Quality of Public Administration

A Toolbox for Practitioners

ABRIDGED VERSION

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The full Toolbox is available as an e-version at http://ec.europa.eu/esf/toolbox

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Foreword

The quality of its institutions, both governmental and judicial, is a key determining factor for a country's 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.

Public authorities must be able to adjust to the 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, have to 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 any underlying areas for improvement. The European Council adopts country-specific recommendations on the basis of 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, it is expected that eighteen Member States will invest at least EUR 4.7 billion from the European Social Fund and the European Regional Development Fund for that purpose.

This EU Quality of Public Administration Toolbox aims to support, guide, encourage and inspire those who want to build public administrations that will create prosperous, fair and resilient societies. The Toolbox tries 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.

The Toolbox is not a new EU policy statement. The Toolbox brings together various existing EU policies and international standards that concern the quality of public administration in any country. Most of all, the application of principles and tools is illustrated with almost 170 case studies from Member States and around the world.

This is not the end of the story, but rather a starting point. The Toolbox has been assembled and published within a relatively tight timeframe, in order to start a dialogue and stimulate thinking. Given the dynamic environment of public administration, it will need to evolve into an interactive tool, where its contents can be discussed, updated, and co-created by users.

We expect the Toolbox to become 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, inspiration and practical tools inside, and that you will join us on the Toolbox future journey.

Michel Servoz, Director-General for Employment, Social Affairs and Inclusion, European Commission

Acknowledgements

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→ Communications Networks, Content and Technology (CNECT)
→ Informatics (DIGIT)
→ Economic and Financial Affairs (ECFIN)
→ Employment, Social Affairs and Inclusion (EMPL)
→ Internal Market, Industry, Entrepreneurship and SMEs (GROW)
→ Human Resources and Security (HR)
→ Justice and Consumers (JUST)
→ Migration and Home Affairs (HOME)
→ Regional and Urban Policy (REGIO)
→ Research and Innovation (RTD)
→ Health and Food Safety (SANTE)
→ Taxation and Customs Union (TAXUD)

The Toolbox was presented and discussed in several fora and to various stakeholder audiences, including: a European Commission seminar on Modernising Public Administration (1-2 October 2014); the SME Assembly (Naples, 2 October 2014); the European Network for Public Administration (EUPAN) meeting under the Italian EU Presidency (16-17 October 2014); the European Social Fund Committee (17 October 2014); the eGovernment Expert Group (11 December 2014).

The 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; Professor John Bachtler (*European Policies Research Centre*, Strathcylde University); and Professor Wouter van Dooren (University of Antwerp).

Invaluable inputs were provided by public administrations in all 28 Member States, especially by the key officials that took time out of their very busy schedules to review, update and expand draft materials for the Toolbox's case studies, and the 22 representatives from Member State administrations who provided feedback and some detailed suggestions on the early drafts. 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*, which engaged the services of the *European Institute of Public Administration (EIPA)* for producing the Toolbox, with Nick Thijs as the project manager and Iain Mackie as the main contributor.

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.

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 EUR 4 billion. 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)[1].

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 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.

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

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 e-government	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 ex ante conditionalities 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 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. 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 a number of 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[2].

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, good governance is based on trust: the silent covenant by which 'the governed' give consent to allow authority to be exercised by civil and judicial administrations on their behalf. 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 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.

% of EU population that "tends to trust its ..."

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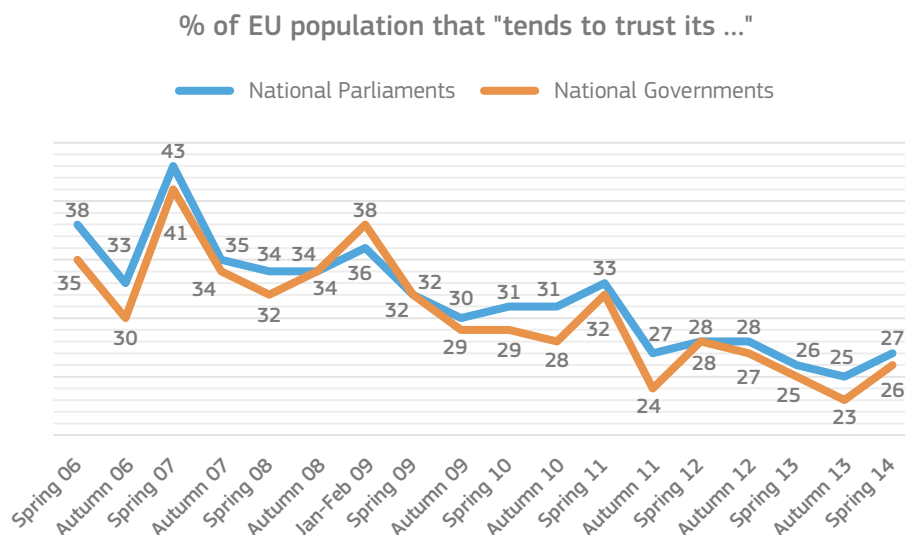
(2) European Commission, DG Enterprise (2012), "*Excellence in public administration for competitiveness in EU Member States*", http://ec.europa.eu/europe2020/pdf/themes/34_quality_of_public_administration_final.pdf

Over the last eight years, the Commission's Eurobarometer surveys have traced a general downward trend in the public's tendency to trust its national parliaments and governments, which stood at an average of just 27 % and 26 % (respectively) of the EU population by March 2014. 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.

