to court users on judicial proceedings in advance, with respect to relevant laws, the court process and legal procedures, including expected timeframes. The first step is to provide ready web-based access to laws, procedures, forms and documents, and then to help users to navigate the courts and understand better the proceedings and the roles of its main actors.

Inspiring examples:
Communication strategy of the Latvian court system; User Services Office in the Regional Court of Warsaw; Estonia's justice portal www.kohus.ee; dialogue to improve court performance in the Court of Appeal in Western Sweden

Inspiring examples: Media relations in the courts of Germany's Baden-Württemberg; court communication with the media & public in Poland

One aspect of better communication is the court's relationship with the media as the conduit for connecting with the public, and seeing the rights of the press and other media to access information as a cornerstone of the judiciary's democratic accountability. Similarly, there should be a drive to explain judgements in more user-friendly language, to ensure that judicial decisions are well understood by all parties.

7.2.2 Ensuring access to case law

Justice is better served when:

- ✚ Legal representatives have all the necessary information to present their cases fully and represent their clients' interests fairly.
- ✚ Judges are fully informed on relevant case law at the European level before making pronouncements.

EU case law is transforming national law in the fields of administrative, labour, civil and commercial law. Several Member States have introduced systems to collect and disseminate EU case law around their national court systems.

Inspiring examples: The Netherlands' Eurinfra model; Romania's EuroQuod and open access to case law

Typically, the centrepiece is a network of court coordinators that act as key reference points. The network is complemented by a digital database of case law references, usually accessible by internet, and accompanied by judicial training and possibly regular network meetings.

The EU Council invited Member States and EU institutions to introduce the ECLI, to make it easier and quicker to search for judgments from European & national courts.

EU courts and Member States have also been aided by the creation of the [European Case Law Identifier \(ECLI\)](#), with the goal of unifying the format for identifying case law in different national databases, alongside a minimum set of uniform metadata for case law to improve search facilities. Each Member State decides whether, and to what extent, it will use the ECLI system (for example, it might apply retroactively to historical records), including the number of participating courts (all courts, only supreme court level, etc.). The ECLI is a purely voluntary arrangement, but the benefits increase considerably with more participating Member States.

7.2.3 Increasing access to alternative dispute resolution methods

Alternative dispute resolution (ADR) methods means non-court proceedings to resolve cases, the two main forms being arbitration and mediation. Both are voluntary in nature and structured in method, and involve a third party operating as an intermediary: the arbitrator acts in effect as a judge but outside the court system, listening to the arguments from both parties and proposing a settlement which is typically binding, but in exceptional cases may be advisory only; the mediator tries to a consensual resolution and may put forward their own proposal for a settlement, but this is never imposed, it is the parties' prerogative to agree the way forward.

ADR methods can be instigated by the parties *before* they proceed to court or *after* proceedings have commenced. In principle, ADR methods have many **advantages** over litigation in civil, commercial or administrative cases, typically: reducing costs to the parties; offering greater flexibility in procedure; providing more privacy and control to the parties; potentially resulting in speedier resolutions; and settling on solutions which should meet each side's interests. For the

A [2013 Flash Eurobarometer survey](#) found that roughly 9 out of 10 people in dispute with a business, public administration or another citizen would seek an agreement out of court, if that option was available.

judiciary, ADR methods free up court time and saves costs. There is a growing argument for re-framing voluntary ADR methods as "appropriate" dispute resolution, which encompasses all the relevant options for conflict resolution, and gives parity to litigation and to non-court methods.

Mediation can be especially expedient in **cross-border disputes**, such as family conflicts between residents in different EU countries, consumer disputes with traders over purchases of goods or services, or trade disputes over import-exports, where an amicable settlement is preferable to a long drawn-out legal battle. Without ADR, such cases face a potential risk that litigants and their legal representatives become embroiled in costly court proceedings in contrasting legal systems, due to language differences, unfamiliarity, uncertainty of outcome, etc.

The [Mediation Directive](#) is applicable to a wide range of cross-border disputes concerning all civil and commercial matters, with specific exceptions & exclusions. It creates obligations on Member States within its scope.

At present, however, the practical application of mediation across the EU remains very low. A [European Parliament study](#) found that mediation in civil and commercial matters is still used in less than 1% of cases, despite the proven benefits. One of the few Member States with long-standing experience in mediation is Denmark, which introduced it as an option for civil cases in 2008. Even in Denmark, mediation comprises just 2% of civil cases, but has proved a valuable instrument even when the two parties do not reach agreement, by clarifying facts and legal and personal issues that enable the court case to be closed quite rapidly after the mediation has ended.

Inspiring example:
Mediation in Denmark

Member States were obliged to transpose [Directive 2013/11/EU on consumer ADR](#) by July 2015; the EU-wide [ODR platform](#) under the [Regulation 524/2013 on Online Dispute Resolution \(ODR\)](#) was launched in February 2016.

ADR across the EU has been boosted by the adoption of the Consumer ADR Directive, under which 'ADR entities' (service providers) are available to resolve disputes between EU consumers and EU businesses over the purchase of goods and services made offline or online, domestically or across borders. Neither businesses nor consumers are obliged to use ADR under

the Directive, but each Member State must ensure ADR is available if both parties agree to use it, for disputes in any retail sector. As a complementary initiative, the Regulation on Online Dispute Resolution mandated the Commission to establish an ODR portal for contractual disputes between EU consumers and EU traders that arise from online transactions: an interactive and free-of-charge website offering a single point of entry. It will allow consumers and traders to submit their cases by filling in an electronic complaint form, available in all the EU's official languages, and attach relevant documents. Once the two parties agree on the ADR entity that will handle their dispute, the ODR platform automatically sends it the dispute.

A European Commission survey in 2010-2011 found that more than 7 in 10 businesses that had used ADR were satisfied with their experience, over 8 in 10 would use it again, and 7 in 10 would prefer ADR than going to court to settle disputes.

7.3 Modernising justice systems

Like governments, judiciaries are finding ways to simplify and speed up administration, to re-engineer their processes, and to take advantage of computing and networking power, in order to manage the judicial process better, faster and more cost-effectively. As with citizens who travel and work in other EU countries, and businesses that invest and trade, justice also cuts across boundaries, and hence cross-border justice is an integral and increasing element of modernising judicial systems.

7.3.1 Re-designing processes

Inspiring examples: Italy's diffusion of best practice in judicial offices, and organisational & process transformation in the Court of Monza; reorganising business processes in Slovenia through the Triage project

Like their counterparts in government, judiciaries are increasingly looking to creative solutions to make their administrative processes more efficient, but also more 'user-centric'. Administrative simplification and process re-design is both an intermediate



See also topic 5.3

step towards e-Justice, and sometimes an end in itself that secures its own time and cost savings. Some judiciaries have used the results of performance measurement to initiate substantial changes in procedures. Self-reflection can be the catalyst for sharing good practices across courts within Member States, leading to the re-engineering and digitalisation of systems and operations, including:

- ✚ Analysis and redesign of single processes;
- ✚ Redesign of forms to be user-friendly (e.g. incorporating bar codes for digital processing);
- ✚ Online tracking of dossiers and notification of case status to parties by email and SMS;
- ✚ Introduction of websites and other digital platforms (social media) to communicate with citizens and businesses;
- ✚ Forging cooperation arrangements with other institutions and civil society organisations.

Such actions can produce **profound results**, by improving cooperation among prosecutors, judges and clerks and eliminating non-essential activities, thereby eradicating backlogs, reducing waiting times, and increasing confidence in the justice system.

7.3.2 Moving to e-Justice



See also
topic 5.4

ICT is playing an increasingly pivotal role in justice administration and service delivery. Overall, 3% of the court budget of European members was devoted to **computerisation** in 2014, according to CEPEJ. As well as its contribution to

performance monitoring and management and communicating with the public, the main applications of ICT within the European court system have been identified by CEPEJ in three distinct areas:

Inspiring example: Access to information & court rulings in Poland; the Latvian courts' e-Services portal

- ✚ Computer equipment used to directly assist judges and court clerks;
- ✚ Electronic systems for the registration and management of cases;
- ✚ Secure electronic communication and information exchange between courts and their environment.

Inspiring examples: Estonia's E-File central database & case management system; Slovenia's EVIP communications hub for court logistics; audio protocols in Latvian courts

The electronic storage, processing and transfer of information can produce huge time and cost savings over paper-based systems. Member States have demonstrated the benefits of linking up the information systems (IS) of multiple law enforcement authorities **within the administration** (e.g. courts, prosecutors, police and prison services), also with the statistics office, subject to achieving interoperability of the various IS, and ensuring data security. The benefits of connectivity can also be extended **outside the administration**, such as two-way communication between judiciaries (courts and tribunals) and legal professionals.



7.3.3 Cross-border justice

The power of ICT extends beyond joined-up administration in one country. About 10 million EU citizens have already been involved in cross-border civil litigation, which can be a daunting experience. e-Justice can facilitate cross-border co-operation among European judiciaries, to help citizens, businesses and governments overcome the barriers and bottlenecks to accessing justice in other jurisdictions.

The <https://e-Justice.europa.eu> portal is owned jointly by the Commission and every Member State with information, guidelines, online forms & signposting for citizens, lawyers & legal authorities.

A good example is **small claims procedures**, which is a potential 'life event' for citizens which can involve seven individual public services from orientation (establishing rights, how to claim) and initiation to sharing evidence / documentation, following the case, retrieving the verdict and appeal.

www.e-codex.eu is an e-Justice project with 14 Member States (and 1 associate) to achieve interoperability between national judicial systems, starting with 3 purely paper-based procedures: small claims, the European Payment Order, and the European Arrest Warrant. It is now being taken forward under www.esens.eu. Further support to e-Justice is laid out in the [eGovernment Action Plan](#).

Cross-border claims up to €2000 have been simplified and accelerated by the European Small Claims Procedure, which includes an online option; judgements are recognisable and enforceable in other Member States. However, *"few countries enable citizens to start this procedure online and safely exchange information with the judicial authorities during the course of the procedure. At the moment, there is the risk that citizens cannot properly find what they are looking for, nor understand it ... Judicial procedures can be lengthy and complicated, making it even more important to manage the*

expectations of citizens starting such procedures and to guide them through the process."⁷⁴ e-CODEX can act as a secure and reliable platform to exchange documents and data between citizens, businesses, governments and judicial authorities on a national and cross-border level.

⁷⁴ European Commission's [2014 eGovernment benchmarking study](#)

7.4 Training and continuing professional development

The decisive factor in the quality of the justice system will always be the knowledge and competence of judges, prosecutors, court administrators and other legal professionals. Europe's judiciaries face an ever-evolving challenge to keep up-to-date with the latest developments in the body of law, whether their domestic legislation, or EU regulations, directives and jurisprudence. The same people must also administer or adjust to the radical changes in the operating environment that arise from managing performance, by ensuring timely procedures, explaining the law in an understandable manner both to the parties and to the public, establishing ADR, exploiting computerisation and enabling e-Justice across borders. In this climate, training at all levels and all stages, including continuing professional development (CPD), is a vital tool in the modernisation of the judiciary in the service of the public. According to the 2016 Justice Scoreboard, however, just 1% of court budgets was spent on judicial training in Europe in 2014.

In 2011, the Commission set a minimum target of 50% of legal practitioners (700 000) being trained in EU law by 2020. In 2014, at least 132,000 took part in training activities on EU law or the national law of another Member State.

The importance of judicial training to building mutual trust in each other's justice systems was recognised in the [Lisbon Treaty](#), the [2010 Stockholm Programme](#) and the EU Justice Agenda for Europe 2020. The European Commission's [Communication of September 2011](#) reinforced this momentum to strengthen European judicial training, as well as peer-to-peer exchanges of experience and expert practice. The 50% target is reachable through the common efforts and shared responsibility of all stakeholders: Member States, Judicial Councils, European and national judicial training bodies, and the legal professions themselves at national and European level. In June 2016, the European Judicial Training Network (EJTN) accepted "[nine principles of judicial training](#)" that clearly state the different responsibilities of the actors concerned for the training of judges and prosecutors. The Commission is committed to increasing the funding available for European judicial training as a priority under the 2014-2020 financial framework.

The Commission carried out a [pilot project](#) to identify best practices in training legal practitioners in EU law and national legal systems & traditions, leading to a [workshop](#) and [factsheets](#).

7.4.1 Training needs analysis

Training needs analysis (TNA) is the first phase of the training cycle, and is a structured and systematic process that can be applied to organisations, functions (e.g. civil judge, court president, mediator) and/or individuals. TNA evaluates skills requirements, by comparing the current competences against the desired state, and determining the gap in knowledge to be closed.

Inspiring examples: Use by the Academy of European Law (ERA) and the European Institute of Public Administration (EIPA) of pre-training questionnaires to identify needs, to customise the programme, and to perform mid-term evaluations.

Many of the techniques used for assessing customer expectations of service delivery or citizens' experience of the justice system can be used



See also topics 5.1 and 7.1

for TNA: surveys (face-to-face, telephone, written, online), panels / focus groups, and feedback on previous training events. The analysis of individual responses from potential participants can be placed in a wider analytical context by talking to representative associations, studying ‘live’ professional practices in courts and administrative offices and/or anticipating legal and technological developments (such as the rise in citizen engagement, communication and use of ICT) to stimulate new thinking on skills development.

The TNA should form the basis of designing customised training programmes, including objectives, content and format (duration, content, modality, etc.) and provide criteria for their evaluation. Over time, the TNA should be regularly reviewed to ensure the programme remains relevant or is updated.

7.4.2 *Curricula and training plans*

Having identified needs, the next phase of the training cycle is to convert them into content, including scope, structure and sequencing of activities, combining theory and practice, legal and non-legal aspects (including leadership and ICT skills). Increasingly, judicial training is drawing on **multi-disciplinary techniques** (taken from economics, medicine, psychology, etc.) to accentuate the core components of the programmes, and to provide a wider socio-economic and cultural context, in line with the Council of Europe’s Recommendation 12 for judicial training, published in 2010. Other techniques include: placements (‘externships’) in bodies with some role in the legislative process during initial training; and role playing and reconstructions to simulate the ‘real world’ environment.

Inspiring example:
Combining disciplines in the delivery of training (Italy); training of assistant judges (Hungary)

Inspiring example:
Romania’s retraining of the judiciary in four new legal codes

Member States have also sought creative approaches to **large-scale training**, for example when there has been a major legislative development which needs to be communicated quickly, effectively and efficiently.

As well as the ever-evolving legal base, judges and court administrators face a changing workplace environment, given the developments in performance monitoring, user consultation, quality management, more effective communication and the digitalisation of court processes. This places a premium on **leadership skills and the management of change**. As with many other professions, technical proficiency in a position does not automatically translate into managerial ability. Excellence in court does not necessarily make a judge a natural manager of projects, people or finances. Management training is also delivered in some Member States through coaching and mentoring, which may suit better the style of some judges, prosecutors or administrators, as identified in the TNA. Other management training focuses on specific responsibilities or tasks, for example, project management, which is useful when planning complex ICT investments or the introduction of quality management systems.

Inspiring example:
France’s leadership & management training

7.4.3 Training methodology

Alongside training content, Member State judiciaries can be creative with training style and methodology when designing programmes. Many courses are deploying new styles of face-to-face training where personal contact is integral to the learning outcomes (for example, train-the-trainer, investigation, mediation, sentencing), and/or online and distance learning techniques (such as pod-casting, video-conferencing) that are cost-effective, flexible and can be tailor-made to suit the individual's training needs and circumstances. Other techniques use highly innovative methods to enable large groups to distil complex thinking or collaborate to identify a common set of options or ideas.

Inspiring examples:
Bulgaria's comprehensive online eLearning strategy;
the Snowball technique in England & Wales

7.4.4 Training tools to apply EU law

It is widely accepted that national judges and prosecutors need to be knowledgeable about EU law within the European judicial space, and acknowledged as a major gap to be filled. Many Member States are now using networks of coordinators, and several have access to comprehensive databases, to ensure there are reference points on EU law, and ideally also the legislation of other Member States, that can be accessed across their countries' court systems. These daily mechanisms for disseminating information are best backed up by judicial training, to gain broader awareness and deeper understanding, as promoted by the European Commission and its 2020 target (50% of legal practitioners trained in EU law). The pioneering Dutch Eurinfra model in the early 2000s is echoed in the practices of other countries.

Inspiring example: European Gaius system in Italy

Increasingly, EU law is not taught in isolation as a separate subject, but as an integral component of national law, cross-referring to EU directives and regulations. Various techniques have also been tried to integrate judicial training across borders, through joint programmes with neighbouring countries or regions, and to combine legal with language training, originating in Spain, to make it easier for judges, prosecutors and lawyers to understand other Member States' laws and traditions.

