

Review of the Irish public sector by the OECD

Submission by Comhar Sustainable Development Council

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Sustainable development means organising our affairs such that our economy continues to compete successfully in global markets and gives employment to all who seek it, our pressure on the environment diminishes over time, and our social and family life is fulfilling and quality of life generally rises. It is the brief of Comhar Sustainable Development Council to advice government on policy that relates to sustainable development.

We approach the question of the performance of the Irish public sector from the perspective of sustainable development and the vital contribution that the public sector can make. Unless public policy is appropriate and well executed, such development is impossible. Central to effectiveness in this regard is an Irish policy process that meets best international practice, and that can in particular address those aspects of our economy, society and environment that fall outside markets and the “routine” mission of line departments and agencies. We welcome this opportunity to respond to some of the specific areas of interest for the OECD Review. These recommendations have been drawn in part from Comhar Sustainable Development Council’s 2006 Recommendations on Sustainability in the National Development Plan 2007-2013.

We look forward to meeting with the OECD Review team as part of their consultations, through which we will be happy to elaborate on our recommendations in more detail.

Specific comments on the OECD Review Terms of Reference

We confine ourselves here to comments on bullets 1, 3 and 4 in the final section of the OECD Reviews Terms of Reference (“Context”).

1. The strengths and weaknesses of the Irish system and structures in terms of policy implementation and service delivery – comprehending policy development; budgetary control, resource allocation, programme design and implementation; and evaluation and feedback

3. The quality and effectiveness of linkages and channels between Ministers and their Departments and the bodies under their agencies, including the growing number of independent regulatory authorities

Strengths

- The integrity of the public service. There are very few documented cases where public servants have accepted money or favours in exchange for decisions on grants, regulations etc. There is slight slippage over time in Ireland’s ranking in Transparency International’s Corruption Perceptions Index, but the overall situation remains positive.
- The ability to rise to the occasion, especially when the eyes of the world are upon us. Irish public service and Ministerial performance in the EU Presidencies are widely praised and to an extent emulated: whatever needs to be done is done, the focus is on outcomes rather than the process, and generally there is an admirable policy of not

attempting to promote national interests above the wider EU interest. The excellence and quality of endeavour over decades in regard to patiently and skilfully moving an agenda of reconciliation forward in Northern Ireland is also notable, as has been the quality of negotiations with the European Union in regard to maximising the volume of EU transfers (mainly via the Common Agricultural Policy and Regional Funds) when such were available.

- High quality of macroeconomic management. For a small open economy, keys to achieving and then maintaining full employment include maintaining fiscal balance and therefore credibility with national and international investors, encouraging and facilitating enterprise wherever it arises via transparent and low tax thereon and minimisation of transactions costs, facilitating and encouraging labour mobility, notably since 2004 in regard to the movement from the new Members of the EU. For most of its existence, the Republic of Ireland was a country that people of talent and ambition couldn't wait to leave; the fact that it is now a magnet for talent worldwide is a huge and historic transformation, for which the Irish policy system deserves credit. Investing substantial funds overseas to support future pension obligations is something only oil rich countries such as Norway typically undertake; but Ireland – with no oil – is unique in investing 1 per cent of GDP annually overseas to support future pension obligations, a policy designed to simultaneously take inflationary pressure out of the local economy and build for the future.
- Social Partnership. This proved crucial in getting agreement in regard to public expenditure and pay during the 1980s when major structural adjustment was required. However, this can also have the weakness of giving those inside the partnership process a veto on policy initiatives
- Learning from experience. A past policy failure was to sell the distribution networks when the State owned Telecom Company was privatised. This has seriously inhibited the roll out of broadband and inhibited the development of competition in telecommunications generally. But the lesson has been learnt – the transmission system for electricity will be maintained in State hands.
- Budget control. This was an area of serious weakness in the 1980s, but has now been corrected.
- Education – investing in a network of free third-level technological institutes in the 1970s – in response to the recommendations of an OECD report¹ – was crucially important in providing the capacity and confidence to grow and benefit from inward investment. The more recent decision to resource R&D so as to build towards a knowledge society is also notable.
- Policy continuity, whereby policy change from government to government is incremental rather than dramatic. This is a product in part of the centrist sentiments of a majority of the public, which gets reflected in political leadership, but it is also a product of a 'permanent' civil service, whose leadership does not change with change of government.

¹ And indeed taking OECD reports and recommendations seriously is an important policy strength.

Recommendation to OECD

Identify the key strengths of the Irish policy system and what is necessary to secure and enhance this performance in the future.

Weaknesses

The main weaknesses are in programme design and implementation. It is the core responsibility of central government to design policy; it is the task generally of executive agencies to deliver. Where there is a policy vacuum or incoherence, agencies tend to fill the policy space, with varying results.