Trust in institutions among EU-28 population, March 2014
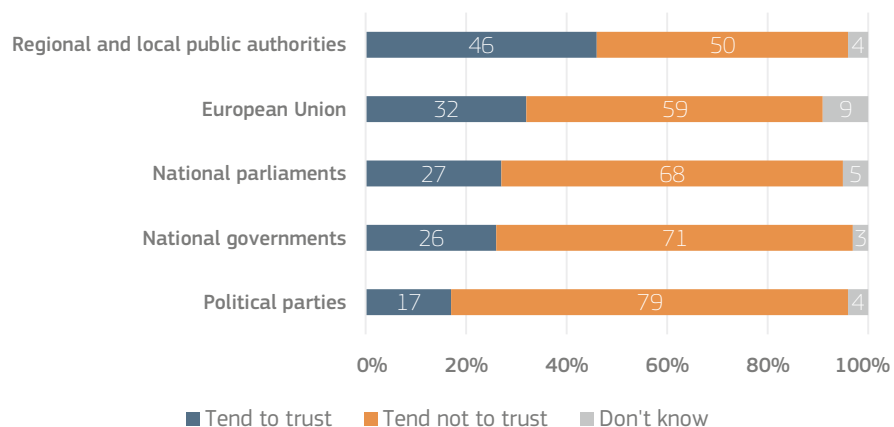
In this light, it is notable that confidence tends to be higher on average in regional and local authorities (46 %) that are generally seen as closer to citizens and businesses [3]. Administrations can also build on the 'micro-level' trust in individual public services, which is typically much higher than the 'macro-trust' in governments as a whole. On average across its member countries, OECD surveys in in 2012 found confidence was highest in local police services (72 %), followed by healthcare (71 %), education (66 %) and judicial systems (51 %), but lowest in national governments (40 %).

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[3]   Special Eurobarometer 415, *"Europeans in 2014"*, http://ec.europa.eu/public_opinion/archives/ebs/ebs_415_en.pdf

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 detail, see '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 digitisation 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 fewer, smarter regulations.

> *"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 as an e-version** here: http://ec.europa.eu/esf/toolbox.

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, academics and students of public administration, as well as citizens and civil society organisations.

The structure

In order to inspire reforms towards good governance, to 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 4) and public finance management (theme 7).

→ One chapter focuses specifically on the **major challenge** to good governance from ensuring ethical behaviour and tackling corruption (theme 2);

→ Another chapter considers the **mechanics** of public administration, namely the role of institutions and their officials in delivering the government's policies and services (theme 3);

→ Finally, two 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 5) and the justice system (theme 6).

Toolbox overview by theme and topic

Core functions

Theme 1: Policy-making

1.1 Qualities of policy-making
1.2 Instruments of policy implementation
1.3 Continuous improvement and innovation

Theme 4: Improving service delivery

4.1 Understanding user needs & expectations
4.2 Improving processes to benefit public service users
4.3 Meeting user expectations of easy access to services
4.4 Using e-Government to access faster, cheaper, better services
4.5 Committing to service standards and measuring satisfaction

Theme 7: Managing public funds effectively

7.1 Public financial management
7.2 Public procurement
7.3 Managing ESI Funds

Major challenge

Theme 2: Embedding ethical & anti-corruption practices

2.1 Establishing the policy framework
2.2 Building public trust through transparency and accountability
2.3 Promoting integrity & reducing the scope for corruption
2.4 Detecting and acting on corruption

Mechanics of administration

Theme 3: Professional & well-functioning institutions

3.1 Managing for results
3.2 Professional leadership
3.3 Modern human resources policy and management
3.4 Total quality management

Applications of good governance

Theme 5: Enhancing the business environment

5.1 Putting business first
5.2 Streamlining administration for businesses

Theme 6: Strengthening the quality of judicial systems

6.1 Assessing and enhancing performance
6.2 Improving access to justice
6.3 Modernising justice systems
6.4 Training and continuing professional development

Individual themes do not stand-alone. Many topics cut across more than one theme, and hence are highlighted by links in the **full version of the e-Toolbox** that the reader can click on and jump to the relevant sections of other chapters.

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 the policy and practice in the 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 **full version of the e-Toolbox** to lead you to further information.

The case studies

Almost 170 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).

The vast majority 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. In the **full version of the Toolbox** (not this summary), you will find that some, 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, shown in darker green, have been prepared/updated, checked and agreed with the original sources between July and December 2014, and represent the state-of-the-art in these public administrations; these case studies include contact names and e-mails that readers can follow up for further information.

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 by (social) and the premium placed by austerity measures on *efficiency*. Values can also be inter-linked and inter-dependent. Some administration 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 custodians, regulators, employers and facilitators.

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

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

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.

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 16 values, with alternative or related terms in *italics* (for further details, see e-version of Toolbox – http://ec.europa. eu/esf/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* is an integral element. 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 impartiality, 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 *inclusivity* and *accountability*.
User-centricity	Public administrations are increasingly looked to be *citizen-oriented* and *business-friendly*. This value is also related to inclusiveness, 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 follow the *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 financial management*.
Effectiveness	Efficiency 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.

Value	Description
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, 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 capable of *managing change*.
Accountability	Ultimately, governments and their administrations are answerable for the decisions they take (which puts a premium on their *legality*, *integrity* and *openness / transparency*).

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. Within a common standard that focuses on core values, there is a strong case for individual public sector 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 have to 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 provides 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**, in order to 'give teeth' to values, with both recognition when applied but also 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.

Inspiring example: Values in action (South Australia)

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.