7.4.5 Training assessment

The evaluation of beneficiaries' experience of the training and/or the effect of the training activities completes the training cycle. It allows the trainer to check whether objectives have been met, competences improved and initial needs addressed, levels of satisfaction, what has worked well or not so well, and what could be done differently next time, including revealing new training needs. The ERA and EIPA examples of TNA include elements of follow-up and reflection on the findings. The pilot project cites the Kirkpatrick model, which classifies four levels of training evaluation, and specific tools and methods that are suitable to their application:

1. Reaction of trainees: what they thought and felt about the training
2. Learning: the resulting increase in knowledge or capability

3. Behaviour: the extent of improvement in behaviour and capability and its implementation/application
4. Results: the effects on the business or environment resulting from the trainee's performance

Evaluation contributes to continuous improvement; the first step is to ensure feedback. Several Member States have devised innovative evaluation tools to test the behavioural change and actual impact of training, which again can feed into needs analysis for designing future training programmes.

Inspiring examples: The Rapporteur in Belgium; Estonia's Case Law Analysis



7.5 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

- 📊 Improve functioning by assessing and understanding it, focusing first on how the findings will be utilised, before determining what is measured (key performance indicators) and how it is monitored (making best use of ICT for efficient collection and effective presentation), and ‘softening’ the interpretation of hard data with quality criteria;
- 📊 As quality is in the eye of the beholder, don’t just rely on metrics but also consult regularly within the administration and with ‘customers’ (legal professionals, parties and public), using techniques such as quality groups, surveys, panels and mystery shopping, and set standards (service charters) as benchmarks for user expectations and accountability;
- 📊 Utilise these inputs to upgrade capacity, capabilities and competences during each phase of the process: at the entry point (explanations of court functioning, easy access to forms and facilities, proper choice of dispute resolution mechanisms, electronic communication & case filing); during the judicial process (cognisance with EU law, e-Justice aids, performance monitoring); and at the case’s conclusion (communicating judgements, rulings online);
- 📊 Underpin the justice system with ongoing media relations, user-centric processes, and continuing professional development.

See also the conclusions on monitoring and evaluation (theme 1), promoting ethics & tackling corruption (theme 2), organisational development (theme 4) and process re-engineering (theme 5).

Theme 8: Public funds, procurement and EU funds management

In a time of ‘doing better with less’, administrations have even more of a duty than usual to make best use of public finances, which account for almost half of GDP across the EU. Spending public funds obliges the Government to make choices on priorities, through a regular budgetary cycle of planning, negotiation and implementation. Maximising the effectiveness and efficiency of public expenditure means securing the greatest value from these spending decisions, applying controls and avoiding waste, errors, fraud and corruption. Public procurement accounts for almost 30% of public spending, which highlights the importance of applying the principles laid down in the EU’s procurement rules: treating economic operators equally and without discrimination, and acting in a transparent and proportionate manner. The European Structural and Investment (ESI) Funds can represent as much as 4% of GDP, but also 100% of a Member State’s public investment in some policy fields. Around €4.2 billion has been assigned in 2014-2020 to achieving TO11 in 17 Member States with a combined population of around 183 million, as a major contribution to establishing good public governance.

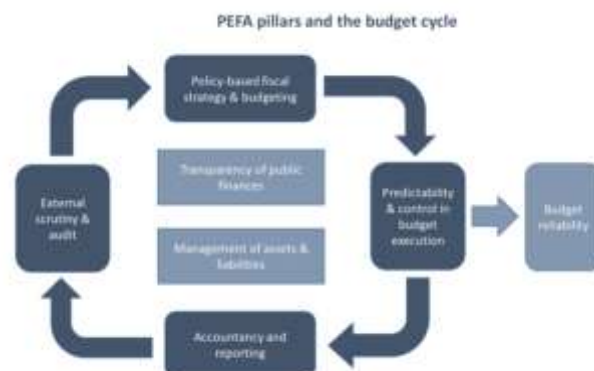


See also theme
2 on ethics & anti-
corruption

Key questions for theme 8	Ways and tools to strengthen capacity
How do public administrations ensure that they fulfil the principles of fiscal governance when managing spending ?	<ul style="list-style-type: none"> ✚ Input-based v performance-based budgeting ✚ Spending reviews ✚ Co-budgeting ✚ Annual v multi-annual budgeting ✚ Financial management & controls ✚ Budget information systems ✚ Public scrutiny, internal & external audit
Given public procurement ’s high share of government expenditure, how can public administrations make it more efficient and accessible, especially to SMEs and across borders, and use its leverage to boost innovation?	<ul style="list-style-type: none"> ✚ Simplified procedures ✚ Cross-border procurement ✚ End to end e-Procurement ✚ Green public procurement ✚ Socially responsible public procurement ✚ Pre-Commercial Procurement (PCP), Public Procurement of Innovative solutions (PPI) & Innovation Partnerships
Given the principle of sound financial management, how best to strengthen administrative capacity to manage ESI Funds and modernise public administration?	<ul style="list-style-type: none"> ✚ Streamlining, delegation, coordination & continuity ✚ Managing human resources for ESIF ✚ Project preparation & selection ✚ Procurement tips and risk-scoring ✚ Programme & project monitoring ✚ ESIF governance

8.1 Public finance management

To ensure that public finances are managed prudently, every civil and judicial administration in the EU has its own arrangements for budgetary planning, execution, monitoring, control and auditing. These processes of public finance management (PFM) should always be underpinned by principles of good financial governance, applied to all policy fields and institution, ensuring the integrity and effectiveness of the whole PFM system. Updated in 2016, the [Public Expenditure and Financial Accountability \(PEFA\)](#) performance framework is a high-level analytical tool that draws on established international standards and codes, and other commonly recognised good practices in PFM, to assess whether a country has the tools to deliver three main budgetary outcomes: aggregate fiscal discipline; strategic resource allocation; and efficient use of resources for service delivery. While devised and designed by international organisations within a specific development context, the PEFA framework contains many transferable elements. Through repeat assessments, it can demonstrate performance changes over time.



8.1.1 Budget preparation

Each Member State has its domestic systems of public expenditure, revenue and debt management. To safeguard sound public finances as a common concern across the EU, all operate within the framework of the [Stability and Growth Pact](#). Each European Semester, the Commission analyses the fiscal and structural reform policies of every Member State. Beyond fiscal recommendations and decisions linked to enforcing EU fiscal rules, CSRs may also suggest structural improvements such as addressing weaknesses in **national budgetary frameworks**. These typically comprise: national fiscal rules with numerical targets for selected aggregates; independent fiscal institutions; budgeting procedures; and coordination across the layers of government.

Key elements of fiscal rules have been identified by DG ECFIN as comprising: legal statutory base; multi-annual timeframe; use of the ESA95 accounting system; effective monitoring; enforcement mechanisms; pre-established sanctions; and 'escape clauses'.

Most Member States operate within [Medium-Term Budgetary Frameworks \(MTBFs\)](#), as fiscal measures typically involve commitments that go well beyond the annual cycle, including multi-annual programming under ESIF. In deciding how best to allocate scarce resources, many Member States have also turned to other **instruments of budget planning** that may provide added value.

A [basic model of performance-based budgeting](#) is provided in a technical note from the IMF's Fiscal Affairs Department, including some brief case studies.

The attraction of **performance-based budgeting (PBB)**, also known as 'programme budgeting', is that it suggests there is a clear relationship between policy objectives, public expenditure and policy outcomes. This contrasts with input-based budgeting, where spending plans are prepared on an inputs basis (salaries, equipment, consumables, etc.) for each governmental institution (budget beneficiary). In principle, PBB should enable better decision-making on alternative spending options, facilitate better informed negotiations with the finance ministry, and offer line ministries and other budget beneficiaries more freedom and flexibility to manage their own expenditure. But there have been criticisms that it does not live up to the hyperbole.

Considerations in introducing performance-based budgeting

✦	Ensure the role and contribution of each party is visible, to be accountable. Programmes that cuts across more than one ministry or agency can lead to no single organisation being responsible for achieving objectives and outputs, which acts against transparency in linking policy with resources.
✦	Beware of an explosion of monitoring indicators to assess performance, and falling foul of quantification (counting what can be counted), creating perverse incentives (directing resources to hit targets, rather than to deliver excellent programmes and services).
✦	Avoid operational costs being masked by the programme budget. It can be hard to assess whether the budget beneficiary is being efficient in its resource allocation, especially if the beneficiary's overheads are high but hidden, because they've been allocated across all its programmes. For maximum usefulness and openness, programme budgeting should reveal direct and indirect costs, link inputs with outcomes, and if necessary include a separate ring-fenced 'administration' programme.
✦	Use policy evaluation to review of past performance and future plans during budget negotiation. This process relies on comprehensive and high-quality information, which is more rounded and qualitative than raw data in monitoring indicators.
✦	Accompany PBB with a wider reform package towards results-based management, including increasing the motivation and incentives of officials, sharpening the focus on service delivery, improving coordination, and ensuring oversight to strengthen public accountability for performance.

The invisibility of programme costs is more of a concern at times of fiscal tightening, and can lead to blanket cuts which go beyond efficiency savings and undermine policy realisation, simply because it is not feasible to separate out direct and indirect inputs. In recognition of the validity of this critique, some experienced Member States have sought to change direction and overhaul the system - retaining the best elements of programme budgeting, but removing the opaqueness and improving the control.

Inspiring example: Accountable budgeting in the Netherlands

[DG ECFIN's study of spending reviews](#) finds success factors include political commitment, ownership by the administration, clear objectives & governance, integration in the budgetary process, anticipation of implementation, and building of transformation capability & performance culture at all levels.

PBB budgets can only be prepared and agreed effectively if they are well-informed by: robust financial data on previous spending levels and forward commitments (actual & contingent liabilities); a policy context and evidence base; and a coherent negotiating framework. In some countries, these three elements are brought together in **spending reviews**. The classic model is to go 'back to baselines', and oblige ministries and other spending bodies to justify every euro of their expenditure, as a bottom-up exercise. This process should lead to a re-prioritisation of public funding, and a renewed commitment to the selected public services.

In the spirit of co-decision, some Member States have also explored **co-budgeting with citizens** at the municipal level, for example by assigning a proportion of the budget (e.g. 5%) to decision-making by the public. This can be a fully participatory process, using offline and online tools, with citizens both preparing proposals for how the resources are deployed and voting on projects.

Inspiring example: Lisbon City Council's 'Collaborative Budget 2.0'

8.1.2 Budget execution

Once budgets have been approved, the focus shifts to implementation, whether the 'appropriations' (voted budgets) are input- or programme-based. Effective budget execution is about governments' responsibility for the stewardship of taxpayers' money, and the impact on public service users and the economy. Good fiscal governance must permeate throughout the public administration, according to the scope of the budget law.

Many Member States still operate **annual budgets**, and hence budget authorisations are made for a single year at a time, although typically liabilities can extend beyond budget years. However, most Member States even with MTBFs draw the line at allowing unspent allocations ('savings') to be carried forward from one year into the next.

The exceptions are those that operate **multi-annual budgets**, which are designed to avoid the end-of-year spending 'splurges', whereby budget users seek to demonstrate an artificial 'demand' for finance in the next budget round ('use it or lose it'). The downside is this can disguise systemic under-spends, tying up funds in budget users that don't actually need them, which may become apparent too late to re-assign the funds to more productive uses. Multi-annual budgeting can also be less predictable than the annual budgeting cycle, and hence tends to be more suitable for Member States that can cope with fluctuations of incomings and outgoings over the economic cycle, and that exercise rigorous financial management & control.

Six steps of budget execution



The primary constraint on any budget user is the '**control total**' (or 'control limit'), the ceiling on authorised expenditure. Typically, budget users should be restricted by the budget execution system from breaching these limits ('over-spending'), if internal controls are working. Budget systems may have separate control totals for capital and current expenditure, administrative and non-administrative costs, and treat differently expenditure that is demand-led and cannot be forecast. Expenditure ceilings may be subject to re-allocations ('**virements**') between budget lines or institutions. The authorisation and adjustment mechanism should be formalised and set out in advance, so the rules are clear to all budget users, regarding the type of expenditure, and the scale

and destination of the virements. In some cases, Member States may wish to impose ‘ring-fences’ on spending, which only allow re-allocations *into* the budget line, but not out of it.

The transition from expenditure authorisation to actual commitment is the most crucial phase of budget execution. Fiscal discipline is not just a matter of managing spending plans within control totals. Budget users also have a



See also
principles & values

The OECD Council has adopted a set of [principles on effective public investment](#) to strengthen performance across all levels of government as recommendations for member countries.

fiduciary responsibility to execute spending in line with three recognised **principles of good fiscal governance**: legality, propriety, and value for money. Financial management and control (FMC) should not just be about the ‘C’ (control), it should start with the ‘M’ (management). All public officials with powers to propose,

Inspiring example: Ireland’s
Public Spending Code

commit, verify and/or authorise spending should be thinking about these three principles in their daily work. This places demands on officials, and especially managers responsible for overseeing decisions to exercise their judgement.

Efficient budget execution requires that **financial circuits** are well-functioning, and ensure the timely transfer of authorised funds to meet commitments to staff, contractors, service users, welfare and grant recipients, and other beneficiaries of public spending. Weaknesses in budget execution can reveal themselves in poor policy delivery due to delayed financing of front-line services, and SMEs in financial distress arising from late payments. This also implies high quality **information systems (IS)**

Inspiring example: Austria’s
Budget Information System

enable budget users to track progress on spending, ideally in real-time, and monitor performance on utilising funds as a management tool, including cash flow planning. The IS lets managers know whether resources should be re-deployed by creating a feedback loop from budgeting to execution (and inspection) to budget amendments.

As the PEFA framework indicates, budget information systems deliver the data that enables governments to demonstrate the credibility of the budget, including the actual out-turn of expenditure against the original approximations voted on account. The publication of public expenditure information also helps to improve **accountability** by allowing citizens and businesses to scrutinise how taxes and other revenue sources are deployed. Openness alone is not sufficient, however. Raw data on its own is not always helpful, it becomes just a set of large numbers. Readers need help in understanding the data, in a way which should be designed to avoid either biasing the audience’s interpretation or presenting an over-simplified analysis in a complex policy field, including reference points, explanatory information and a narrative.

Budgetary credibility is also aided by the **rigorous scrutiny** of auditors, both internal and external to the public administration. This should identify spending which is vulnerable to weak controls and



See also topic
2.2.2 on external
scrutiny

corruption, with respect to payroll, procurement, transfer payments (e.g. welfare) and grant-giving. Internal audit can cover legality, reliability, efficiency, effectiveness of spending, integrity of operational information, and performance of required checks and

Inspiring example: Romania’s
partnership for internal audit
in local administrations

controls. Internal audit units are part of the fabric of central government across the EU, but less well established in lower tiers of

government. One option is to organise internal audit across several municipalities to share the costs and expertise.

Supreme audit institutions (SAIs) should be fully independent of government and report directly to parliament. Financial audits examine *inter alia* the legality and propriety of transactions, as well as the functioning of internal controls and the reliability of the financial statements that are available to the public. SAIs make a vital contribution by both identifying waste and ways in which public administrations can function better. Audit findings should be presented to parliament and made public, providing the necessary reassurance to citizens.



See also
topic 1.3.1 on
performance audit

8.2 Public procurement

Total public spending on supplies, services and works in the EU is valued at more than €2 trillion. This makes procurement pivotal to interactions with the business community, as well as an instrument for improving public services, giving it **strategic importance** as a policy tool to achieve economic, societal and environmental outcomes. At the same time, this huge purchasing power is also a potential source of conflicts of interest and corruption. The [effective governance of public procurement](#) can make a major contribution to Europe 2020 growth goals and making best use of ESIF.

In 2014, the EU's '[classical directive](#)' and '[sector directive](#)' were overhauled & a new directive adopted on the [award of concession contracts](#). Member States had until April 2016 to transpose, except for e-Procurement (October 2018).

Around 1 in every 5 euros spent on public procurement, worth €425 billion, exceeds the thresholds in EU legislation. The 2014 directives preserve every Member State's freedom to choose how public works or services should be organised, whether in-house or outsourced (in which case the rules on public contracts and concessions apply), and provide greater legal certainty. They also contain two important shifts in approach to achieve **better**

outcomes: clarifying the definition of 'most economically advantageous tender' as the criterion for awarding contracts; and offering more flexibility over choice of procedure, including negotiation with potential providers over the contract terms.

The new framework sets the scene for national and cross-border rule changes to simplify procurement, and provides two approaches for situations when a public procurer needs an innovation solution that does not exist yet on the market. Conflict of interest is clearly defined, and provisions included on centralised data on corruption, fraud and conflicts of interest, stricter rules governing modification of contracts, broader exclusion criteria, and monitoring of concluded contracts.

A 2013 EU business survey found 21% of companies that had not participated in a public tender in the past 3 years said the procedure seemed too bureaucratic or burdensome, while 16% said the criteria seemed tailor-made for certain participants.