Design: Programme design involves being able and willing to:

- Identify key priorities
- Mobilise and manage technical skills (engineering, ecology etc) in the relevant programme area, together with skills in economics, law, administration and management.
- Identify the broad public interest to be served, including the market failures to be addressed.
- Marshall evidence nationally and internationally to map out options and their implications in terms of capital and operating costs, the incentives the policy provides to key stakeholders, expected outcomes, sustainability, implementation mechanisms.
- Understand how the various policy instruments – information and education, regulation (command and control), direct investment, subsidies, market based (levies charge and taxes, trading), research and development – can be mobilised and what their effects are likely to be singly and in combination.
- Where the involvement and commitment of more than one government department is desirable and necessary, to have clear and effective mechanisms for interaction and decision. Identifying and evaluating the "spillover" effects – e.g. greenhouse gas emissions – associated with policy choices is important if these external effects are to be systematically reflected in discussion of options.
- Engage with the political leadership, key stakeholders and – crucially – the general public in identifying the feasibility and attractiveness and support for alternatives.
- Identify the optimum delivery agency (ies) and modalities.
- Secure a decision by government

Personnel skills: It often seems that serendipity rather than personnel policy is the determinant as to whether the necessary skills are to hand. It is sobering to compare the capacities of the Irish public service with the skills base that the European Commission mobilises in moving a policy agenda forward. Economists and lawyers typically feature prominently in policy development in the Commission, whereas they are not systematically

present in the Irish system. Public service recruitment – getting and retaining the right skills and aptitudes, and knowing how to mobilise them to maximum effect – is perhaps the most important area for development and improvement.

Understanding policy instruments and their effectiveness: in many policy documents, this linkage is incomplete or missing – aspiration is not matched with a credible instrument package to deliver same.

It is a defensible hypothesis that in Ireland – and probably elsewhere – interdepartmental committees are the graveyard for policy. To the extent that this is true, it is a huge challenge for the sustainability agenda, which perforce involves many different departments and agencies; working effectively to a shared agenda is crucial to success. There are initiatives to address this lacuna, including creation of cabinet sub committees, the identification of ‘lead departments’ and the linkage of objective achievement with national policy. However, these initiatives are embryonic, without a clear and agreed national policy as to how interdepartmental conflicts will be resolved, and the tendency still to give veto power to all parties in the interdepartmental committee. It would be a very useful exercise for OECD to identify cases of success and failure in this domain, and to identify best practise internationally in moving forward.

The role of the Department of Finance is of particular importance in agenda setting and implementation. It is important that its agency the National Development Finance Agency’s mandate include expenditure and impacts related to key sustainability agendas, including climate change, air and water quality, biodiversity and social cohesion, and that in addition to “commercial standards” their mandate incorporate the delivery of key targets such as greenhouse gas abatement, water and air quality and biodiversity that are not well measured by markets. Specifically, the National Development Finance Agency has the function to “advise State authorities on the optimal financing of priority public investment projects by applying commercial standards in evaluating risks and costs. The overriding objective is to maximise value for money for the Exchequer”. This brief needs to be revised to reflect the above.

Effective communication, including the gathering and dissemination of information, is crucial. Two situations are evident. First, some data are gathered at taxpayer expense but are not readily accessible for analysis. Second, in many areas gaps exist and it is therefore difficult to carry out the ex-ante and ex-post analyses needed to implement evidence-based policy. Another dimension of information is its dissemination so that consumers and businesses can make informed and rational choices.

Recommendation to OECD

Identify cases of excellence in Irish policy design (Examples in the sustainability area include the plastics bag levy, and Greener Homes) and the converse, and what lessons can be yielded from national experience.

Identify best practise internationally as regards optimal skill base for policy formulation, and how it should be recruited, how to understand and mobilise policy instruments, achieve effective governance across government departments, and communicate in a coherent and timely fashion and what changes are needed in the Irish system to meet these standards.

The role of the Department of Finance and how it could best incorporate the sustainable agenda should command particular attention.

It would be useful also to reflect on how the interface between public servants and the political leadership is best managed in the public interest, and the merits or otherwise of a “cabinet” type system.

Programme implementation: Performance here is very uneven, ranging from excellent to the opposite.