Theme 1: Better policy-making

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. [It] is about establishing what needs to be done - examining the underlying rationale for and effectiveness of policies - then working out how to do it and reviewing on an ongoing basis how well the desired outcomes are being delivered. (A Practical Guide to Policy Making, Office of the First Minister and Deputy First Minister of Northern Ireland, 2003).

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
How is policy designed? What and who informs decision-making? How can governments move from reactive and *ad hoc* policy decisions to more reflective, long-term planning?	→ Policy fundamentals → Forward planning → Strategy preparation → Consultation and co-design
What instruments are available to policy-makers to achieve their policy goals? What are their relative merits? How best should they be implemented?	→ Public spending (see topic *7.1*) → Laws and the regulatory framework → Institutional structures and reforms → Co-production
How does the administration know if the policy has been achieved? How can the administration strive for still-better performance and more creative solutions to established and emerging problems?	→ Monitoring and evaluation (including co-evaluation) → Performance audits → External scrutiny → Public sector innovation

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.

Classic policy cycle model
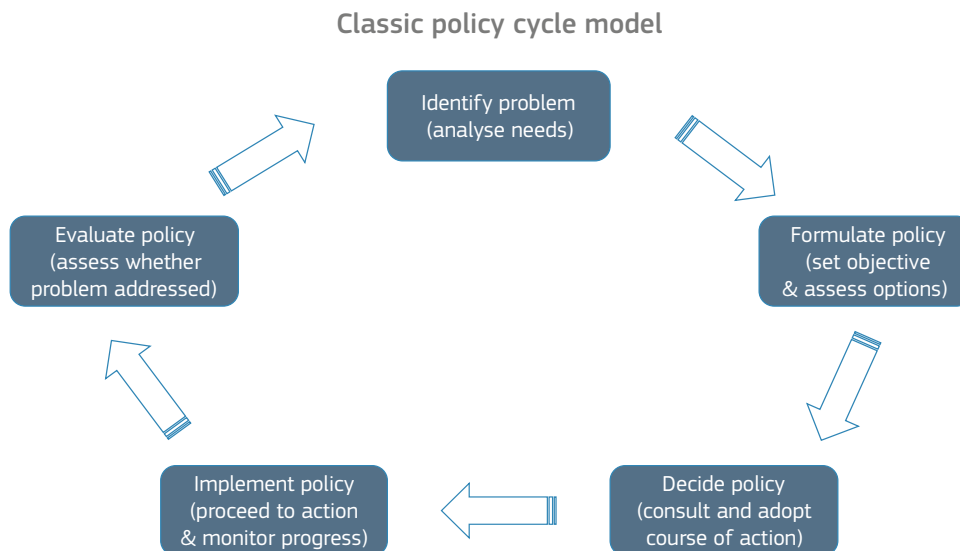
In practice, public officials know the **reality is usually a lot more sophisticated**, when faced by tough policy choices, complicated scenarios and complex situations:

→ 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 a number of 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 controls, 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. 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.

> For public administrations, the challenge is to build administrative capacity (values, structures, skills, technology and techniques) that is both robust and sufficiently flexible to cope with the pressures of policy design and delivery in the real world.

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	→ 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	→ 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	→ 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	→ Have those affected by the policy been engaged in the process?
	→ Have policy-makers identified and responded reasonably to their views?
Thorough appraisal	→ 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	→ 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	→ 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.*

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, summarised in a Self-Help Guide for Practitioners: *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; *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

> 👁 See also topic *1.1.3* on co-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.

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 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 involves citizens and businesses in creating new solutions for society, thereby co-opting them into the decision-making process.

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

> Inspiring example: Denmark's MindLab

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 for regulations**

1.1.2. Forward planning

Increasingly, EU governments are conducting longer-term strategic planning over horizons of typically up to 10-20 years into the future, well beyond parliamentary timetables.

Within mainstream public administration, **foresight units** came to prominence in the 1980s and 1990s, usually focusing on scientific and technological development. The European Commission has published a set of principles, guidelines and checklists that aim to ensure that such futures analysis makes an effective contribution to policy development: ("Using foresight to improve the science-policy relationship").

> The Commission's Joint Research Centre (JRC) offers 'foresight and horizon scanning', to look into the longer-term impact of policies and technologies, and anticipate emerging societal challenges.

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 futures report

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 e-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.

1.1.3. Consultation and co-responsibility

Policy-makers increasingly recognise the role that citizens, businesses and other interested parties can and should play in designing policy. 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 Small Business Act (SBA) commits the Commission to consult stakeholders for at least 12 weeks prior to making proposals with an impact on businesses.

'Your Voice in Europe' is the single access point to a wide range of tools for citizens to play an active role in policy-making.

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

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. 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.

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 European Citizens' Initiative (ECI).

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.
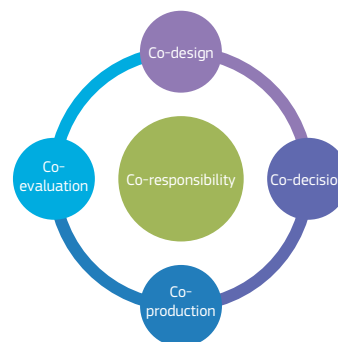
In the spirit of co-decision, policy-makers are specific seeking to engage with the citizens and businesses that will be affected by **legislation**, inviting their inputs in the shaping of new laws and regulations,

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

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.