Policy-makers and practitioners are increasingly challenged to make procurement simpler for all parties, while retaining safeguards to protect public funds, and to make the most of their leverage to achieve better outcomes. This requires **capacity-building and professionalisation** of procurement. The European Commission support Member States with capacity building and has launched a [public procurement package](#) in October 2017 to support development of more modern, digital and professional public procurement in the Member States, with a focus on transparency, simplicity, sustainability and citizen value (rather than price only).

8.2.1 Simplifying procurement

Each Member State operates its own national public procurement system, but these often follow sophisticated rules that are sometimes unclear to the tenderer. Reducing unnecessary complexity is

an integral part of administrative burden reduction. Purchasing should be **‘business-friendly’ within the limits of the law**, especially towards SMEs that tend to be under-represented in public awards. Rules should ensure tendering, contracting and payment are transparent, fast and cost-effective for all parties, encourage fair competition and achieve high value outcomes.

The new directives introduce a number of simplified and standardised procedures, with less ‘red tape’, easier access to procurement markets, and modernisation through e-Procurement. The sum effect is that it should be easier and less costly to participate, which should **open up bidding opportunities**, including for SMEs.

Businesses will face less paperwork in tendering by using the [European Single Procurement Document \(ESPD\)](#), which relies on self-declarations. Contracting authorities are encouraged to split large contracts into smaller lots, and can shorten deadlines in certain circumstances. The directives cap the minimum turnover required to take part in a public tender.

The new framework also **reduces the burden on contracting authorities**, especially “sub-central contracting authorities” (regional and local authorities), which will be able to advertise their contracts via prior information notices, rather than full EU-wide contract notices. As with all other contracting authorities, local authorities can benefit from the new simplified regime for social, health, cultural and assimilated services.

The scale of the public procurement market contrasts with the fragmentation of the procurement system, estimated to comprise around 270,000 contracting authorities and entities across the EU. Public administrations can seek ways to improve the efficiency and economic impact of procurement

Inspiring examples: Procuring ICT solutions for all the ministries & public enterprises in Catalonia; purchasing telecommunications services for over 800 Catalan municipalities via ‘Localret’

through partnership arrangements, which enable **aggregation of demand** and can achieve better value for money. The 2014 framework ends any legal uncertainty regarding cooperation between public authorities making it easier for contracting authorities to bundle their purchases above EU thresholds by

using joint procurement procedures or purchasing through a **central purchasing body**. This can be done on a national or a cross-border level - reaping the full benefit of the single market.

The new directives also cover cases where contracting authorities are concluding contracts among themselves without creating a ‘controlled undertaking’. For example, several municipalities could decide to **pool their resources**, with participating municipalities performing specific services for all members of the cooperation.

Inspiring example: product catalogues produced by Ökokauf Wien in Austria

Public administrations can also anticipate future procurements and prepare themselves by investing in **identifying and publishing standards**, which can help with ensuring tender documents comply with environmental legislation and expert practice. In this regard, the European Commission has developed a prototype for a [European Catalogue of ICT standards for public procurement](#).

8.2.2 Cross-border procurement

Tendering within national systems is complicated enough, but is harder still when bidders wish to take advantage of the single market

According to 2011 research, just 1.6% of all public awards (3.5% by value) involve direct cross-border procurement, 11.4% indirect.

to apply for contracts in other EU countries. It is in the interest of all Member States to open up procurement to effective EU-wide competition, particularly within the context of tight public finances to achieve efficiency savings, but more importantly to widen access to the best quality solutions.

Cross-border procurement takes two main forms: firms operating from their home market bid and win contracts for invitations to tender launched in another Member State (direct); and firms bidding for contracts through subsidiaries, domestic bidders that include foreign subcontractors, foreign bidders submitting offers in consortia with local firms in order to participate in competitive procurement, or a domestic firm importing goods in order to supply them to a contracting authority or entity (indirect).

Some services are inherently ‘non-tradable’ (highly localised and hence less suitable for import-export). In other cases, international trade only becomes viable with contract values that are sufficiently large to **overcome the transactions costs**, such as emergency services and prison services. Two options are available to authorities to stimulate cross-border procurement:

- ✚ Lower **market entry barriers** in the awarding country arising from legal requirements leading to, such as special permits or procedures necessary for offering services abroad;
- ✚ Pursue **joint public procurement**, either by purchasing from central purchasing bodies in other Member States or jointly awarding public contracts, to achieve the economies of scale that would make cross-border tenders more attractive.

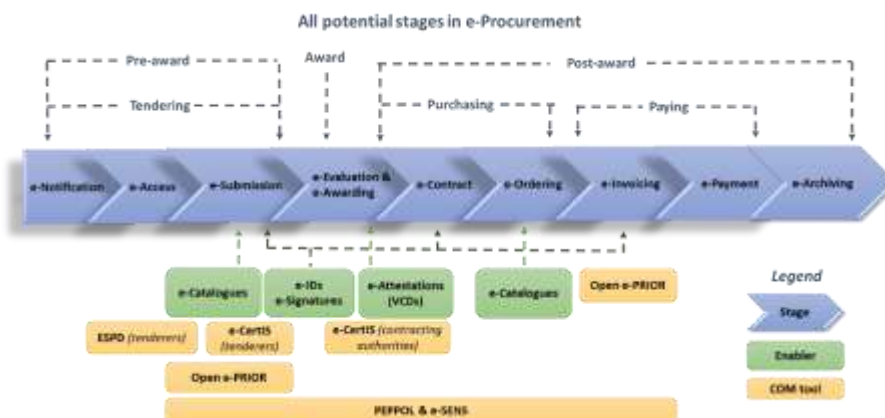
Cross-border activity can also be better enabled by **e-Procurement**, which is an obligation for purchases above EU thresholds in the new directives framework, and by using open standards in ICT procurement, for example.

8.2.3 E-Procurement

The drive to digitalisation of public administration provides a path to streamlining and speeding up national systems, through electronic tendering, invoicing and payment. E-Procurement has huge potential to achieve multiple goals in parallel: achieving efficiency savings, improving the environmental impact of procurement, increasing transparency and removing discretion, opening up competition, increasing access to tender opportunities by SMEs, and benefiting the implementation of ESIF.

 See also topic
5.4 on eGovernment

Like the purchasing process itself, e-Procurement can be broken down into several phases. Electronic information exchange and transactions can be applied to **any stage of the procurement process**.



E-Notification is the online announcement of calls for tender through the publication of appropriate prior information notices (PINs) and contract notices in electronic format, while **e-Access** involves the contracting authority providing electronic access to all the information to prepare bids. Both are generally available across the EU. **E-Submission** is the most critical phase for getting SMEs engaged with procurement, including use of the ESPD under the 2014 directives, while **e-Awarding** is the opening and evaluation of the electronic tenders received, and award of the contract to the best offer based on the selection and award criteria. As the submission and evaluation process may take place over several rounds, there is potentially an overlap and iterative process for these two stages.

Inspiring example: Finland's HILMA centralised e-Channel for publishing contract notices.

Once the decision is taken to make the award, the **e-Contract** is the conclusion of an agreement between the contracting authority and the successful tenderer through electronic means. Monitoring may involve the contractor submitting performance data electronically, for checking by the contracting authority (possibly accompanied by an e-invoice), although any site visits to check or audit compliance with the terms of the contract will continue to be conducted physically. In the case of purchase orders, these may be issued through **e-Orders**, including for example the acquisition of small quantities of supplies by the contracting authority.

Inspiring example: Italy's Public Administration e-Marketplace; online procurement through the Slovak Republic's e-Marketplace

Once the works, services or supply is underway, the focus shifts to implementation. **E-Invoicing** is the preparation, transmission and receipt of billing and payment information between buyer and provider in a structured electronic format, which allows for its automatic and electronic processing and leads to **e-Payment**. Some Member States have made e-Invoicing mandatory.

A new European standard will be developed under the [2014 e-Invoicing directive](#).

The [e-CertIS](#) database is a free, online information tool that can help businesses & contracting authorities with certification.

The move to e-Procurement, especially across EU borders, is underpinned by the development of '**key enablers**', including electronic identification (eID) and electronic documents such as the ESPD. Other important enablers are: e-Signature, e-Attestations (proof of compliance with selection and exclusion criteria); and e-Catalogues (approved suppliers and their products).

e-Procurement is currently used in only 5-10% of procurement procedures carried out across the EU. Under the 2014 procurement directives, e-Procurement will be **mandatory** for Member States purchasing above EU thresholds by September 2018. Member States play the key role in implementing end-to-

The Commission has been heavily involved in facilitating e-Procurement, leading by example & presenting good & bad practices in the '[Golden Book of e-Procurement](#)'

end e-Procurement, and will need to establish and implement actionable strategies to govern the transition and address operational issues. The ultimate goal is **end-to-end e-Procurement**, with all stages from notification to payment being conducted online. Solutions incur up-front costs, but

Inspiring examples: Portugal's mandatory e-Procurement; the free e-Procurement system for all contracting authorities in Cyprus

experience shows that these can be recouped in a relatively short time and secures a strong return on investment in the medium term. Member States have reported cost savings of 5%-20%.

To achieve the full benefits of e-Procurement across the single market, effective administrative cooperation is necessary, but hindered by interface complexity: there are currently around 300 e-Procurement systems in Europe. As with other eGovernment initiatives, the foundation of e-Procurement is **interoperability**.

The Commission has been active in producing ICT tools in partnership with Member States that can be adopted more widely, including [e-PRIOR](#) / e-Submission, [PEPPOL](#) and [e-SENS](#). Further measures are set out in the [eGovernment Action Plan 2016-2020](#).

8.2.4 Strategic procurement (green, socially-responsible, innovative)

Many Member States are now exploiting their purchasing power to pursue **wider socio-economic goals**, encouraged and enabled by EU initiatives and now the 2014 procurement directives.

The European Commission has published [a study on the strategic use of public procurement](#) to promote green, social & innovation policies.

See the 2015 Commission Communication '[Closing the Loop](#)' concerning actions to promote GPP, and the [European Commission's GPP website](#) for guidance on GPP, including the '[Buying Green!](#)' Handbook.

Green public procurement (GPP) is a process, whereby public authorities seek to procure goods, services and works with a reduced environmental impact throughout their life cycle when compared to goods, services and works with the same primary function that would otherwise be procured.⁷⁵ The directives make it possible to include environmental

protection, combating climate change and other contributions to sustainable development as societal goals in the procurement process. Techniques include life-cycle costing to identify the most economically advantageous offer.

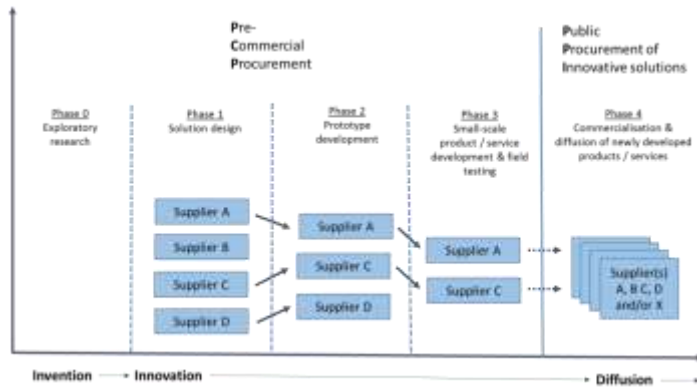
Socially responsible public procurement (SRPP) can incorporate social considerations such as employment opportunities, decent work, compliance with social and labour rights, social inclusion (including persons with disabilities), equal opportunities, accessibility and design for all that takes account of sustainability

Guidance is available from the European Commission through the '[Buying Social](#)' Handbook, which will be updated during 2017.

⁷⁵ [Communication \(COM \(2008\) 400\) "Public procurement for a better environment"](#)

criteria, ethical trade issues, and wider voluntary compliance with corporate social responsibility. Whenever the procurement is meant for the use of persons, whether the public or the staff of the contracting authority, it is now an obligation to establish technical specifications that take account of accessibility criteria for persons with disabilities or design for all criteria.

Innovation procurement helps to resolve society’s challenges with tomorrow’s technologies. At the same time, it stimulates the business base to be creative. Increasingly, public administrations have been exploiting their purchasing power to foster innovation, employing two instruments that together follow the classic model of invention-innovation-diffusion of new technologies.



Pre-Commercial Procurement (PCP) invests in R&D before a new product or service has been launched in the market place. The public administration buys R&D from several alternative suppliers at the same time, and then compares and evaluates the best value for money solutions at every phase of validation, reducing the number of participating suppliers each time. R&D services are exempted from the scope of EU procurement directives but the EU Treaty principles and competition rules still apply.

Inspiring examples: Italy’s Lombardy Healthcare; CHARM PCP, a partnership from Belgium, the Netherlands & the UK

Inspiring examples: UK’s Forward Commitment Procurement; HAPPI, a joint PPI covering France, Belgium, Germany, Italy, Luxembourg & UK

Public Procurement of Innovative solutions (PPI) supports commercialisation and early adoption of near-to-market products, processes or services, drawing on private sector experience in supply chain management. The customer is a large buyer or a buyers group, with purchasing volume that is sufficient to make mass production for suppliers viable. This ‘critical mass’ of demand triggers potential suppliers

to make the necessary investments to adapt/scale up their activities and meet the performance and price requirements for mass market deployment. Before becoming an EU-wide initiative, PPI was already being pioneered in several Member States.

The EU is [supporting PCP and PPI under the Digital Single Market](#), including through [Horizon 2020](#).

Tips on implementing PPI	
Give the supply chain time to innovate	<ul style="list-style-type: none"> ✚ Think ahead ✚ Signal your long and medium term ‘direction of travel’ to the market ✚ Communicate your forthcoming needs and procurement plans in advance
Allow room for innovation	<ul style="list-style-type: none"> ✚ Communicate your needs in outcome terms. ✚ State what you want, not what you think is available or affordable. ✚ Look for progressive improvements and future proofing
Invite feedback from the supply chain	✚ Market sounding and market consultation allow you to test out your requirements and iron out problems in advance of the invitation to tender.
Facilitate communication between suppliers	✚ Consultation workshops, site visits and publishing a directory of companies that have expressed interest all help.

The 2014 directives for public procurement retain the exemption for R&D services which enables Member States to continue to pursue PCP to procure R&D, and a separate PPI procedure afterwards for deploying the final end-products. The new directives also contain a new procedure called the **innovation partnership** procedure that combines the purchase of R&D and resulting end-products in one and the same procedure.

Guidance on PCP and PPI including a toolkit for policy-makers & practitioners is available on the [European Assistance for Innovation Procurement \(eafip\)](#) website. DG REGIO has published [guidance for policy-makers and implementing bodies](#) on enabling synergies between ESI Funds, Horizon 2020 and other EU research, innovation & competitiveness programmes.

8.3 Managing ESI Funds



To achieve success in European Structural and Investment Funds (ESIF) management, Member States need to organise their resources to achieve **three fundamental goals**: to maximise the implementation rate (spending available funds fully); to minimise irregularities (spending them correctly); and most important of all, to maximise impact and sustainability (spending them strategically).

Striving towards each goal should not disrespect achieving the others. If too much weight is placed on rapid spending without proper attention to systems and safeguards, there is the risk of inefficiencies and errors; without a coherent and well-considered strategy for using the funds, the socio-economic benefits will be limited and unsustainable. Equally, an over-emphasis on controls and compliance mechanisms can hold back implementation and endanger impact; this is often the greatest threat facing inexperienced institutions. Finally, strategic objectives cannot be fully achieved if Member States fail to disburse funds, focus too much on financial progress, or have to recoup erroneous or fraudulent payments. A balance must be struck, but ultimately these goals should be mutually reinforcing.

The [Commission's 6th Cohesion Report](#) identified many difficulties of managing Cohesion Policy programmes as being administrative in nature and related to human resources, management systems, coordination between different bodies & proper implementation of public procurement.

8.3.1 Structures

The 2014-2020 ESIF regulations set out a **new operating environment**, to which Member States must quickly adapt to implement their OPs successfully. As with previous financial perspectives, the regulations afford public administrations flexibility to identify the most suitable constellation of managing authorities (MAs), intermediate bodies (IBs), certifying authorities (CAs) and audit authorities (AAs) to fit their national administrative systems. In the new programming period, there will be an increase in the overall number of programmes, with strong regionalisation in some Member States. Some Member States have many IBs on a 'cascaded' or tiered basis, reaching up to 100+ bodies for some programmes.

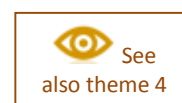
While stability of the management and control system is one of the key factors for successful implementation, the reality is that these **structures are not set in stone**, nor are the relationships between bodies. The administrative architecture described in programming documents often evolves over time due to political factors (including changes of Government following elections) or performance factors (usually as a result of reviews which suggest the current set-up is inefficient or insufficiently effective).