- Public infrastructure delivery: An important positive initiative has been the creation of an envelope for large-scale investment, where unexpended funds can be carried forward, and vice versa. In some areas, e.g. national roads construction, this has allowed such a widening of the scope and scale on investment that international competition has been facilitated and unit costs have been controlled. In other areas – perhaps provision of wastewater infrastructure – the same economies of scope and scale are not evident.
- Government agencies: Where agencies have clarity about what they have to deliver, understand the purpose and importance of mission in regard to meeting the public interest, and where they can mobilise the necessary skills and other resources to do the job, and operate without political or administrative interference, they tend to deliver. Where any of these conditions do not apply, they do not. There is also an issue of governance as regards the boards of agencies – what should be their responsibilities in the context of their ‘parent’ department, the public interest, the Minister, and the Oireachtas?
- Cross-agency and cross-departmental linkages: When a policy initiative involves two or more departments and/or agencies, who pays, who decides, where does the buck stop etc.? There are interesting and positive examples of bottom up inter-agency collaboration, e.g. in research between EPA, Marine Institute and Sustainable Energy Ireland, which are especially important and notable for advancing the sustainability agenda.
- Non-integration between different programmes: One example: The National Spatial Strategy is an important first step towards the development of a long-term framework for balanced regional development, but the alignment between investment priorities, e.g. under the National Development Plan, with implementation of the National Spatial Strategy, is opaque.

Recommendation to OECD

Identify the ideal “fit” between policy development, and its implementation, and the merits and otherwise of the government department (policy development) and policy delivery (agency) model.

How best to ensure that those issues that cross agency boundaries but are of important, e.g. greenhouse gas impacts, are appropriately incorporated into the implementation agenda?

What are the optimal governance structures for implementing agencies?

Programme evaluation: There is a requirement at EU level that policy initiatives be subjected to integrated assessment, whereby the economic, social and environmental aspects are identified. We need to mirror this practise in Ireland, both *ex ante*, and *ex post*. Monitoring and evaluation of progress in public policy should be broadly based to cover social and environmental aspects as well as financial and economic criteria. Monitoring and reporting requires expert interpretation of properly gathered data referring to objective criteria, all carried out in a transparent and verifiable process. This should include a baseline assessment – what would have happened in the absence of the policy or investment. In general, progress and success should be measured by monitoring outcomes rather than inputs on a regular basis with a set of sustainability indicators.

The Controller and Auditor General – reporting to the Oireachtas (Parliamentary) Public Accounts Committee – is the main statutory vehicle for undertaking *ex post* analysis. But such analyses are not routinely undertaken – or at least not such as are publicly available – by line departments and agencies. The result is that successes are not properly recognised – if at all – and failure and weaknesses can be masked.

Recommendation to OECD

Identify what is the appropriate balance between dedicated independent evaluation agency – Controller and Auditor General in the Irish case – and departmental and agency evaluation in evaluating performance, accepting that organisations typically will not voluntarily demonstrate and document failure for policies for which they are responsible.

How best to incorporate environmental and social aspects into the evaluation process?

4. The quality and effectiveness of linkages between Departments and their relevant sectoral institutions including in the local government, health, education and justice sectors

As noted above, sustainable development is a multi-dimensional process incorporating economic, social and environmental objectives and can only be successfully delivered through direct participative governance and cross-sectoral partnerships. Irish policymaking seems to struggle with finding the balance between talk and action, ranging between endless discussion and no action, to action with limited or no participation or discussion. The challenges of addressing multi departmental agendas are noted above. But the interface between national and local government is also crucial for the sustainability agenda.

Local government (authorities) in the Irish system have central responsibilities for delivery of water supply and waste water and solid waste infrastructure and management – but with a high degree of central government control on capital funding – and land use planning and associated permission to develop. These are all crucial responsibilities are regards advancing a sustainability agenda.

There following issues are germane:

When local government are given tasks by national government, failure to deliver is inevitably justified on the basis that the resources were not delivered to do the job. There

appear to be no sanctions to punish lack of performance, or rewards to encourage and incentivise those who do deliver excellence.

There is also the issue of scale and scope – does local government have the technical and managerial capacities to deliver on both its own agenda, and that delegated by the national government, and does this vary across local authorities? If there is a skill deficit at national government, we would expect this problem to be compounded at local level.

The role of regional authorities – which have close to zero resources or executive authority - and whether or not they could overcome the scale and scope challenges?

River basins are *a priori* an obvious institutional template for addressing the challenges of water management and adjusting to more intense weather events and associated flooding and drought periods associated with climate change. There are pilot schemes focused on river basins, but no move towards delegation of decisions to this level.

Recommendations to OECD

Examine the mandate of local government in Ireland, and whether it has the structures, scale and scope to deliver, and what changes, including regionalisation, clustering, etc - if any would be necessary in this regard. In particular, the pre-requisites in this regard needed to deliver the sustainability agenda should be identified.

How should excellence be rewarded, and the opposite discouraged?

Recommend whether river basins should become part of the decision-making and delivery framework as regards activities where water management are central.