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. 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 7 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 and can intervene positively to stimulate enterprise, investment and innovation. Expenditure can have a 'multiplier' or ripple 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. But it can also have a distortionary effect on behaviour and always comes with a price tag, given public expenditure is financed through taxes, duties, fees, charges and borrowing.
Laws & regulations	Legislation is essential in many policy fields, to 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; for citizens and especially businesses, the costs of compliance in the home, office, factory, site or transit.
Institutional reforms	Institutional change can have a positive impact in finding better ways to achieve policy goals, whether it involves: 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. As with other instruments, each scenario has its merits and its drawbacks. Institutional reforms are disruptive and have short-term costs as a minimum, which must be justified by the longer-term benefits. Responsibilities rely on resources, so reallocating functions should have budgetary implications, may affect revenue collection, and often the administration of regulatory authority too.

Administrations are also increasingly looking to **co-production** as a fourth instrument: 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 takes 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 examples: Instructions to officials on drafting laws in Finland; Estonia's Guidelines for Development of Legislative Policy until 2018

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.

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.

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 e-Toolbox elaborates several techniques used by the Commission and Member States within the IA framework:

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 they 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 inconsistences 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 'tidy up the statute book', 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 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 joint endeavour of the EU institutions and Member States. Commission initiatives such as mapping and screening the EU *acquis*, performing fitness checks, and codifying or recasting laws, tackle business burdens at source. Action to **interpret and implement EU legislation** more efficiently at the national, regional and local levels could reduce the burden on businesses by almost a third, equivalent to nearly EUR 40 billion.

All Member States have adopted their own **national targets for business ABR**, on a gross or net basis, including all EU legislation or nationally derived rules only. Some have also 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. What is left should be more easily accessed by citizens and businesses, and more effectively enforced. Some Member States have introduced **common commencement dates (CCDs)** to improve communication and predictability of necessary laws and regulations for businesses. Once adopted, Member States have a range of options to ease the regulatory burden during the implementation and enforcement of EU-derived and national legislation.

> Inspiring examples: Belgium's 'Kafka' initiative; the Danish 'Burden Hunter' approach

> Inspiring example: UK's guidelines on transposing EU directives

> The Commission's Smart Regulation agenda campaigns to intervene only where necessary, involve stakeholders through consultation, and keep burdens to the minimum necessary to achieve societal goals. Between 2007 and 2012, the EU adopted measures to cut administrative burden on legislation by 25 %, covering 72 EU legal acts

> Inspiring example: Portugal's Simplegis programme

> 👁 **See also themes *4* & *5***

1.2.2. Institutional structures and reforms

The organisation of public administration is a hot topic for effective governance and applying the principle of subsidiarity. Every Member State has its own approach to **multi-level governance**, assigning responsibilities and resources to discharge the duties of government and seeking greater efficiency from relations between public authorities, both vertical and horizontal.

Over the years, governments have sought new ways to improve public sector performance and service delivery through organisational change. A regular feature of the political landscape has been to re-allocate roles across ministries, resulting in **reorganisation of the machinery of government** at the central level, with the intention of achieving better policy-making and implementation. Given the interdependence of many policy fields, the effect can be a zero net sum, unless the restructuring is linked to better coordination and communication across the whole of Government.

More radically, central, federal and local governments have also engaged over time in **creating, disbanding or amalgamating sub-national tiers** of the public administration. Local government reorganisation has been a recurring theme in Europe for many years, usually with the aim of cutting the number of levels and bodies that citizens and businesses must interact with, and increasing the average size of administrative units to improve their efficiency through scale economies.

> 👁 **See also theme *3***
> **on organisational development**

> The Committee of the Regions has opened the Charter for Multilevel Governance (MLG) in Europe for the signature of all EU cities and regions and calls public authorities of all levels of governance (local, national and European) to use and promote MLG in their future undertakings.

> Inspiring examples: Merging the districts of Judenburg & Knittelfeld in Austria; merging 68 municipalities and corporations into three new municipalities in the Swiss Canton of Glarus

VNG International, founded by the Association of Netherlands Municipalities, has produced an introductory guide to successful IMC.

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.

In recent years, institutional change has been prompted by the global financial and economic crisis of the late 2000s, which has driven public administrations to seek savings in spending in the context of squeezed revenues. In particular, governments across Europe at all levels have engaged in deep **cuts in staffing and closure of administrative units** to reduce public expenditure. 'Public sector' employment is hard to calculate, as many jobs are at arms-length, but it is estimated that the EU's public administration was 5 % smaller in 2013 compared with 2008.

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.

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. 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 instigated major internal reforms to improve effectiveness and efficiency. Some administrations have **pooled resources**, in order to produce scale economies, synergies and cost savings. This usually implies staff transfer to shared service units, and staff cutbacks in the decentralised units.

Inspiring example: Change² in the City of Mannheim (*see topic* **3.2**)

A 2009 UK study found the public tends to hold central government responsible for core parts of public service performance, but over time will tend to accept the transfer of power and accountability to other bodies only if it is well communicated and unambiguous.

By contrast with decentralisation, the COCOPs research found that **outsourcing** did not reduce overall public spending or employment. Rather than cutting publically-funded jobs, the real change occurs in governance arrangements. Governments can delegate functions and seek to transfer risk to private providers through contractual arrangements which spell out delivery obligations, quality standards and pricing. However, governments remain accountable in the electorate's eyes, which means it must retain oversight, and in the event of contract failure, risk and responsibility will return to the public sector. The outsourcing of services presents two challenges: the contractor often finds it difficult to cost services over the long-term, and hence to estimate the tender price; and it is hard to build flexibility into the contract specification, to accommodate changing circumstances (e.g. advances in technology), in a way which is comparable with an in-house provider.