Various models have been tried and tested in Member States, especially regarding the **dynamics of MA-IB and MA-CA arrangements**, as well as the roles of **coordinating bodies**, where established. The experience of past financial perspectives has yielded lessons with four main messages:

<i>Guidelines for managing structures for ESIF</i>	
Streamlining	Avoid over-complicated structures, which add excessive layers of administration and complex lines of communication. This does not imply a single managing-certifying authority with no IBs is the optimal model: the emphasis should be on fit-for-purpose structures that balance on the one side appropriately assigning competences with achieving maximum simplicity on the other.
Delegation	Define clearly the division and ownership of tasks between MAs and IBs, and between different levels of IB (1st & 2nd tier) if such an implementation model is being followed. MAs are responsible for managing the programmes: they may delegate specific functions and tasks to IBs, while avoiding repetition of work, but ultimately, accountability always remains with the MA.
Coordination	Ensure that any coordinating body has sufficient powers and capacity to take up that role. In some Member States, each fund has a single MA which is also responsible for coordinating the actions of IBs, in others, there are several MAs per fund. Some Member States have designated an overarching coordinating body, typically in the centre of Government, which has a supervisory role across all MAs and/or ESIF. This body usually acts as the main policy interface with the Commission. It should stimulate an ongoing exchange of experience and know-how with/between MAs and, on that basis, work for the simplification of processes and national regulations that may impede implementation.
Continuity	Contemplate carefully any fundamental re-allocation of responsibilities: it is important to weigh up the costs and time against the expected benefits to ESIF management. Member States may need to alter their implementation structures if ‘facts on the ground’ change. If competences are re-assigned across the administration for political reasons, an institution suffers from serious under-performance, or the relationship between two or more institutions is not working, adjusting the architecture may be unavoidable. However, the costs are not just financial, but potentially in productivity and effectiveness too. Any loss of institutional memory and/or individual expertise, can generate short-medium inefficiencies that might more than offset any longer-term performance gains.

8.3.2 Staffing

The recruitment, retention and development of competent staff for ESIF programming, management and implementation is a complex issue, particularly within the context of the broader administration. To perform the wide range of ESIF management functions, Member States must ensure a full complement of required personnel in place in its MAs, IBs, CAs and AAs, to cover the following capabilities at least:



<i>Minimum staffing requirements for ESIF</i>	
	Preparing strategies and programmes within the EU regulatory framework;
	Planning & overseeing implementation to avoid de-commitment & maximise impact;
	Marketing ESIF to potential beneficiaries, communicating with the public & ensuring visibility guidelines are followed;
	Developing & operating procedures to ensure compliance with EU regulations and national rules;
	Generating, appraising & selecting projects in the full range of policy fields covered by the five Funds;
	Checking and processing payment claims from beneficiaries and to the Commission;
	Monitoring project and programme performance;
	Supervising the conduct & use of ex ante and interim evaluations;
	Developing & using ICT tools in support of programme management and operations;
	Managing the performance & integrity of the entire ESIF system, and maintaining high ethical standards.

In delivering all the responsibilities of ESIF implementation, Member States must also develop the necessary competences to comply with the specific EU rules, such as financial management, State aid and environmental legislation. This demands well-developed **human resources management (HRM) for ESIF**, within the broader overall context of the public administration: leadership, recruitment, remuneration, staff training and development, etc.

DG REGIO published a competency framework in March 2016 for efficient management & implementation of ERDF & Cohesion Fund (CF), to help Member States and regions to structure their administrations in a more efficient way, identify gaps in competencies & skills among their staff, and define training & recruitment needs.

Programmes wanting to invest in innovation, hence needing to employ more and more expensive staff to manage the programme should think carefully how to deal with this challenge. Extra funding from national sources may be required. Another option is to fund trusted intermediaries that can provide general innovation support, including to potential ESIF beneficiaries.

High **staff turnover** can be especially toxic to ESIF management, as the specialist knowledge that is built up over time through ‘learning by doing’ is lost, undermining institutional memory. Member States must then incur costs and time to recruit and develop replacements, who might themselves leave within a short time. All Member States use EU technical assistance to co-finance salaries, many also funding top-ups and/or bonuses. In some cases, higher remuneration *inter alia* has helped to reduce staff turnover.

Member States also need to build up **sufficient capacity in key skillsets**, especially analytical and programming capacity to develop and deliver results-oriented programmes. A strategic training programme

Launched in 2015 and foreseen to continue to end 2020, [TAIEX-REGIO PEER 2 PEER](#) finances short-term exchanges of Member State officials managing ERDF & CF, in the form of study visits, expert assignments or workshops, to build capacity by sharing hands-on expertise and good practice.

on new regulations for MAs, CAs and AAs run by the Commission has already started with the first training on the challenges of the new programming period.

8.3.3 Systems

Public administrations must also ensure that they have the systems, procedures and equipment to fulfil their ESIF management roles. They should make optimum use of eGovernment and social media to reduce the administrative burden on beneficiaries and to share data and improve transparency.

After the programming phase, the focus switches to **project preparation and selection**. This is always a huge challenge for Member States’ management; there is no easy option of simply replacing existing domestic spending. In this light, ESIF projects can be said to fall into two main categories, based on practices identified by the Commission-financed Community of Practice on Results-Based Management (COP RBM).

Type	Role
Enhancers	ESI Funds enable Member States to extend existing activities beyond the constraints of available funding, and make incremental improvements. Hence, Member States can build on both

Type	Role
	established and new solutions, and do more of what works and seek to do it better. In this way, ESI Funds co-financing is an injection of extra capital, giving fresh impetus to good practice.
Innovators	Being additional to national and local expenditure, ESIF offers the opportunity to be creative and test out new solutions to the challenges of sustainable economic and social cohesion, stimulating growth, jobs and inclusion, and improving public governance. In this way, ESIF co-financing is a form of risk capital, within the framework of sound financial and results-based management. Innovation can be applied at the level of individual public services or whole systems.

Project formulation, selection, management, monitoring and evaluation will be radically different, depending on whether a programme seeks to enhance, to innovate in discrete services, or to innovate systemically, as described in the [COP RBM Sourcebook](#).

Inspiring example: Using output-based aid for ESF support to employer-based childcare in the Czech Republic

DG REGIO promotes good practices in regional development, and highlights original & innovative projects which could be attractive & inspiring to other regions, through the annual [RegioStars awards](#).

Project development and evaluation are self-evidently the most critical phases of ESIF implementation, as they determine the extent to which the Member State is able to make full use of EU and national co-financing, achieve the strategic goals elaborated in their programme documents, and create the desired long-term results. It is the MA's responsibility to draw

up and, after approval by the monitoring committee, apply the appropriate **procedures for selecting operations**, which also provide the basis for guiding applicants. The 2014-2020 regulatory framework contains several modalities which enable MAs, IBs and beneficiaries to pursue integrated approaches to territorial cohesion.

Choice of modalities for converting ideas into operations under ESIF 2014-2020

- ✚ Supporting individual projects selected through calls for proposals or grant schemes, managed by intermediate bodies. The projects can be on a time-limited or rolling basis, with project applications being assessed against selection criteria on a competitive basis;
- ✚ Committing additional expenditure to existing or new public programmes by national authorities (to enhance provision or to innovate);
- ✚ Financing large infrastructure investments through major projects, as approved by the Commission, following selection by national authorities;
- ✚ Financing integrated territorial investments, as approved by the Commission and implemented by designated IBs;
- ✚ Financing joint action plans, as approved by the Commission and implemented by approved beneficiaries;
- ✚ Financing community-led local development strategies, as selected by a committee established by the Member State or MA, and implemented by approved local action groups;
- ✚ Contributing to financial instruments (repayable support for investment through loans, guarantees, equity and other risk-bearing instruments), including funds of funds; and
- ✚ Financing salary costs under TA programmes and priorities.

The European Policies Research Centre has conducted [research on results-oriented approaches](#) with [IQ-Net](#), a network of 15 programme authorities from 13 Member States.

Each of the modalities has its own rationale and rules. MAs / IBs should normally satisfy themselves on the operation's suitability against the agreed **selection criteria**, including correctness, eligibility, relevance/strategic fit, quality, completeness, capacity, risk and financing. Typically, this will involve the MA / IB forming an appraisal committee with appropriate expertise, which may involve

in-house and/or external staff, and written procedures. The application of the criteria tends to fall into two groups: hurdles (requiring simple yes/no decisions) and thresholds (scoring operations against each individual criterion, and ranking them in descending order until the available budget is reached). The **results-orientation** in the 2014-20 programme period will have an effect on project selection, as every priority will be judged by the aggregate achievement of performance indicators, expressed as targets, across all co-financed operations. It can be expected that potential beneficiaries will need to express how they plan to contribute towards achievement of measure-level targets with their proposed operations.

Every entity involved in managing EU funds is legally obliged to prevent **irregularities** affecting the EU budget. Depending on the seriousness of the error, evidence of systemic irregularities can lead to financial corrections of up to 100% of the allocated EU co-financing, meaning domestic budgets must make up the

DG REGIO & DG COMP have agreed a Common Action Plan to strengthen the capacity of ESIF bodies in the field of State aid.

shortfall on incurred costs. More than half of the observed ERDF irregularities across the EU relate to public procurement, followed by eligibility rules and State aid.

The Commission Services responsible for ESIF and DG GROW have formed a joint Working Group on **public procurement** with EIB, resulting in [guidance for practitioners](#) to avoid the most common errors and a [study with recommendations](#) for the Commission & Member States on capacity, systems and practice.

Many Member States **outsource tasks** to external consultants, to provide capacity, expertise and/or objectivity. However, there are many incidences where MAs, IBs and other bodies have become over-reliant on consultants. The danger is that the benefits of capacity-building, especially learning-by-doing, accrue only to the consultancy, and are not felt by the public administration itself.

<i>Practical tips on getting the most from consultants</i>	
✚	Make sure the consultant has an unambiguous specification (terms of reference), so that there is no confusion about the expectations from both parties, including a clear division of responsibilities.
✚	At the same time, leave some flexibility for the consultant to bring in their own know-how and experience: don't over-specify every single activity and output over the life of the contract.
✚	Don't see consultancy as a 'black box', operating independently from the client and delivering outputs on completion. Work closely with the consultant, so that the public administration is not only a passive recipient of the outputs, but also an active participant in the development process.
✚	Before going out to tender, make sure <u>you</u> are ready for the assignment, with the ownership and resources to 'absorb' the consultancy (including time needed to meet and work with the consultant, and the outputs).
✚	Don't lose sight of the buyer-supplier relationship. The client should be reasonable and of course ethical in their expectations, but is ultimately in charge and decides what they are buying. Ensure consultants customise their solutions to the current conditions.

Public procurement is also prone to **conflicts of interest, corruption and fraud**, as is project selection, contract management, certification and payment. Even though the impact on the cohesion policy budget is relatively small, the reputational risk is far greater, and hence the

To safeguard against fraud and corruption, DG REGIO is piloting [integrity pacts](#) in ESIF projects.

Commission places a strong emphasis on MAs putting in place effective and proportionate anti-fraud measures; compliance must be verified by the AA. Following systemic risk assessment and mitigating controls, MAs

The Commission has developed a [Guidance Note](#) on Fraud Risk Assessment and Effective & Proportionate Anti-Fraud Measures.

The ARACHNE risk scoring tool is available to help Member States identify the riskiest projects, beneficiaries, contracts & contractors that are potentially vulnerable to errors and fraud.

should address specific situations which may arise at the level of implementation of operations by further developing specific fraud indicators ('red flags') and by ensuring effective cooperation and coordination between the MA, AA and investigative bodies. Preventative measures cannot provide absolute protection against fraud and so the MA also needs analytical techniques to detect fraudulent behaviour in a timely manner, such as data mining that highlights anomalies.

Regarding ESI Funds' **financial management and control (FMC)**, the 2014-2020 regulations feature simplified procedures to reduce the burden on beneficiaries and speed up reimbursement, including single reimbursement rate for all participants to a research project and a flat rate for indirect costs, and a shorter deadline for payments to beneficiaries (90 days). Member States can also take advantage of provisions that have been preserved from the previous regulations, such as the freedom to make advance payments to beneficiaries.

To improve the efficiency and quality of information transfer, the ESIF regulations introduced the electronic exchange of data between beneficiaries and MAs from 2016 in all Member States, which will enable beneficiaries to submit data only once and keep all documents in electronic form (e-Cohesion).



While ESIF regulations set out the specific requirements for Structural Funds and

Inspiring examples: The WEFO 'Clearing House' in the UK; Italy's OpenCoesione platform (see [topic 2.2.1](#))

Cohesion Fund (including the role of the performance framework, monitoring committees, managing authorities, annual implementation reports and other elements), these arrangements should fall within the national system for **monitoring and evaluating** public policy performance, as an integral element and draw upon innovative techniques.

8.3.4 Governance

Like any other area of public administration, ESI Funds management should be subject to good governance, with managers held to account for programme performance: meeting programme objectives and achieving expected results; maximising synergies between national, ESI and other EU funds; working in partnership and engaging with civil society and other stakeholders; ensuring transparency and high ethical standards; preventing corruption, and avoiding undue political influence over staff appointments and project selection. Above all, Member States need to ensure coordination at the national and regional level to ensure consistency between funds and across programmes, in pursuit of Europe 2020 goals and European Semester country-specific recommendations, as well as to avoid both overlaps and gaps in expenditure. This is especially pertinent in view of the overall increase in the number of regional programmes in 2014-2020.

Financial support under ESI Funds can take the form of grants, prizes, repayable assistance and financial instruments. The choice of support depends on goals, rules and circumstances. To **maximise the leverage** from ESI Funds, Member States should seek out complementarities with other EU funds which share a common purpose.

In 2014, the Commission published [guidance](#) on synergies with Horizon 2020 and other research, innovation and competitiveness-related EU programmes, as well as a checklist for accessing EU funds.

In some Member States, ESIF management has evolved into a **parallel system**, often due to its origins in pre-accession funding. These countries face the risk of inefficiencies (duplication of activities, loss of scale economies), but also that good practices in either national or ESI funds management are isolated from each other.

However, there is also scope for **transfer of good practices** between national spending and ESI Funds management systems, in both directions.








The history of introducing EU funds management into new Member States has shown that, in some fields, national systems benefit from adjustments necessary to comply with EU regulations, such as introducing multi-annual budgets, internal audit and specific controls against irregularities and fraud in financial management. For Member States, however, there is scope to take advantage of national innovations, such as eGovernment and the 'once-only' principle.

 See also topic
5.4 on eGovernment

The Commission plays a **facilitating role** for knowledge development and dissemination, as a conduit for sharing good practice, by modelling funds management (competency and organisation mapping) to help Member States drive up performance, and will launch an informal Exchange Platform for MAs and IBs, in coordination with other platforms, such as INTERACT and JASPERS.

8.4 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

-  Prioritise the principles of legality, integrity and value for money, given public expenditure comprises almost half the EU economy, as well as constituting a key policy instrument;
-  Consider bringing citizens directly into the picture through participatory budgeting, so they feel the ownership, as well as the benefit, of spending decisions;
-  Strike the right balance between on the one hand, imposing caution, checks and controls to ensure rules are followed and risks of corruption are mitigated, and on the other, complicating budget execution and delaying the disbursement of funds, which can be devastating for SMEs, if it results in late payments;
-  Examine the role of IT in information systems to track performance, spot the bottlenecks, speed up the process, and deliver the data that enables scrutiny, through transparency;
-  Focus efforts to promote ethical behaviour and remove the opportunity for corruption on procurement using both national funds and ESIF - simplifying administration and moving towards full e-Procurement will help remove some discretion over decisions and hence the scope for misuse of monies;
-  Explore the potential of the 2014 procurement directives, PCP, PPI and innovation partnerships to promote sustainable and socially responsible development, stimulate creativity and so drive up national productivity;
-  Integrate management of ESIF into national systems to ensure additionality and complementarity of spending, by seeing Structural Fund and Cohesion Fund measures as offering the opportunity for enhancement or innovation.

The fundamental goal of ESI funds management – spend strategically – applies equally well to implementing the much larger budgets of central, regional and local governments, as the very specific context of TO11.

Theme 9: Public administration reform – making positive change happen

‘Reform’ is not the same as ‘change’, although one should lead to the other: **reform is a process, positive change should be the result**. This theme is about reform of the public administration, rather than reforms in policy fields (e.g. pensions, transport).

“Governance reform is not an end in itself - it is a means to achieve public policy results for citizens and businesses efficiently and effectively... Good governance is about enhancing trust in government, its institutions, the quality of its services and decisions, because they are perceived to be made in the general public interest”, OECD, Public Governance Review Spain, 2014⁷⁶

As the OECD has highlighted⁷⁷, there are two ways to manage change: planned and systematic; or responding to events over which organisations have little direct control. In practice, of course, reality intervenes in even the best-made plans. It is also clear that reforming public administrations is often a difficult and complex challenge, both technically and politically, typically involving fundamental changes in the ‘rules of the game’ for many public officials, but also private citizens⁷⁸.