👁 See also topic *7.2* on public procurement

Research by Eurofound, "Mapping Restructuring in the Public Sector Following the Crisis", features case studies of recent public sector reforms, which are excellent examples for Member States to see how their counterparts have approached restructuring at a time of austerity.

Analysis by the EU's European Foundation for the Improvement of Living and Working Conditions (Eurofound) has found that **restructuring in the public sector** has drawn upon a range of human resources management (HRM) techniques, including recruitment and promotion freezes, staff redeployment, job sharing, phased retirement, flexible working time, unpaid leave, and changes in employment structures (e.g. increased use of temporary contracts).

1.2.3. Co-production

Co-production is a form of 'outsourcing' which involves citizens and businesses **directly** in the implementation of public policies from which they benefit. Public administrations are increasingly aware that they can overcome their limitations in policy 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. 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;

→ 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 around 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

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. 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.

> Inspiring example: "Life Long Living" in Fredericia

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**, in order 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 progress and performance against planning and objectives (expectation)	Assessing the relevance, coherence, efficiency, effectiveness, impact and sustainability of policies and programmes	Assessing the relevance, coherence, efficiency, effectiveness impact and sustainability of policies and programmes
Why	For **operational** reasons – to learn lessons and take corrective action in real-time, if required, and to collect information for subsequent evaluation	For **strategic** reasons – to ensure the policy efficiently and effectively addresses the identified problems & objectives, and identify improvements	For **accountability** reasons – to ensure public funds are being used efficiently and effectively and identify improvements, if necessary
When	Regular intervals during application	Usually at specific points, (before, during and after application).	Usually at specific points, (during and after application).
Who	Managers and staff involved in implementation	Managers and staff and external consultants	Usually qualified auditors from the SAI, **independent** of design and application

One likely trend is that **boundaries between monitoring and evaluation are becoming increasingly blurred**, as evaluation can take place in real-time, during the early stages of a new policy or programme or 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.

Orientate ➤ Define indicators ➤ Collect data ➤ Analyse ➤ Act
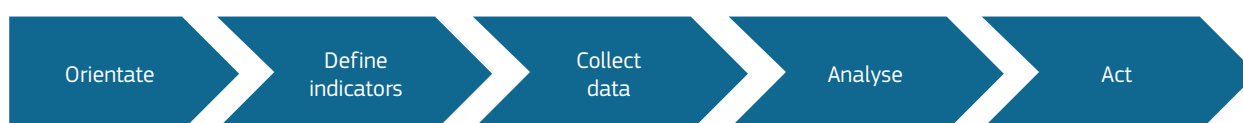
Step 1: orientation is the preparatory phase. What should be monitored and evaluated, why, and how will the information be used? The main ingredients of this phase are set out below:

Ingredient	Purpose
Objectives	There must be clarity about what the policy, programme, project, service or organisation is seeking to achieve. In other words, clear objectives that performance can be assessed against (which can be both strategic and specific / operational), as well as the actions required to get there.
Responsibility	The role of defining indicators, collecting data, and analysing the findings assessing progress and performance is assigned to an official or unit (including possible use of external experts), as well as reporting lines established to management and policy-makers.
Methodology	The monitoring arrangement must include a system to gather data. 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 the information should be collected.
Management	Once information is gathered by the responsible official(s) on performance, including against indicators, this must be assessed and conclusions drawn and 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.

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. 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.

> Useful guidance in preparing for monitoring & evaluation is available from the COP RBM, OECD DAC, Learning Forward, and Civicus Toolkit.

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

> 👁 See also topic 7.3.3

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. A performance indicator may contain around five components for the sake of completeness.

Component	Purpose
Definition	The indicator should be clearly stated, so that there is no ambiguity in the minds of the reader, or indeed the people providing or collecting the information, about its content and meaning. While the indicator may be described in shorthand (such as 'jobs created'), it can include explanations, and if necessary references to official definitions, statistical sources and documents, that the reader can follow to understand fully the use of specific terms (e.g. "'jobs created' means the additional employment by beneficiary organisations of persons that undertook the activity supported under the programme and were still in post 12 months after the activity was completed").
Source	Again, the indicator should be clear on how information will be gathered, whether it is quantitative or qualitative. This might involve officially recognised sources (such as Eurostat, national statistics agency, ministry, etc.) or other authoritative source (stakeholder feedback, credible research organisation, academic institution, etc.). It might necessitate an original survey, in which case the methodology must be robust, and ideally elaborated at the same time as the indicator is designed.
Timescale	The indicator should be accompanied by a statement of the frequency with which information will be collected and reported, and over what timeframe. In other words, it should state the intervals that information will be gathered (e.g. ongoing/real-time, monthly, quarterly, six-monthly, annually, biannually). Depending on the indicator and source, this might be highly specified to reflect publication dates of official data (e.g. "on 15 March and 15 September each year"). The indicator should state 'from when – to when'. For example, it might be appropriate to start gathering information as soon as the activity starts and to stop assessing performance after, say, 3 years.
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 there is no ambiguity later.
Benchmarks	Whether the comparison is over time or with peer performance (other countries, regions, localities, etc.), it is common to establish 'comparators' as reference points. If the aim is to achieve eventually a certain level or threshold of performance, these benchmarks are usually called 'targets', usually stated with a time by which the target will be achieved (e.g. "in three years" or "by 2020").

Generating indicators a number 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 thinks it tells us? Will the presence of an indicator by itself change behaviour in a good way (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

UNDP has identified innovative approaches to monitoring & evaluation, including increased public participation.

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.

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 provides 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**.

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

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:

→ 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.
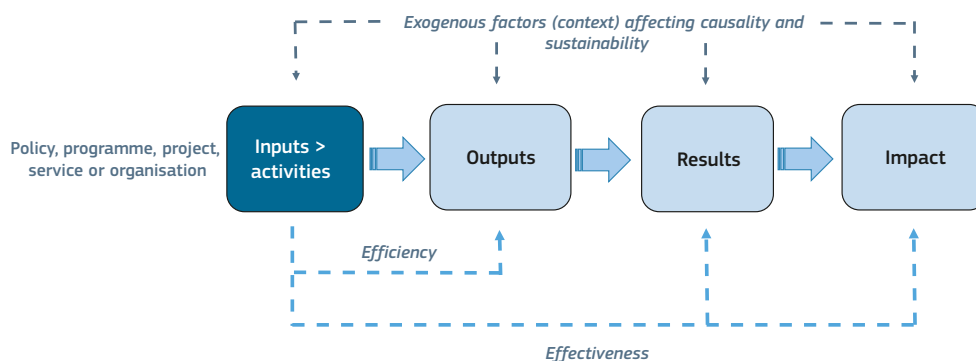
Factor	Key questions	Analysis
Contribution	Is the intervention in fact one of the causes of observed change?	Rank the assessed intervention among the various causes explaining the observed change
Attribution	What proportion of the observed change can really be attributed to the evaluated intervention?	Build a counterfactual scenario: 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	→ 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 clear timetable.
Evaluation is not sufficiently impartial	→ Ensure the conditions to apply to constrain any possible attempts to produce a pre-determined outcome; → Request the SAI to audit the evaluation process.
Evaluation findings are ignored	→ Pre-commit through a law or code of conduct to publish all evaluation findings on a website; → Introduce 'real-time' monitoring including evaluation elements, to be conducted in parallel with implementation and application 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.

> Inspiring example: Italy's pilot 'Civil Evaluation' (see topic *4.5.1*).

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.

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. **Parliaments and assemblies** have the principal role in holding governments to account at all levels, aided by SAIs, independent regulatory bodies and Ombudsmen that conventionally report directly to them. They channel the views of the electorate and ensure that 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.

> Inspiring example: Croatia's Council for Civil Society Development

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 to formalise their advocacy role in an advisory capacity, with standing committees whose members are elected by the NGOs themselves.

1.3.3. Fostering innovation

> The Commission has launched the European Public Sector Innovation Scoreboard (EPSIS) to benchmark the innovation performance of the EU's public sector.

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 defined as comprising seven dimensions[4]:

> 👁 **See also topic 7.2.4**

Type	Clarification
Product	Developing new or enhanced products, such as electronic ID cards, better laws and smarter 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.

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

Public sector innovation mostly happens through *ad hoc* and uncoordinated initiatives, rather than as a result of 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 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.

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

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

To make progress, administrations need the freedom to exercise 'trial and error', which will inevitably bring both successes and failures. It also encourages **prototyping and controlled testing** before proliferation, in order to manage the risk with small-scale and iterative experimentation.

Inspiring example: Randomised controlled trials in Denmark

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 seen 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 epractice 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 three 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 think-ing, 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 deliverable 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 critical 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: Embedding ethical and anti-corruption practices

👁 See also *Principles and values of good governance*

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

At the heart of individual **ethical** behaviour in guiding behaviour and decisions, and the **integrity** of the whole 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.

While bribery and other forms of corruption clearly 'cross a line', sometimes officials face **conflicts of interest**, or other dilemmas on a daily basis, where the way forward – 'doing the right thing' – is not instantly obvious. Ethical values have to 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.

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.

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 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.

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 opinion[5].

Opportunity (discretionary power + public 'resources') — Constraints (legal + normative) = Risk of corruption

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[5] Based on Alina Mungiu-Pippidi (2014), "Why control of corruption works – when it does", ANTICORRP.

Key questions for theme 2	Ways and tools
How do public administrations set the **framework** for promoting integrity and combatting corruption?	→ Clear statements of ethical values & standards → Risk-based strategies (risk assessment, risk maps) → Laws & regulations → Integrity coordinators → Anti-corruption agencies
What role can transparency and accountability play in (re)building **trust** among the public?	→ Open government & access to information → External scrutiny
What **preventative** measures can administrations take to strengthen ethical performance and reduce the scope for corruption?	→ Merit-based recruitment & other human resources management techniques → Ethics & dilemma training → Disclosure of interests, income & assets → Administrative simplification, controls & automation
What can administrations do to **detect and act** on corruption when it occurs?	→ Whistle-blowing mechanisms → Investigation, prosecution & sanctions

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, in order 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 examples: UK's Seven Principles of Public Life; Ireland's Standards in Public Office Commission

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.

Inspiring example: Finland's "Values in the Daily Job – Civil Servants' Ethics"	Following a study of ethics in Member States, the Dutch Presidency of the European Union proposed the main 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. Risk-based strategies

Inspiring example: Lithuania's Anti-Corruption Strategy & Programmes	While integrity strategies are relatively rare, many Member States have **anti-corruption strategies**. These can be especially beneficial when corruption is systemic and requires a clear, comprehensive and centrally coordinated package of measures. In line with the principles of policy-making, one of the key ingredients

of a good strategy is a sound evidence base. The strategy should be founded on understanding the characteristics of corruption in the policy domain(s) under consideration, as a precursor to choosing the most appropriate instruments to tackle the problem at source.