This theme is not about reactive change, but rather the **intentional process of reform** in which public administrations seek to address their weaknesses and improve their performance to achieve better societal outcomes. It is also specifically about **sustainable** reform – how do we ensure that positive change is internalised and embedded, rather than fragile and fleeting.

Reforms take place within a wider **political, economic and financial context**, which continues to produce profound changes in the landscape of government across the EU. Many of the main reform movements in Europe and globally have aimed to improve the performance of public administrations⁷⁹ - from the time when social reformers first turned to survey tools to understand society’s problems better.

There has also been a more fundamental shift in the **underlying model of public administration**, which has taken place and gathered pace over the last 30-40 years, and indeed has shaped these reforms. This has been characterised by commentators in two terms, although in practice they have intertwined:

- ✚ The traditional model of organisation that prevailed for most of the 20th century is described as **Weberian bureaucracy**, a legalistic, monolithic and hierarchical administration responsible for all aspects of both policy development and the delivery of public services.

⁷⁶ OECD Public Governance Reviews (2014), *Spain: From Administrative Reform To Continuous Improvement*, GOV/PGC(2014)4/ANN1

⁷⁷ O. Huerta Melchor (2008), *Managing Change in OECD Governments: An Introductory Framework*, OECD Working Papers on Public Governance, No. 12, OECD publishing.

⁷⁸ See World Bank (2000), [Reforming public institutions and strengthening governance](#).

⁷⁹ W. Van Dooren, G. Bouckaert and J. Halligan (2015), *Performance Management in the Public Sector*, 2nd edition, Routledge Masters in Public Management

- ✚ An increasingly dominant doctrine from the 1980s onwards has been termed ‘**new public management**’ (NPM), involving a rethink of the State’s role and size (in the aftermath of the expansion of the welfare state), and importing private sector disciplines and quasi-market mechanisms to try and make bureaucracies more ‘business-like’ and thereby more efficient.

As the NPM orthodoxy spread from its origins in the UK, US, Australia and New Zealand to continental Europe, it crossed the boundaries of **legal traditions and administrative cultures**, which can be summarised as the Anglo-Saxon, Continental European and Central and South-Eastern Europe models.⁸⁰ Many of the recent reform innovations were borrowed from business, such as management by objectives (MBO) and performance agreements, metrics and payments. They sit more easily in an Anglo-Saxon ‘public interest’ system than the other, more rules-based cultures. Moreover, the operating context for all public administrations is more complex – diverse objectives and audiences, democratic consent for major changes in direction, and legal & procedural rigidities.

Within this sophisticated environment, public administrations are increasingly having to adjust their *modus operandi* to **new realities and concepts** including: recognising policy-making is characterised by difficult choices, complicated scenarios, and complex situations; acknowledging the real ways people act and respond to policy reflects our emotional and social behaviour; relying increasingly on networking approaches to achieve goals through coordination; seeking organisational solutions based on systems thinking and interoperability; dealing with demographic change (an ageing and more diverse workforce) and the digital agenda; enabling accountability and civic activism, including through open government and open data; and embracing co-responsibility in decision-making.

The latest movement and alternative approach to reforming public administrations is ‘**strategic agility**’, a concept originating in the private sector, which reflects the pressure on accountable administrations to become robust, resilient and adaptive. It acknowledges that existing structures and systems, focusing primarily on effectiveness and efficiency, have created ‘silo thinking’ and often become too rigid or captured by organisational inertia to respond to changing society, environment and technology. In the past, the strategy has tended to be mitigation of risks, rather than adaptation to external challenges.

The [Finnish Innovation Fund \(SITRA\)](#) and [INSEAD Business School](#) described strategic agility as “*the capacity of an organisation to proactively identify & respond to emerging policy challenges so as to avoid unnecessary crises and carry out strategic & structural changes in an orderly & timely manner*”.

This **evolution in thinking** from the traditional bureaucratic model to an outcome-oriented and user-centric one is summarised crudely by the following diagram:

⁸⁰ See S. Kuhlmann and H. Wollmann (op. cit.), which also distinguishes ‘Napoleonic’ & ‘federal’ within the Continental European model and a ‘Scandinavian model’ among the Nordic countries.



In practice, the **boundaries between these organisational models are blurry**. Administrations draw on aspects of all three. Good governance continues to depend on firm Weberian foundations, such as values⁸¹, *“civil service laws, due process and the absence of corruption”*⁸². Reform does not happen in isolation, but is shaped by the administration’s prevailing principles & values.

Key questions for theme 9	Ways and tools
9.1 What are the ingredients and impediments of reform?	<ul style="list-style-type: none"> • Reasons to reform • Obstacles to reform
9.2 What are the potential approaches to reform?	<ul style="list-style-type: none"> • Functional reviews • Comprehensive ‘root and branch’ reform • Incremental change
9.3 What possible paths to reform can administrations follow?	<ul style="list-style-type: none"> • The Kotter model for sustainable organisational change • Changing mindsets • Learning points from past reforms

⁸¹ B.G. Peters and J. Pierre (2017), *Two Roads to Nowhere: Appraising 30 Years of Public Administration Research*. Governance, 30: 11–16.

⁸² S. Van de Walle (2016), [In Europe, Weber still rules](#)

9.1 Reform ingredients and impediments

Reform does not happen in a vacuum. There are many factors that can inspire, enable or invite action - or in some circumstances, demand it. Equally, there can be countervailing forces which can act as a brake on progress, resisting reform or maintaining the *modus operandi* through inertia.

9.1.1 Obstacles to overcome

Public sector reforms are complex, in many cases unpopular, contested, fraught with risk, and require a long time to produce results and prove their benefits ... They can be supported or opposed by people depending on their point of view; may produce unintended results; may be difficult to implement; may generate the need for further reforms; or simply may not work at all endangering the survival and legitimacy of public organisations and its managerial and political leadership. OECD⁸³.

Some of the key impeding factors are set out below. These elements of resistance are not mutually exclusive. In many cases, more than one hurdle may be placed in the path, with the effect of reducing the likelihood that reforms will get off the ground or be carried through to their conclusion. The way in which these factors interplay will depend on the context.

Factor	Description
Legal constraints & complications	The reform agenda might not be feasible because the legal and regulatory framework either restricts or proscribes the proposed initiative. In some cases, the solution will be simply to change the law, which might slow the pace of change, rather than stop it completely.
Lack of political will	Irrespective of individual motives, however, all politicians face a fundamental dilemma in a democracy, at least occasionally: Do what is necessary to reflect voter preferences, or do the right thing for society and what is sustainable, even if this might <i>risk</i> their re-election. In many cases, there is no conflict between what is immediately popular and the long-term public interest, but sometimes they diverge.
Weak political competition	Lack of political willpower can reflect poor political competition. Reform rhetoric during election campaigns can dissipate after the vote is held, unless the party that takes power feels other pressures, such as from civil society.
Consensual political systems	In majoritarian and adversarial systems, radical reforms can be driven through and quickly, whereas more consensual set-ups (e.g. involving coalition government) can take longer and the aims or impact diluted or the process abandoned due to political ‘horse-trading’ or delays. It is more likely that the reforms will be revised through dialogue & negotiation, although they might not be any less effective in the end. They might be more so, if strength-tested and subjected to a wider spectrum of inputs and insights.
Endemic corruption	If the government is characterised by grand corruption, this will tend to cascade into lower level resistance to change. This <i>modus operandi</i> can become systematised as ‘legal corruption’, if legislators (ab)use their power to slant the rules in their favour, so that the award of contracts and jobs is based on favouritism, for example (see theme 2).
Influence of vested interests	In a democracy, interest groups should have a voice and be able to ‘speak truth to power’. This principle lies behind encouragement of civil society and the process of consultation with citizens and businesses over policy intentions and instruments (legislation, spending, etc.). ⁸⁴ However, at what point does legitimate representation cross the line into undue influence

⁸³ See O. Huerta Melchor, op. cit

⁸⁴ Two recent studies from contrasting sources argue that power relationships and asymmetries within society are pivotal to reform – see the World Bank’s 2017 World Development Report [Governance and the Law](#) and Duncan Green of Oxfam’s 2016 book [How Change Happens](#).

Factor	Description
	and, ultimately, state capture (see theme 2)?
The battle of ideas	Some voices speak louder than others. Incumbents and insiders tend to hold more sway than prospective entrants and outsiders. But their influence wins out when their worldview has become the ‘conventional wisdom’, accepted by most of society at large ⁸⁵ .
Public apathy	The absence of reform activity can reflect a passive acceptance of the <i>status quo</i> in society, for example populaces that are ground down by systemic corruption (‘nothing can be done’).
Risk-averse administration	The Commission’s Expert Group on Public Sector Innovation highlighted risk aversion as a constraint on creativity in the public administration. This principle also applies to internal reforms.
Copying without the context	Some administrations have sought to improve themselves by borrowing practices from either other countries’ administrations or from the private sector (see theme 4). This can lead to what is called isomorphic mimicry: <i>“the semblance of change, with little real progress achieved: a bureaucracy gets reorganised to look like those from advanced countries, but bureaucratic efficiency hardly improves”</i> . ⁸⁶
Over-simplification	Public administrations are complex systems, with multiple layers and units, organised vertically and horizontally (see theme 3 on MLG). There is a risk in performing piecemeal reforms that do not take account of the associations and interlinkages across the whole administrative system.
Over-reaction	<i>“Short term media and popular pressures on politicians to ‘do something’ are even more acute than previously. In the short term, a re-organisation may be the only thing, or at any rate the least difficult thing, that a minister can do. In some countries, the media have actually become significant reform advocates themselves, calling for particular types of solutions, and fiercely attacking types of reform they do not approve of”</i> . ⁸⁷
Absence of vision	The reform process can be undermined, unless there is a clear view of the desired end-point in the eyes of decision-makers. There should be a purpose and goal to PAR which is coherent and compelling.
Top-down diktat	Vision should be matched by intelligent execution. The best-laid plans are unlikely to be effective, unless they are underpinned by an understanding of the situation on the ground, consultation with affected parties, and ideally shared ownership of the administrative changes. If reform is imposed on employees, it can lead to passive or even active resistance.
Inflexible governance	Most public administrations tend to follow a ‘command & control’ model internally, but might have a proclivity for ‘market mechanisms’ (outsourcing, encouraging competition, and importing business-style management), or alternatively more consensual ‘networking’ approaches with stakeholders. The reform appetite of public administrations can be stifled if they are too wedded to one approach (see topic 9.3.3 on meta-governance).
Group-think	The reality of human behaviour is not always ‘rational’, we are prone to cognitive and emotional biases, and influence by others. People tend to subjugate their opinions to the dominant or average view of the group, rather than speak up and stand out, risk losing face, or subordinating the group leader’s stance (see topic 1.2.2 on behavioural insights).
Insufficient capacity or resources	Public administrations are often fixated with managing performance when proposing reforms, but without fully considering the contribution of capacity (see theme 4). Inadequate resourcing can also constrain reform. Decentralisation of functions without the commensurate funding, for example, can be counter-productive (see theme 3 on MLG).
Weak coordination	As administrations are complex organisms on multiple levels, the reform process often requires a ‘helicopter view’ in both conception and implementation, which is where the centre of government (COG) has a role to play, assuming it has the powers and the people (see topic 3.3 on COG coordination).
Transition	Even if the change is fully justified and supported, reform might fail on the simple matter of

⁸⁵ D. Rodrik (2014), *When Ideas Trump Interests: Preferences, Worldviews, and Policy Innovations*, Journal of Economic Perspectives, Volume 28, Number 1, Winter 2014, pages 189–208

⁸⁶ M. Andrews (2013), *The Limits of Institutional Reform in Development: Changing Rules for Realistic Solutions*, Cambridge University Press

⁸⁷ C. Pollitt (2010), *What can we learn from 30 years of public management reform?* Paper to support presentation at the SSPA-SDA Bocconi Conference ‘Reforming the public sector: how to make a difference’, Rome, 2-3 December 2010

Factor	Description
costs	cost. This is more likely to be a show-stopper if the reform requires upfront investment (new ICT system, staff training, etc.), there will be a period of process or service disruption, and/or there will be an extended transition time before the benefits become apparent. Even the perception of cost can create inertia around established practices.
Winners and losers	The effects of reform are not always even, with the benefits accruing to some groups within the workforce or society, and the costs / losses falling on others. On its own, this can generate resistance, especially if the ‘losers’ identify and organise themselves, but especially if they perceive that they have been treated fairness. The onus is on the reformers to communicate the reasons behind the change and convince on its equity.
Uncertainty	Whether there are some ‘losers’ or even 100% ‘winners’, reform resistance is likely to rise if affected parties are left unaware for a significant period about the potential effects, good or bad, building fear of the unknown. Again, communication is critical.
Reform fatigue	A never-ending sequence of reform announcements can risk alienating the affected parties, who see process without purpose. This can be worsened by over-selling the potential benefits as ‘revolutionising’ the civil service, and generate scepticism around new initiatives.

These sources of resistance can lead the politico-administrative elite to **rein in their ambitions**, choosing what can be achieved over what might be optimal: *“Reformers are frequently in the position of desiring something more than what they actually propose, but ‘censoring’ their own aspirations in the interests of framing a lesser package that stands a better chance of being accepted.”*⁸⁸ Inertia can also be an impediment in its own right. Once an institution, system or practice is in place, it tends to justify its own continued existence.

9.1.2 Drivers of reform

Given all the hurdles potentially in the way, what are the sources that can inspire and achieve change? Reform can come from the top, directed by politicians as elected officials anticipating societal demands or seeking a mandate for reform from the public. Alternatively, the initiative can come from within the administration itself, from senior or middle-ranking public servants, within the limits of their remits as advisers and implementers. Sometimes, it reflects an irresistible groundswell of pressure for change from civil society - citizens instructing politicians through the ballot box, or demanding reform between elections through popular pressure.

From their studies⁸⁹, Professors Christopher Pollitt and Geert Bouckaert have observed three main **motivations**: saving money; remedying perceived under-performance (improving productivity, service quality and public trust); and searching for new mechanisms to enhance public accountability and standards in public life.



Pollitt and Bouckaert formulated a **model** of public administration reform (reproduced right) as an approximation of *“the broad forces that have been at work in both driving and restraining change”*.⁹⁰ The central feature is the process of ‘elite decision-making’, recognition that most reforms are initiated, or at least carried through, by executive politicians and/or senior civil servants. However,

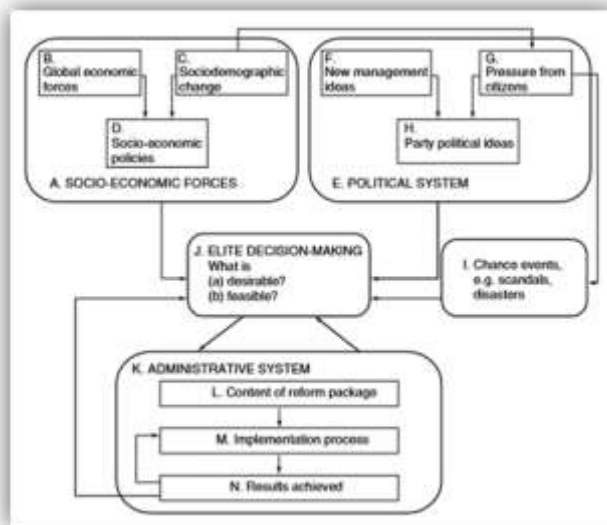
⁸⁸ C. Pollitt and G. Bouckaert (2011), *Public Management Reform: A Comparative Analysis - New Public Management, Governance, and the Neo-Weberian State*, 3rd edition, Oxford University Press

⁸⁹ C. Pollitt and G. Bouckaert (2003), *Evaluating Public Management Reforms: An International Perspective* in ‘Evaluation in Public-Sector Reform’, edited by Hellmut Wollmann

⁹⁰ C. Pollitt and G. Bouckaert (2011), op. cit.

the model also acknowledges that these politico-administrative elites may be “heavily influenced by ideas and pressures from elsewhere”. In most cases, this involves selecting which instruments and techniques are chosen to take change forward - a distinction between reforms that are desirable and those that are viable.

With respect to these influencers, 12 potential **drivers of change** can be identified within public administrations - a mix of internal and external stimuli, which can trigger both reactive and pro-active behaviour, and act as a counter-weight to the obstacles to reform.⁹¹






- 1. Political competition:** Well-functioning, pluralist democracies enable out-of-power political parties to offer a competing vision to the public, including an enforced rule of law and more effective administration.
- 2. Media scrutiny:** Among the most important checks and balances to political power is a free and independent media that can scrutinise government decisions and the quality of public administration, and shed light on government actions.
- 3. Civic engagement and activism:** Civil society can exert powerful upward pressure to demand reform, which can be prompted by dissatisfaction and distrust in the government’s ineffective response to a crisis. It can also arise more organically from public participation in policy-making. The longstanding trend towards decentralisation reflects a perception that people trust decisions taken closer to their communities. More mundanely, citizens (and businesses) are increasingly demanding a quality of public services, and hence administration, on a par with the private sector, especially online – at the user’s pace and place of convenience.
- 4. New political leadership:** For ideas to overcome vested interests, it must be the case that “entrepreneurs notice and exploit those loose spots in the structure of ideas, institutions, and incentives ... [T]he public face of political change may be that of a madman, an intellectual, or an academic scribbler. But whatever form these leaders may take, they are political entrepreneurs—people whose ideas and actions are focused on producing change.”⁹² Crises can be an example of such ‘loose spots’ (see 12.).



See also topic 1.1 on co-responsibility, theme 3 on multi-level governance & theme 5 on service delivery

⁹¹ This does not include socio-economic forces (the first box above) as these factors are largely *exogenous*. Where they have a direct effect on the administration itself, they are incorporated below as *endogenous* drivers.

⁹² W. Leighton and E. López (2013), *Madmen, Intellectuals, and Academic Scribblers: The Economic Engine of Political Change*, Stanford University Press.

- 5. Professional and depoliticised civil service:** The public administration itself can be a counter-balance to abuse of power and an agent in driving forward change, if employees are not dependent on political patronage for appointment and advancement, but are selected according to merit instead. This makes it more likely that public servants will serve the public interest.
- 6. Technology as enabler:** The processing and networking capabilities of ICT make eGovernment a ‘game-changer’, with the potential to open-up: new methods of working within and across administrations through interoperability; new sources of knowledge through so-called ‘big data’; and ways to connect with citizens and enterprises to co-create policy and services.
-  See also theme 1 on co-responsibility & big data analytics, theme 3 on MLG & theme 5 on interoperability & co-creating services.
- 7. Workforce demographics:** Public administrations are microcosms of society (or should be) and hence wider demographic trends can reveal themselves in the changing nature of the workforce, as it gets older and more diverse. This creates opportunities as staff bring a wider spectrum of experiences into the workplace, but also challenges in an era where digital skills are both demanded and scarce.
-  See topic 4.3 on HRM
- 8. External sources of financial & technical support:** Public administrations have experience of receiving funds with conditions attached (e.g. borrowing from IFIs, performance budgeting, and fiscal transfers). At the EU level, 17 Member States currently receive ESIF under TO11, on the condition of adopting a strategic policy framework for reinforcing administrative efficiency (*ex-ante*) and demonstrating performance against output and results indicators (*ex-post*). The EU is also influential through its technical assistance (SRSS & other Commission Services), while other bodies (e.g. OECD) perform peer reviews to help strengthen public governance.
- 9. External policy guidance:** International sources of policy advice can also shape ideas and initiatives in Member States. In many cases, the guidance might be generic, rather than targeted at specific countries or institutions, but attains a high profile and impact. Sources include EU, Council of Europe, OECD, IMF and World Bank.
- 10. International benchmarks:** Some governments refer to global indicator-based comparators to define their own performance goals. These also frequently appear in the media, placing pressure on politicians to explain and justify their ‘league position’. Benchmarks are sometimes also used at the sub-national level, (e.g. comparing municipal performance, health outcomes in different regions, or examination results by school). These indicators can be helpful **if** they spark a positive debate about the reasons behind the performance and the lessons that can be drawn from ‘successful’ systems and practices, and understanding the context and causes.
-  See topic 1.3 on global indicators & topic 4.1 on performance management
- 11. Isomorphism:** Some public administrations seek to emulate other administrations - or copy aspects of them - that are perceived as (more) successful, either to meet donor demands (*coercive isomorphism*), or to try and replicate the structures and success factors, for example

because the comparator is more highly ranked on international benchmarks (*mimetic isomorphism*), or because such reforms are being carried out by others which has effectively set a standard to follow (*normative isomorphism*).

- 12. Crisis response:** The emergence of a crisis - whether economic, financial, natural disaster or other cause - can provoke a fundamental re-think of how the public administration operates and is organised, in some cases out of pure necessity.

These drivers set the scene for the next topic: how do public administrations that are disposed to reform go about doing so?

9.2 Potential approaches to reform

In the context of reform ingredients and impediments, how can administrations both seize the opportunities and circumvent the obstacles? Three scenarios are set out here, which draw on reform experiences over the past 20-30 years. The most appropriate scenario for any administration will depend in part on its political, legal and cultural context.

9.2.1 Functional reviews

Functional reviews emerged as a reform instrument largely in the context of pre-accession countries in the 1990s and their transition to a modern market economy. Public administration systems were highly politicised machines for policy implementation and the strict application of the law, rather than public service delivery. Each ministry being responsible for a specific sector, the administration was oriented vertically in silos, and focused on control and enforcement, not policy-making. Both coordination and channelling societal interests were the domain of the party administration, not the public administration.⁹³

These features contrasted starkly with the expectation of quality public administration as **professional, policy-oriented, coherent and responsive** to the public and society in general. The immediate policy prescriptions post-1990 - characterised by the UNDP as first ‘reform-by-law’ and then ‘reform-by-across-the-board-cuts’ - were ineffective and even counter-productive to weak structures.

Functional reviews focus on systemic and institutional objectives and seek to establish conditions for modernising administrations to function more effectively in the longer term. The process of functional review always begins with an attempt to clarify the roles, missions and objectives of administrative bodies under study, and to derive from these relevant functional requirements.

Functional reviews represent a considered and holistic approach, not a ‘quick and dirty’ analysis, based on rigorous assessment and engaging with expert opinion. They take the form of either **vertical, horizontal or system reviews**, with four potential objectives:

- ✓ Remove redundant functions;
- ✓ Reduce duplication between and within institutions;
- ✓ Add missing functions; and/or
- ✓ Rationalise the distribution of functions

The UNDP’s review of the use and usefulness of functional reviews highlights the importance of **motivation**. When reviews are solely donor-driven, their conduct tends to be tokenistic and their results often sub-optimal, as they are performed largely as a formality – part of the deal. When they are driven by a genuine desire by governments “*to make a breakthrough in reforming public*

⁹³ Drawn from the United Nations Development Programme (2001), *Rebuilding state structures: methods and approaches*, UNDP/RBEC Policy Advocacy Papers.

administration systems that had become an impediment to successful economic reform ... review processes have often helped to put reform measures that previously could not be considered on the political agenda, and stimulated a radical and much needed change in administrative organisation and practice. To use an old phrase: to change, you must want to change.

The 10 lessons learned from UNDP's study, which included analysis of functional reviews in three countries that are now EU Member States (Bulgaria, Latvia and Slovakia) as well as three neighbourhood countries, stand the test of time:

1. Agree a clear goal between key players
2. Assign ownership to a government body
3. Establish and follow an action plan
4. Provide adequate training
5. Communicate regularly across government and with any functional review consultants
6. Take account of the specifics of the situation under review
7. Establish monitoring mechanisms and follow-up
8. Plan for using freed-up resources
9. Recap regularly on purpose
10. Place the review in a wider reform agenda.

9.2.2 Comprehensive 'root and branch' reform

Functional reviews can be the springboard for fundamental reforms. Extensive and far-reaching exercises can also arise out of a sense of 'crisis'. The Copernicus programme is a prime example of a comprehensive reform package emerging from a period of public discontent with the state administration. In the specific context of Belgian political structures, Copernicus was concerned solely with the federal, not regional / community or municipal levels. Its official lifespan was 1999-2003, but it continued to have an impact beyond its formal termination. Both its intentions and limitations can yield lessons for other administrations that are contemplating similar reorganisations.

Inspiring example:
Reform programme
'Copernicus' (Belgium)



As well as 'root and branch', comprehensive reforms can be **top-to-bottom**, reaching into every territorial level of the country's structures, vertically and horizontally. Perhaps the best contemporary exemplar is the Government of Spain's decision to launch the Commission for the Reform of the Public Administration (CORA) in 2012, as a whole-of-government approach. It could be characterised as 'zero-based' in that it asked deep-seated existential questions about the current set-up, and nothing was off the agenda in recalibrating its structures and strengthening its systems. It has been described by the OECD's Public Governance Review as "*one of the most ambitious processes of governance reform*" among its members. The reform package is "*substantial, evidence-based and consistent with the ongoing process of modernisation*" and "*the result of a rigorous process of data collection, dialogue among practitioners, and diagnosis about the weaknesses of Spain's public administrations*".

Inspiring example:
Comprehensive reform of the
public administration (Spain)

9.2.3 Incremental change

‘Big bang’ reforms tend to be the exception, rather than the rule.⁹⁴ Much more typical are smaller-scale initiatives, some of which have been highlighted as inspiring examples elsewhere in the Toolbox. There is a case for **permanent evolution** in public administration reform, which can be more effective in the long run. As the OECD has observed: “An incremental approach, with provision for feedback and adjustment along the way, may reduce uncertainty and thus opposition”. This process of continual change tallies with the concept of ‘obliquity’, which recognises that goals are often achieved indirectly, not as intended. Senior public servants, either elected or appointed, set out the reform objectives as the overall direction of travel, the administration makes steps towards the desired destination, and takes the most appropriate paths on the way, learning from experience: there is no precise road map to the future.

 See topic
4.1 on results-
based
management

The experience from OECD member countries is that administrative reform “*is successful when it is not perceived as a one-off exercise, but rather as a process of continuous improvement to constantly identify waste, shortcomings and opportunities to do things better ... international experiences suggest that political support weakens with time, calling for a concentration of resources and political leadership. Prioritisation is also due to make the best use of political, financial and human resources and to concentrate them on those reforms that deliver the best cost-benefit balance*”, OECD Public Governance Review Spain, 2014 (op. cit.)

Reform can take many forms and can happen at **varying speeds, including too quick and too slow**. Public administrations can be sluggish in adapting to society’s changing expectations (such as retaining paper-based systems and long queues at counters, requiring repeat evidence of basic personal information), or can rush headlong into radical changes without fully reflecting on the ramifications (such as across-the-boards cuts in staff, or abolishing whole tiers of sub-national government). Sometimes, reform is driven solely by electoral timetables and political appointments. There is always the risk of reform for reform’s sake. Equally, some reforms are rhetorical only, announcements that never become reality.

In principle, the interaction of ‘politician – public administration – civil society’ in a thriving democracy should act as a **safety-check on change**, accelerating the slow march of progress when required, while acting as a brake against overly aggressive and inappropriate reform. In practice, this safeguard relies on all three parties being fully capable of playing their parts:

- ✓ **Politicians** need to be focused on policy decisions and strategy, rather than the minutiae of daily operations, and fully appraised of what options are available, which requires robust advice from their officials.

⁹⁴ As Pollitt and Bouckaert (2011) put it: “Reformers try to improve an institution or a programme, or sometimes a whole sector (health, education), but they seldom attempt to remodel the entire sweep of public sector institutions in one go”.

- ✓ Within **administrations**, senior and middle-ranking officers need the knowledge and expertise to implement the politician's instructions, but also sufficient independence to feel able to offer impartial advice.
- ✓ The **public** need to be able to articulate their interests, access the channels to their elected representatives to enable them to express their expectations, and trust that elected and appointed public servants will act in the public interest.

What is clear is that **context is critical**: each country's legal tradition, administrative structures and system and its cultural traits contribute significantly to both the instigation and impact of reforms. For example, abolishing the 'civil service' status of a job for life could have two contrasting outcomes, according to circumstances: it might liberate the administration to bring in new, talented staff at a senior level, with diverse life experience and fresh perspectives; or it might trigger instability by removing job security, and encourage favouritism with party-political appointments and nepotism in recruitment and promotion.

The extent to which civil society engages with politicians and public administrations is influenced by **cultural dimensions**, which were famously captured in the Hofstede model, which assesses country characteristics using six indices: power distance; individualism vs. collectivism; uncertainty avoidance; masculinity vs. femininity; long-term vs. short-term orientation; and indulgence vs. restraint. These cultural traits indicate the extent to which citizens tend to accept or reject the authority of politicians and trust public administrations, and respond to the reform instruments they use (e.g. laws and regulations, outsourcing, etc.). It also signals the extent to which they expect to be consulted in decision-making or even to co-create their solutions, and their willingness to lobby for change. While cultures can evolve over time, these tendencies are useful guides to the extent to which reform will be encouraged and embedded, and an indicator of the most fruitful approaches.

9.3 Possible paths to reform

Public administration reform can take many forms. It can seek to improve rules, routines, procedures, processes, people and practices. It can aim to influence policies and priorities. It can look to shift mindsets, shape attitudes and steer behaviour. More fundamentally, it can define or refine values. It can aspire to alter the administrative culture.

Depending on the goal, reform can aim to achieve any, or all, of these changes. What is clear, and commands a broad consensus, is that there is no ‘one size fits all’ solution to reform, no silver bullet, no magic wand. Experience shows that public administration reform is a ‘black box’ that contains many different actions, motivations and results. There is not just one entry point to public administration reform, there are many. The question is: what suits the situation? Across the EU, there is a wide diversity of legal traditions, administrative systems and cultural climates, which have a huge influence on the chances of success. This topic sets out some of the ways forward, based on accumulated knowledge.

9.3.1 The Kotter model for sustainable organisational change

Reform can happen at all levels, the lowest one being individual organisations. Professor John Kotter of Harvard Business School proposed an eight-step model for lasting change, elaborated below.⁹⁵ Kotter stressed that the most successful cases progress through all eight steps, which can take considerable time, but that “*skipping steps creates only the illusion of speed and never produces a satisfying result*”. Moreover, critical mistakes in any phase can have a “*devastating effect, slowing momentum and negating hard-won gains*”.⁹⁶

Step	Description
Establish a sense of urgency	Complacency is the enemy of change, whereas urgency stimulates efforts to reform. This urgency can come from <u>within</u> – from an analysis of the situation facing the administration, by drawing on available data and analysing the evidence. In the words of Kotter, change is sparked when someone (either an individual or group) “facilitates a frank discussion of potentially unpleasant facts”. Performance metrics might include user feedback on service delivery, analysis of administrative burdens, reported corruption, etc. However, it is often easier for these messages to come from <u>outside</u> , whether media, civil society organisations, think tanks, international comparators, new political leadership / change in government (without the predecessor’s baggage) or crisis. In either case, the aim should be to take decision-makers (top public servants) out of their ‘comfort zones’, to face the reality of their operating environment. The <i>status quo</i> should feel riskier than reform.
Form a coalition for change	To avoid key decision-makers becoming isolated, it is important that they are supported by a credible, reputable, capable and synergistic team that can guide them, supplemented (where suitable) by a wider coalition of interests from civil society, service users and other stakeholders. This support team can feed in information and insights, spread the message,

⁹⁵ Drawn from materials prepared by Sylvia Archmann (then Seconded National Expert to EIPA) and Jens Qvesel, (Senior Advisor in the Management Secretariat, Danish Regions) for the EIPA seminar ‘*Managing Change in Public Administration*’, which ran regularly from 2006 to 2013. See also S. Fernandez and H. G. Rainey (2006) [Managing Successful Organisational Change in the Public Sector: An Agenda for Research and Practice, Public Administration Review, 66/2](#), for an alternative but similar perspective with many shared elements.