At its most effective, the underlying analysis and therefore action in strategies should be based on a **risk assessment** of where integrity concerns or corruption are most concentrated, but where there is also capacity for change. As a priority, tailored strategies should seek to target the points where both the likelihood and impact of unethical and corrupt behaviour are high. Examples of sectorial risk assessment can be found in studies of healthcare and border control

One of the standard tools of risk assessment is **risk-mapping**. This 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.
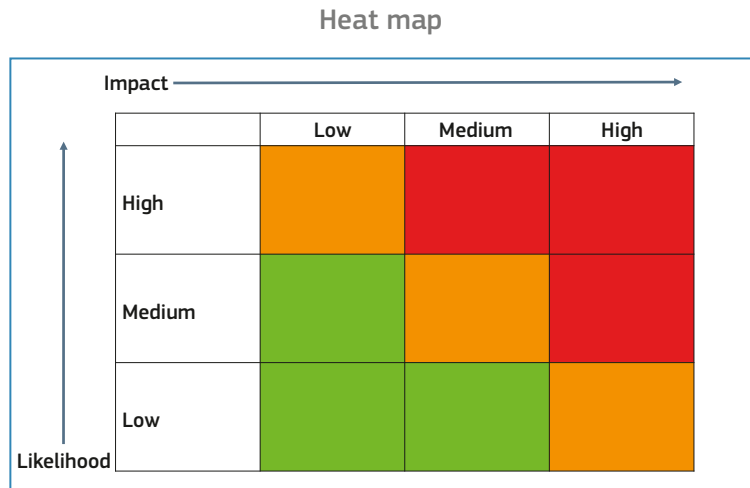
Heat map

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. 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 considered (diagram is based on TI's Gateway Corruption Risk Assessment Toolbox).
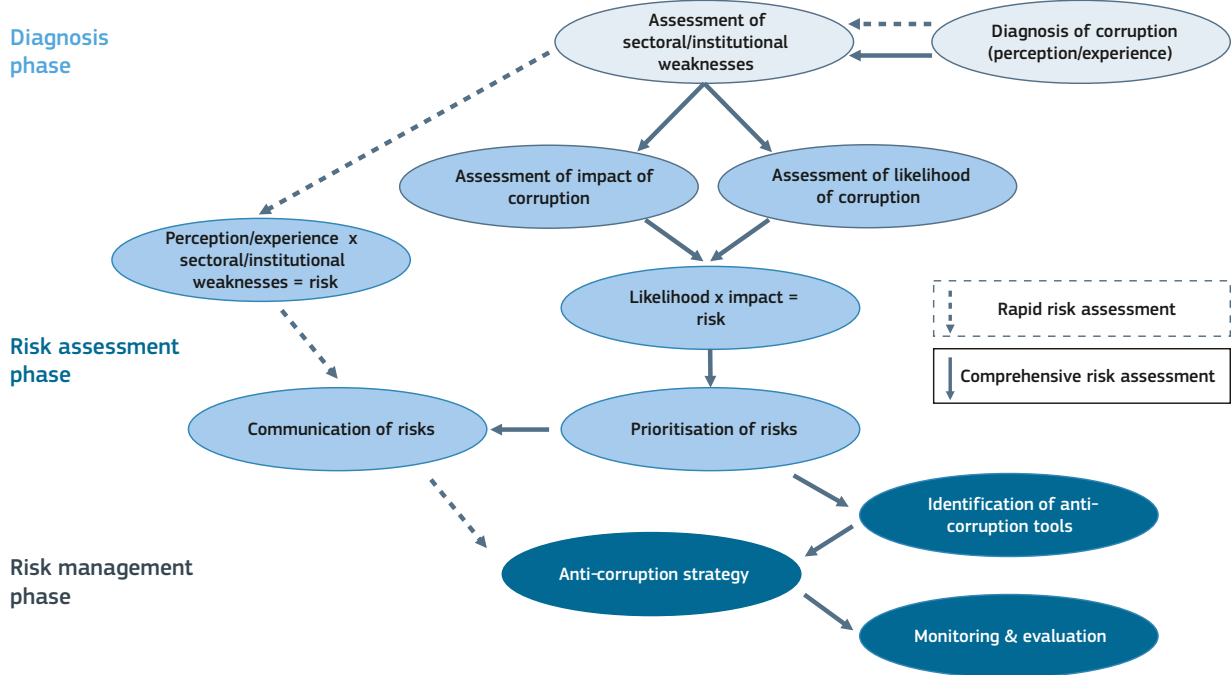
In some Member States, the **anti-corruption agencies** has been tasked with performing corruption risk analysis at the institutional level, following national methodologies.

Inspiring examples: Slovenia's sample integrity plan & methodology; Lithuania's corruption risk analysis.

Ultimately, even the best crafted strategies with the most robust evidence base and most comprehensive risk assessment are just paper exercises, unless they are accompanied by robust action plans that are followed through with actual implementation. **EU co-financing** can support national authorities in tackling corruption, fraud and any other illegal activities that might affect the EU's financial interests.

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

2.1.3. 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.

Inspiring example: UK Bribery Act 2010

Each national system is specific to the country's legal traditions and structures, but most Member States 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 in regard to prosecutions and penalties. Other relevant legal provisions include laws to **protect whistle-blowers**.

👁 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.

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 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.