⁹⁶ J. P. Kotter (1995), *Leading Change: Why Transformation Efforts Fail*, Harvard Business Review, March - April 1995

Step	Description
	keep the momentum, and in some cases (the wider coalition) ‘hold the feet to the fire’ to ensure that reform is carried through. The risks of ‘group-think’ can be mitigated by assembling contrasting personalities. Leaders will need to coordinate and moderate, be mindful of power struggles, use structured discussions and dialogue to build a team ethic, feedback regularly to the group on progress and present results as they occur.
Develop a vision	The guiding team should develop a bold, optimistic picture of the future – the destination that the administration is seeking to reach. The vision is about direction (not budgets and targets), should be easy to communicate, and appeal widely to staff and stakeholders. If the administration relies instead on procedures & instructions to instigate change, the impetus is likely to peter out in the face of interpretation and confusion. The initial outline of the vision may be blurry, and may need time and several iterations to sharpen the focus, before it reaches its final form that can be signed off. This will involve “ <i>tough analytical thinking and a little dreaming</i> ”, in Kotter’s words, and strategies to achieve the vision.
Communicate the vision to get buy-in	It is vital not to underestimate the importance of communication. Putting the vision and strategy into practice will require the active participation, ownership and inclusion of many public servants, especially if they affect jobs or roles. All available channels should be used creatively and often, with straightforward language, stories, metaphors and examples where helpful, conveying messages directly to staff, and addressing head-on any scepticism or obstructive behaviour. Employees will need to feel that any downsides will be approached equitably and staff treated fairly. If senior executives are found to be pursuing exceptions to the vision, the reasons why should be explained to staff to avoid cynicism setting in. When managers start to ‘walk the talk’ and become living embodiments of the change being sought, they become examples to other employees.
Empower action to realise the vision	Once the vision is agreed and shared, increasing numbers of people should become involved in the process of transformation as it rolls out. At this stage, employees should be encouraged to show initiative and to innovate, subject to staying within the parameters of the vision itself. This will necessitate more than just energising the staff, it also means removing barriers. These might include, for example, over-cautious mindsets, rigid organisational structures, officious procedures, narrow job classifications, insufficient training or inadequate information systems. Worst of all, in Kotter’s perspective, are bosses who block change through their behaviour, only paying ‘lip service’ to the process, which can happen when managers are unconvinced by the initiative or feel threatened by it. Either way, it needs to be confronted before it becomes fatal to the reform by demotivating staff, to maintain the credibility of the change process.
Plan for short-term wins	To maintain the urgency, management and staff need to see the benefits of change emerging in a relatively short timescale, so ‘early wins’ should be planned by the guiding team. People should start to see visible results within 1-2 years (or sooner, ideally 6 months), depending on the size and the complexity of the change process. This feedback would encourage change leaders that the vision is valid and the strategy is on the right track, and send a signal to employees - whether supporters or opponents of the reforms – as well as other stakeholders. This requires conscious effort, so the strategy (step 3) should incorporate short-term actions that aim to secure ‘scheduled’ successes, subject to the inevitable uncertainties of the environment in which public administrations operate. These achievements should be heavily promoted as part of the communication campaign. It also helps to recognise those employees who contributed to the success, to encourage the others.
Don't let up	With the quick wins, it is important to celebrate success, but not to declare ‘victory’ too early, before the reforms have fully taken root in the administrative culture. In the business world, Kotter assesses that this can take five to ten years. During this time, new ways can be fragile, ‘traditional’ perspectives can too easily take over again, and progress can be potentially reversed. Instead, use the credibility of early wins to address even bigger problems. Short term successes provide the cover to take stock, consolidate, eliminate unnecessary systems and structures, remove demoralising activities, and keep the momentum going.
Anchoring	The final phase is to achieve cultural change, embedding the reform in shared values and,

Step	Description
<i>change</i>	in Kotter's phrase: "the way we do things around here". Make a conscious effort to show staff that the approaches, behaviours and attitudes have helped improve performance. Don't leave them on their own to make the connections, as people can sometimes look for links in the actions of individual charismatic leaders, rather than seeing a systemic change. Again, this requires effective communication. Take enough time to ensure that the next generation of top management personifies the change, otherwise the risk remains of regressing to past practices. Values and habits (patterns of behaviour) tend to be deeply ingrained in people, so are likely to be the last thing to change. Nevertheless, it is important that the changes are anchored in the culture, which might involve changes in personnel, if individuals find they cannot adapt.

The comprehensive reforms in Mannheim illustrate an inclusive initiative with many aspects of the Kotter model. An impending fiscal crisis was the trigger for looking anew at the ways in which the city authority managed its resources, with the mayor setting out a vision of transformation based on seven strategic objectives, opening dialogue with employees and emphasising two-way communication, achieving a culture shift towards working together, breaking down internal administrative silos, and developing a partnership with the participation of citizens, businesses and universities. The initial 5-year transformative phase has now migrated to a further 5-year consolidation phase.

Inspiring example: The CHANGE² project in the City of Mannheim (Germany)

In a similar vein, the Hessian Administration for Land Management and Geo-informatics has undergone an extensive transformation over the last two decades, concentrating only on its core activities, consolidating its offices and cutting its headcount. Over this time, it has been able to raise its productivity through ICT and knowledge management. Throughout this reform period, it has continued to invest in staff development, promoted work-life balance and employed quality management to imbue a culture of continuous improvement.

Inspiring example: Continuous transformation & quality management (Germany)

Leadership plays a crucial role in designing, implementing, monitoring and maintaining change processes. In the context of the public sector, leadership is mostly regarded as an exclusive activity of the head of the organisation, but reform also draws on distributed, shared and team leadership.

Organisational change is ultimately about people – the **public officials** themselves. Changes might involve, for example: reassigning responsibilities *across* organisations or through outsourcing; *internal* re-orientation, for example when re-engineering service delivery; establishing new HRM practices; and/or interaction with online systems.

As the Kotter model highlights, successful transformation cannot be 'enforced' from the top level down, but needs to be understood and adopted by all involved. To the individual, change might represent more than a transition and can pose a threat to his or her status or even means of income, especially if it results in the loss of jobs. Every process of change tends to undergo a series of phases linked directly to the reactions of the organisation's members, the process during which we slowly begin to readjust our perceptions and behaviours to the new situation and to the changed reality

with which we are confronted. The ‘**change curve**’⁹⁷ is the seven emotional or psychological phases that people tend to go through when dealing with upheaval, and which has also been extended by some analysts to organisations too: shock, denial, realisation, acceptance, experimentation, understanding and integration.⁹⁸

9.3.2 Changing mindsets

As the Kotter model indicates, achieving change is not merely a matter of practicalities, such as re-organising administrative structures and systems, revising processes and procedures, or investing in people and technology. It is often about modifying the mindsets of public officials, whether elected or employed. This takes time, but also frequently involves embedding new concepts - especially principles and values, such as integrity, efficiency, openness, citizen-centricity, etc.

Public sector innovation is often inhibited by risk aversion, in other words an administrative culture that equates accountability of officials to the public with ‘safety first’. Most reforms are not reckless. They are about **opening the mind to alternative options and scenarios**. For example, a change in mindset is essential in eGovernment, to both see and seize the opportunities that ICT offers - to make work simpler for administrations, life easier for citizens, and business better for enterprises. It can be captured in the phrase: think data, not paper. Equally, it is integral to thinking strategically about the potential of public procurement, recognising contractors as an integral element of the ‘value chain’ that contributes to achieving results, and that the leverage effect of public purchasing (20% of EU GDP) is potentially huge for delivering better societal outcomes.

Similarly, officials need to be open-minded about how they interact with each other and external stakeholders. The term **meta-governance**⁹⁹ encapsulates the concept of public servants being able and encouraged to select, blend or switch between the most suitable governance style, according to circumstance, each having pros and cons:

- ✚ **Hierarchies (H)**: The command & control, rules-based approach to problem-solving can be best suited to situations when stability and order is needed, and especially in times of both clearly-defined problems and crisis situations (such as disaster management), but can be less effective in the face of complexity and uncertainty.
- ✚ **Markets (M)**: The use of competition and contracts, based on incentives and indicators, can be efficient in dealing with routine and mechanistic matters, but are less appropriate when collaboration is called for, and where there is a natural monopoly (a ‘public good’) or risk of contractual failure.

⁹⁷ Based on the personal ‘grief curve’ originally conceived as 5 stages by Swiss psychiatrist Elisabeth Kübler-Ross in 1969.

⁹⁸ There are variants of this model. See also, for example, UK Cabinet Office, [Government Communication Service](#), which is based on John Fisher’s Process of Personal Transition

⁹⁹ For more information on meta-governance, see: L. Meuleman (2008), *Public Management and the Metagovernance of Hierarchies, Networks and Markets*; L. Meuleman (2010), *The Cultural Dimension of Metagovernance. Why Governance Doctrines May Fail*, Public Organization Review, Volume 10, Number 1 / March 2010, pp 49-70.; and L. Meuleman (2015), [Owl meets beehive: how impact assessment and governance relate](#), Impact Assessment and Project Appraisal.

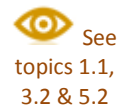
- ✚ **Networks (N):** Inclusive problem-solving, cross-government working and reaching-out to non-state stakeholders can be valuable in constructing trust relationships and reaching consensus solutions on complicated matters, but is rarely viable in crisis situations when rapid decisions must be reached.

Administrative cultures have a propensity towards one of the three governance styles, and hence it can require a conscious and decisive act to adopt an alternative stance to the preferred model in the face of natural resistance. A **mix** of styles that reflect the situation might be more appropriate, although the convergence can also create conflicts, for example: reliability (H) v flexibility (M); competition (M) v cooperation (N), and decisiveness (H) v debate (N).



As an example of meta-governance in motion, the coalition for change under the Kotter model will typically operate outside regular ‘command and control’ structures, even in a normally hierarchical organisation. Hence, for this phase of the reform, the organisation should typically follow more closely the network (N) mode of meta-governance, at least before decision-making is required, at which point hierarchy (H) is likely to dominate. Eventually, the reform process moves to implementation, when all modes - H, M and N - should be on the table, depending on the measures being adopted and executed.

Finally, this capacity to step back and see the whole picture is illustrative of **systems thinking**, which challenges the conventional way of looking at a snapshot of policy problem, organisations and service delivery in isolation. Instead, it demands we take account of all the dynamics within a policy, organisation or service, and the interplay with external factors. Irrespective of specific tools and techniques, systems thinking is a valuable discipline for considering public administration reform from all angles.



9.3.3. Learning points from past reforms

The evidence base on the success or failure of past reforms is unfortunately very thin. Few countries have commissioned evaluations or audits of their reform activities. Nevertheless, Pollitt’s review¹⁰⁰, along with the experiences from the Copernicus programme, the Kotter model, the OECD’s extensive work on reform and innovation¹⁰¹, the European Commission / OECD’s three 2014 Peer2Peer workshops and the Commission’s two *Toolbox* seminars¹⁰², offer a handy guide to lessons from reform experience that are summarised below as 10 learning points.

¹⁰⁰ See C. Pollitt (2010) op. cit. and C. Pollitt (2013), *What do we know about public management reform? Concepts, models and some approximate guidelines*. Paper supporting a presentation to the conference and workshop, ‘Towards a Comprehensive Reform of Public Governance’, Lisbon, 28-30 January 2013.

¹⁰¹ See earlier references, plus OECD (2010), *Making Reform Happen: Structural Priorities in Times of Crisis*

¹⁰² ‘Modernising Public Administration - Working Together to Achieve Results, A Policy Discussion with Member States’ (Brussels, 1-2 October 2014) and ‘Making Positive Change Happen’ (Brussels, 21-22 September 2016)

A. Diagnose before prescribing

Whether the reform is ‘big bang’ or incremental, limited to one organisation or extended to the entire administration, focused on a ‘narrow’ field (e.g. HRM, administrative simplification) or aiming for comprehensive coverage, the most important lesson is: **understand what you are doing and why, before embarking on change**. Reform is not risk-free, and there is no guarantee that change will be positive. It should not be based on broad impressions. The analysis, information and interpretation assembled should be presented in a way which is easy to understand for non-experts and not overwhelming (be strategic and economical in the use of data). If the reform process involves an impact assessment, it should be performed rigorously, not treated as a box-ticking exercise, and rejected if standards are not met.

B. See reform as a window of opportunity

Big bang reforms tend to be triggered by crises, scandals or disasters, which enable the (often incoming) government to purpose radical and ground-breaking measures. Reform leaders can use crisis language to strengthen their claim.¹⁰³ Care should be taken to avoid raising expectations too highly, however, as sober administrative reforms are typically a lot less revolutionary in impact than sabre-rattling rhetoric. This is still less appropriate with incremental change. Administrative reform is simply not as exciting to the public as policy reforms such as schooling and healthcare. Nevertheless, administrations can engineer internal urgency, by employing evidence-based analysis to flag failings to decision-makers or spotting changing circumstances before or as they arise. It may be more realistic to respond with urgency to external events and encourage decisiveness; in which case, the mantra ‘do not waste a good crisis’ applies. When the barriers to reform have been lowered, ‘administrative entrepreneurs’ – whether politicians, officials or other outside actors - can seize the moment.

C. Ensure leadership – from the centre ... and everywhere

To be realised, reform cannot be an abstract concept, it must be articulated and implemented by the public servants themselves, even if it is initiated by external agents. The spark and stimulus can come from the ‘administrative entrepreneurs’, but beyond that, how does reform gain traction? The OECD posits that a strong Centre of Government can play an important steering role. In the case of big bang reforms, it is almost essential, but leaders are needed at all levels, especially as reforms roll out. By its nature, incremental change can be a protracted process. If the reform process requires a series of smaller improvements, management can stimulate change, but each employee also needs to participate, engage and own it, empowered to make decisions.

D. Start and stick to a holistic vision

The importance of vision is equally the case if the reform is comprehensive and ‘all at once’ or if it’s intended to build up over time. Both the Copernicus and CORA reforms had, at their heart, a coherent view of both the direction and destination, with all the individual components forming a cohesive whole. This interdependence raises the risk of ‘failure’ in implementation or at least sub-optimal outcomes, but this clarity of vision is valuable for the next learning point - carrying all affected parties along the journey.

¹⁰³ “Announce the apocalypse, make the unthinkable thinkable, question the general agreed principles of the organisation, bring the abyss closer. Or in other words, define the burning platform for the reform”, Belgian Minister Van den Bossche, who initiated the Copernicus programme.

E. Build a coalition around reform

Reform cannot be left to ‘leaders’ alone, even if it is driven by a Centre of Government that is staffed by the brightest and best. In the case of big bang reforms especially, success requires a coalition of support, among politicians, officials and other affected stakeholders. As an illustration, the fragility of the Copernicus programme was exposed when it started to face its first challenges, as it lacked any consensus beyond a small core, both conceived and carried out as a top-down process, and seen by senior officials as centred on distrust in them. Extensive consultation with the officials affected by reform co-opts them in its planning and execution. Similarly, public participation helps to build a broad consensus of necessity and brings in the service users’ perspective and valuable insights as outsiders. If the plan involves costs / losses to some parties, these are easier to bear if the process itself is perceived as equitable and fair. The space and time should be created to allow for proper interaction, if the intention is to generate a genuine partnership for change.

F. Ensure reform has solid legal foundations

Reforms must be rooted in the legal base to ensure they can be carried out. This point is especially pertinent in the context of administrative cultures across the EU. Most Member States operate under so-called ‘Rechtsstaat’ / rule of law traditions that are highly rules-based, and hence legislation is a minimum requirement for reforms to be enacted at all. However, legal underpinning is just a ***necessary but insufficient condition*** for the implementation of actual change. For example, creating a professional civil service, which is capable to advise ministers expertly and impartially, requires a law to state that public servants are neutral, but that does not mean it will happen unless followed up with codes, guidelines, awareness-raising, training, etc. and translated into practice in competency frameworks, management behaviour, etc. Legislation should not be over-prescriptive and place constraints on implementation that run counter to the spirit of the reform.

G. Don’t overcomplicate

Just as the vision should be clear and easy to share, the strategy that emerges from it should be similarly straightforward. There is a risk if the proposed reforms are unnecessarily complex, with over-engineered structures and systems to cover all eventualities (such as the Copernicus ‘virtual matrix’), which can lead to confusion about who is precisely responsible for what and prompt unproductive interference. The creation of new bodies can be merited, but if they are not soundly conceptualised, they can become a burden, as they seek to justify their own existence. Abolishing institutions is much harder than establishing them. Ultimately, one of the goals of reform should be streamlined and user-centred systems, which is where functional reviews are a useful instrument.

H. Anticipate the negatives

Reform can have unexpected consequences – or even intended ones that are likely to meet resistance. The change leaders need to strength-test their plans, and consider all the potential downsides, especially any erosion of trust among officials, citizens or businesses, and any weakening of internal capacity that might take the administration below its critical mass to analyse, implement, regulate, procure, etc. Negatives can also come from unmet expectations. Building a coalition of support requires communication, but there is a danger in going ‘too big, too soon’ on claims of future impact. There are risks in major media exposure upfront.

I. Ensure enough implementation capacity

This is perhaps the most obvious learning point, but it is easy to overlook and failing to plan can be expensive to overcome. This touches on many aspects of public administration, especially resource planning and budgeting and ensuring the right people with the right skills at the right time, whether leadership, digital competences, tendering or contracting or whatever is suitable. If the administration does not yet possess the skills, how can they be acquired quickly? The tendency is to look outside to fill the gap. External experts can bring in specialist knowledge, a fresh pair of eyes and relevant experience from elsewhere, and help with short-term upsurges in activity. But the people who know most about the organisation are already within it. Public administrations can create a 'dependency culture', over-reliant on outsiders, if they contract-out their know-how and lose internal capacity. The balance can be struck by combining imported expertise with in-house learning, which should be ongoing. This requires special attention and the provision of feedback loops.



See topic
8.3 on outsourcing
to consultants

J. Less haste, more sustainability






Reforms need time to come to fruition, especially if the aim is a change in mindsets, values and cultures, so it helps to set and communicate realistic expectations about the timeframe. It should also be a learning process. This might involve more than one electoral cycle, which argues for a coalition of support that crosses political boundaries, so the process is not jeopardised or jettisoned by an incoming government - easier to achieve if the changes are technocratic and/or beneficial to a wide community of interests (e.g. introducing e-Services for citizens and businesses). Reforms might start with rallying cries from officials (e.g. 'reinvent government', 'bring power closer to the people', 'reduce bureaucratic burdens'), but warm rhetoric is soon confronted with the cool reality that most changes involve detailed discussions and decisions, carry upfront costs to secure medium-long term returns, and can involve tough choices. The reform agenda can quickly lose the support of politicians that are subject to competing demands, citizens and enterprise expecting rapid results, and public servants suffering from reform fatigue. How to sustain the momentum of change? There is no substitute for rigorous planning, but the solution lies partly in identifying 'quick wins' where possible – intermediate milestones to demonstrate that the journey is worth continuing.

Perhaps the most important success factor in managing change is **patience**. Successful structural reform often requires several attempts. Don't give up.

"Many of the biggest reform successes analysed in the secretariat's work followed earlier setbacks, and less successful reform attempts can often be seen in hindsight to have helped set the stage for subsequent, sometimes far-reaching, reform initiatives, often by deepening policy makers' understanding of the problems involved", OECD 'Making Change Happen', 2010.

9.4 Conclusions, key messages and inspiration for future action

The main messages from this theme are:

-  Recognise the institutional arrangement of every country as the product of political choices within the constitutional framework and that few public administrations or individual organisations remain untouched by change over time – reform is the normal state-of-affairs;
-  Treat the transferability of lessons from other administrations with caution, as even within the same country, the success (or otherwise) of experiences elsewhere is typically context-specific and the conditions under which they occurred will never be identical;
-  Take inspiration and confidence from the patterns which emerge from the evidence of public administration reform over the years, and while the factors and forces *against* reform might appear overwhelming (especially when listed), positive change *does* continue - as the many examples in the Toolbox indicate - because the desire and drivers *for* positive change are equally, if not more, strong over time.
-  Consider the alternative roads to reform, as the major change packages at the country level (e.g. Spain's CORA) or cities and communities (e.g. Mannheim's CHANGE²) are eye-catching and encouraging, but most of the time reform is about 'marginal' changes that might appear minor and isolated incidences, but can be equally important in impact to their beneficiaries;
-  Seize the opportunities from the European Commission's various streams of support to Member States at all levels of administration in achieving their reform ambitions, including financial assistance from the European Structural and Investment Funds (ESIF) under thematic objectives 2 and 11, technical assistance from the Structural Reform Support Service (SRSS), and the initiatives of individual Commission Services in specific policy fields, such as the digital agenda and connectivity (CNECT), the interoperability framework and ICT tools (DIGIT), budgeting and budget management (ECFIN), regulatory reform, public procurement and business environment (GROW), anti-corruption (HOME) and a quality judicial system (JUST).

Ultimately, above all else, to repeat the quote from theme 2: *"things change when people have had enough"*.

Some Considerations on Managing Thematic Objective 11

The principles of good ESI Funds management, outlined in chapter 8, of course also apply to thematic objective 11 (TO11) on "*enhancing institutional capacity of public authorities and stakeholders and efficient public administration*". At the same time, TO11 can be rather specific. The following tips for practitioners might be helpful for **delivering results** under TO11, and should be read in conjunction with the [Commission's guidance fiche](#).¹⁰⁴

The problem with money

Money matters - always. Measures to support SMEs, train the unemployed, or build infrastructure can only be done with money. Equally, there is often a need for funding to improve the quality of administration – but this is less obvious. Better collaboration among institutional entities, optimisation of functions, and changing attitudes towards a stronger service ethos might require more of a change in thinking and culture, than (much) money. In fact, optimising public administration processes might actually save a lot of money. Think about all the ways and means you could improve as an individual, organisation or institutional system, if you didn't have any EU funding. There would still be much that could be done and achieved.

When thinking about TO11, the starting point should be the desired change, rather than the EU funding. Don't focus on who gets the money, but consider the strategic contribution of every project.

In practice, the supply of available funding, rather than a strong internal or external demand for change, often tends to drive the elaboration of reform strategies and programmes. This supply-driven approach tends to shift the emphasis onto **who** (*which institution?*) gets the money, and **how much** – and to blur the focus on **what** should be actually achieved. Equally, money tends to **drive activities** (*what are we going to buy?*), rather than motivating programme managers to focus on the **desired outcome**.

With a **supply-driven, activity-based approach**, there is the **danger of 'back-to-front'** thinking, which goes like this: Start with the budget (*what can we spend it on?*). Decide on some activities (*are they eligible and do they use up the available budget?*). Choose some objectives that seem to justify the activities (*are they plausible?*). Construct your vision by merging the diverse objectives (*does it look convincing?*). Identify some indicators that appear to deliver this vision (*are these things we can measure and collect data on?*). The product is a long list of disconnected initiatives, without coherence, and likely to have limited impact.

Successful programmes tend to be those that start with a strong vision, and then work along the logic chain to consider options of creative and cost effective solutions to achieve this vision. Programmes that are mainly activity or resource driven tend to be less focused on the final outcome.

¹⁰⁴ Note: The fiche explains the distinction between the funding for administrative-capacity building under TO11 and funding for technical assistance in the management of ESIF, which is also the subject of a [TA guidance fiche](#).

By contrast, a **demand-driven, strategic approach** has a different starting point: what needs to be done. It asks the following questions:

- ✚ What are the **societal outcomes** we want to achieve (e.g. more well-paid jobs, a more prosperous economy, higher living standards, better quality of life, less poverty, etc.)?
- ✚ What **influence** do we have over these outcomes, both positive and negative? What behaviour and performance can we shape, and with which **levers & instruments** (e.g. information, regulation, services, infrastructure, subsidies, tariffs, co-responsibility, etc.)?
- ✚ Out of all the options on the table, after weighing them up for their pros and cons and making an **informed selection**, which instruments require additional spending and which require changes in practices or direction without extra cost? Furthermore, which changes will save resources, either immediately or after upfront investment?
- ✚ For the **selected instruments that require funding**, do they add up to the available programme budget (at measure level), or is there a shortfall in resources which must be found from elsewhere? Is there a budget surplus, and if so, could more be done with the selected options or would that represent poor value for money?

In the context of ESI Funds, the strategic logic has a further dimension: is the proposed spending under the ESI programme **additional** to what would be funded with national finances? Does it enhance or innovate?

Furthermore, the **ex-ante conditionality** for TO11 requires that any operational programme which is all or partly concerned with TO11 is based on an underlying strategy for reform that has been developed and is in the process of implementation. The challenge is to fully align the programme with the strategy. In some country contexts, the OP is the only means of delivering the strategy. However, it might be that the strategy includes other measures (for example, non-monetary or political) that complement the programme.

Applying the demand-driven approach to the specific case of TO11, the options for funding instruments are actually quite limited compared with other ESI objectives, mainly falling into two categories:

- ✚ **Knowledge:** This basically means people: the use of experts/consultants the employment of (temporary) staff (if your system allows this) and/or training and other staff development activities. While purchasing additional people in form of contracted companies or temporary staff will likely be quite essential to design and deliver relevant change projects and/or training, you will still need to have the core capacity to provide the vision and leadership to deliver the systemic change you would like to achieve.



See also topic 8.3 on working with consultants

- ✚ **Equipment:** In most cases, this is likely to relate to ICT. You should resist the temptation to purchase systems, when they might be available for free in an open source environment

(see for example: the interoperability tools freely available under open source on the Commission's 'Joinup'). Also, to avoid disappointment, it is important to first deal with organisational optimisation before installing an IT system, to enable the new or updated system to deliver the expected efficiency gains, instead of just digitalising the bureaucracy. Applying again the "outcomes perspective", this requires effective organisation and coordination of all concerned organisational entities, and a clear and strong coordination between thematic objective 2 (digital agenda) and TO11.

The concluding 'key messages' section of each chapter suggests ways in which the policy guidance for each theme might be translated into TO11 interventions, as well as contributing to country-specific recommendations.

Inspiring example: Quality management systems for Polish central and local government (see [topic 4.2](#))

Managing the big picture

Putting TO11 programmes into practice successfully requires a number of ingredients to be in place, and actively managed throughout the programme period.

Focus on real results, not on pro forma changes. Reduce the implementation gap.

First, it is important to have a **vision** for public administration reform, articulated in your strategy, but the vision will only come to fruition if it is accompanied by leadership. In cases where there is a lack of genuine commitment to reforms proposed in the operational programme, there is again a risk of an activity-based approach. This means actions are organised, money is disbursed, but in the end, there is little tangible change to be observed in the performance of services. For change to happen, the drive from the top should be instilled throughout the administration, so that the **culture changes** as well as the systems and practices. For example, simply implementing a 'quality system' might not actually lead to improved quality of services as observed by citizens and businesses, if there is no shared underlying commitment to better services, and if civil servants don't feel empowered to design and deliver services in close collaboration with users. There need to be clear intrinsic and extrinsic drivers to make change happen.

 See also topic 4.2

Second, reforms should not be piecemeal and disconnected. The sum should be bigger than the individual parts – how do you ensure **coherence**, so all the pieces (of individual measures) fit together to achieve the desired results? Day-to-day implementation is important, but it is critical to keep your sights high and the focus on the "big picture" (societal outcomes), and not get bogged down in the minutiae or small details of programme procedures. Successful programmes are always driven by strategic thinking.

Third, it is essential to **take people with you**. This means more than token consultation during programme or project preparation, but genuinely engaging on an ongoing basis and where appropriate. A regular strategic dialogue – and consensus – on the direction of the programme is

required to include key stakeholders on the political level, the administrative leadership and relevant interest groups (trade unions, business and civil society organisations).

Finally, mind the gap! Ultimately, strategies and programmes mean nothing without implementation. Set a benchmark by openly communicating on expected results – by communicating what you want to achieve in an open and transparent manner, you can build up expectations and therefore pressure to push performance. Report to a wider interest group what you have done, what you have achieved, and the problems you are facing. Through this open form of reporting, and by ensuring that your actions are linked to your reform strategy, you will also contribute to reducing the **implementation gap** (the dilemma that strategies are often only partially implemented).

The European Commission's **Structural Reform Support Service** can help Member States with the design and delivery of their reform projects, and thus facilitate implementation of Thematic Objective 11. See: https://ec.europa.eu/info/departments/structural-reform-support-service_en

Strategic projects or call for proposals?

Most of the EU's Structural and Investment Funds are disbursed via grants, based on calls for proposals. Other than building local communities, or supporting unemployed, a country's public administration is an overall system, where most of its parts are interlinked. Administrations still tend towards operating 'in silos' from an individual organisational perspective (e.g. a ministry, an agency, a municipality), whereas citizens and businesses just expect to receive a service, irrespective of the organisational origin. The focus thus needs to shift to user-centricity. This is the basis for delivering more efficient and effective services – that are also ultimately more **sustainable**, as they get the customer's appreciation and 'vote'.

This also means that many services would be designed on the basis of inter-departmental and inter-organisational arrangements. Accordingly, the logic of providing funding to an individual organisation might not be appropriate any longer. Unfortunately, many programme managers tend to still think in terms of allocating funds to organisations. This might be useful to distributing and disbursing funds, but in a **service oriented and networked** world, this will increasingly not deliver the results we expect.

Strategic projects are likely to be more important to achieve systemic changes.

For example, if a country would like to develop an e-Justice system, it is unlikely that this will be achieved through a call for proposals, which allows local courts to buy IT equipment. Rather, this requires a strategic project to develop an integrated system, to which all courts get connected. A local grant element might still be relevant, but only according to common specifications that allow all courts to connect to the overall system.

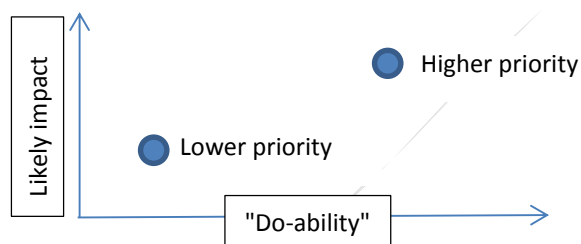
What shall we do first? – prioritising and sequencing

Many Member States with operational programmes related to TO11 have so many needs and envisaged types of activity that it is difficult to decide what to tackle first. At the same time, if there is no clear prioritisation, and the managing authority tries to launch everything in parallel, the overload can lead to paralysis and hence slow or no implementation. So, deciding what should be done and in what order is essential.

Equally, however, it is easy to fall into the trap of going after the ‘low hanging fruit’ first, the outputs that are easiest to reach, because they are familiar and quick to organise, but will have minimal consequences for the ‘bigger picture’.

There are two techniques that can be useful here.

The first is to **rank measures** (and individual actions within them, if appropriate) according to both ‘do-ability’ - how easily can they be commenced and delivered - and their expected impact, and combine the two rankings. The matrix below plots the likely impact of a measure against the expected ease of achieving results. Measures or actions that are considered to deliver the highest impact and are also possible to achieve in the given context of the country should be prioritised and ranked accordingly.



The second consideration is **path dependency**: are some measures or actions conditional on others being in place first, or at least progressing in advance of them? In which case, the ranking of do-ability and impact is still valid, but the order in which measures are initiated might need to be adjusted. This is where the public administration reform strategy comes in, as this sequencing should be performed from a strategic perspective.

Taking the hypothetical example of anti-corruption initiatives: implementing an ethics training programme may be the easiest of the actions to perform, but in isolation – without other steps taken first or together - *might* achieve less impact than intended or desired. By contrast, if the staff workshops are timed and coordinated with other actions on standard-setting, risk assessment, prevention and detection, the audience for the training might be better primed for the messages being delivered and the benefits much greater.

Monitoring and evaluating reforms

As part of programming ESIF 2014-2020, your operational programme will include **results indicators**. These indicators are designed to capture the contribution of EU funding to the overall change achieved on a personal or systemic level. To be able to establish a clear link to funding, these indicators mainly focus on the "output level" (observable change in the supported entity).

However, the Commission is especially interested in results that deliver actual impact that will be felt by citizens and business (in terms of better services, and so on). The expected impact should be captured by indicators in the corresponding public administration reform strategy (part of the ex ante conditionality for TO11). The challenge thus is to effectively link the ESIF monitoring system to the strategy. One especially important aspect is to capture the consistency of monitoring and evaluation of the OP on the one hand and the strategy delivery on the other. As indicators of ESIF operational programme mainly concern outputs and results that can be directly traced back to the funding, it is important that the strategy is clear and strong on results in terms of the actual outcomes and impacts to be achieved (evaluations will be able to trace thus the contribution/attribution of the ESIF funding to the achievement of the strategy results).

In the context of the above, it is useful to have interlinked monitoring & evaluation systems for the strategy (an ex ante conditionality requirement) and for the ESIF OP.



See also topic 1.3 on monitoring & evaluation

Continuous learning and knowledge development

The need for continuous learning and knowledge development might be an obvious point, but this tends to be problematic sometimes, especially in cases where administrations are plagued by high staff turnover, little institutional memory, and inadequate systems to capture experience.

ESIF and the international community have several networks that facilitate learning and exchange of know how. But the results focus of many networks tends to be underdeveloped. Rather than just exchanging views, networks should take on a perspective of mutually supportive change, for example, the network members could agree ways and means how they would apply what they have learned in the context of their administration, and then report back to the network on progress. Thus, networking, which develops and implements a series of mini-projects that are peer reviewed by the network and results discussed, is likely to add most value.

The ESF Transnational Network on Governance and Public Administration discusses challenges and opportunities, of designing and delivering public administration reform strategies and programmes,. Currently, ten Member States are part of the network. See:

<https://ec.europa.eu/esf/transnationality/forums/governance-public-administration>

Many Member States, which have OPs on TO11 for the 2014-2020 period, in fact already received ESF funding for administrative reform in 2007-13. However, while there is little evidence of the success of these programmes, there seems to be little attention on learning lessons of what went

wrong and how things could be improved in the new period. While many programming and implementation teams think that it will be all new and different this time, it is likely that the dynamics of the new programmes remain stable. It is therefore necessary to develop strong knowledge management systems and to develop a culture of learning from mistakes. Programme managers need to constantly ask (and answer to) themselves and their team: **What will be better this time, and why?** A good monitoring and evaluation system will surely help with this, but a good IT based knowledge platform that captures also qualitative aspects (lessons learnt, success stories) will help in this regard.

The **Quality Public Administration Toolbox – 2017 edition** provides valuable insights for any public administration on how to improve policy, organisation and services. The active reflection of the Toolbox content will hopefully provide useful guidance and support for anyone responsible for delivering TO 11 programmes or any other initiative to improve to public administration. Please find the complete version with detailed chapters and all case studies, here: <http://ec.europa.eu/esf/toolbox>

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