👁 **See also topic *2.3.1* on human resources management**

2.1.4. Coordinators and agencies

Inspiring example: Integrity coordination in the Flemish Government, Belgium

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

→ 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 conducing 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:

Criteria for effective anti-corruption agencies
→ 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. Building public trust through transparency and 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.

"Our free and fearless press shines a light wherever it is needed, without fear or favour. Of course that can make life difficult – but it helps drive out the corruption that destroys so many countries. Our governments lose cases in court, because we don't control the courts. But that's why people invest in our countries because they have property rights, and they know that they can get redress from the rule of law and that we have judges who are honest and not on the make. It is no accident that the most successful countries in the world are those with the absence of conflict or corruption, and the presence of strong property rights and institutions". David Cameron, British Prime Minister, Address to the Australian Parliament, 14 November 2014

2.2.1. 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

Digitisation now allows the public to monitor the extent to which public administrations meet their obligations on transparency and information access, 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.

All Member States are signatories to the 2009 Malmö Ministerial Declaration on e-Government, includes the objective to strengthen transparency of administrative processes, followed up in the e-Government Action Plan 2011-2015.

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 *6.2.1* on judicial communication

2.2.2. 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 capable of investigating behaviour and holding 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-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.

2.3. 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.

2.3.1. 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 six or twelve 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**. One specific form that is relevant to fields where corruption risk is high is training involves public servants being educated and tested to see their response to different scenarios. Learning points suggest small discussion groups work well, along with a large collection of dilemma scenarios, meaning the selection can be tailored to specific audiences. 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

2.3.2. 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 and which 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.

2.3.3. 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 *4.2* on process improvements & theme *5* 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 an important 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 *7* 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 – e-government, 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 *4.4* on e-Government

2.4. 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 wrong-doing, 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.

2.4.1. 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 stopping scandals 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 the majority of cases, nothing is done about the wrongdoing, 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.

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).

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.

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

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: Ireland's Protected Disclosures Act

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.

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.

2.4.2. 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.

2.5.   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, e-Government, 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: Professional and well-functioning institutions

Economic historians have long made a strong case that institutions are vital to the long-term economic development of any society, and have a direct impact on growth.

> According to the OECD, capacity building is the process by which individuals, groups, organisations 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.

Capacity building (also termed 'capacity strengthening' and 'capacity development') has three main dimensions:

1. **Societal**: Good governance relies on a working web of connections between public sector bodies at different levels, and more fundamentally, a complete network of institutions which serve society's needs as a whole, as well as mechanisms to ensure democratic accountability, raise concerns and seek redress (parliament, ombudsmen, civil society, etc.)

2. **Organisational**: Not just collections of people serving a common purpose, each organisation has its own internal dynamics and external relations, and hence all dimensions (mission, strategy, culture, resources, processes, practices, etc.) should be examined.

3. **Individual**: Capacity building also happens at the level of people themselves, either as groups or individuals, and their need to function efficiently and effectively within both the organisational environment and the broader system.

To be comprehensive and coherent, administrative capacity-building should take place at all three levels and involve establishing, strengthening and maintaining capacity. This theme is about the organisational and individual levels, with particular attention to the elements that make public sector organisations function and perform well.

Key questions for theme 3	Ways and tools
Do we know **what** we do, **why** we are doing it and **how** we do it?	→ Mission, vision and strategy development → Monitoring, evaluation and learning → Accountability and communication
How do we assure good and strong public sector **leadership**?	→ Creation of a Senior Civil Service → Training and development → Managing change
How do we strengthen a modern **human resources (HR)** policy and management?	→ Managing competencies → Recruitment and selection → Learning and development → Appraisal, promotion and career development → Equality, positive discrimination and active aging
How do we integrate **quality management** and continuous improvement into the culture of public administration?	→ Using quality management models → Stimulating a quality management culture

3.1. Managing for results

Given the fiscal environment, and the expectations from public services, performance management has never been more critical in the public sector than it is today. Governments around the world now take this extremely seriously and many have introduced legislation and frameworks for this specific purpose in the organisations that report to them. Public sector performance can be managed and measured at the macro-level (national and supranational), meso-level (sectors, networks and chains of events) or, in this case, micro-level (individual public sector organisation and its interface with citizens, businesses and other institutions in the delivery of public services).

3.1.1. Mission, vision and strategy development

If an organisation wants to reach its goals, it must first know what those goals are. If the overarching strategy is clear, everyone will be able to pull in the same direction and will be more likely to focus on

what matters the most, to produce real results. Sadly, public administrations have a reputation for sometimes lacking this clarity. This is perhaps because of the many, often conflicting agendas arising in political and multi-stake-holder environments, which distinguishes the public from the private sector.

> 👁 **See also topic *1.1* on public policy & strategies customer satisfaction**

Leadership is ensuring that the organisation is driven by a clear mission (*why do we exist? what is our mandate?*), vision (*where do we want to go? what is our ambition?*) and values (*what steers our behaviour?*) for its long-term success, communicating them and ensuring their realisation.

> Inspiring example: Leadership in Lithuania's ESF Agency

Implementing the mission and vision of a public sector 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

> Inspiring example: Strategy development in Upper Austria

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 (below) 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").

To achieve the desired end results, organisations need to take account of essential enablers, such as the knowledge and skills of employees, the image and reputation of the organisation, the information it holds, the relationships with key stakeholders, technological infrastructure, and management processes.

In order to 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)[6]. These show at a glance the intended outcomes and key relationships. Even if strategy maps are not used explicitly, plans should contain expected cause-and-effect linkages.

(1.1) Belfast City Council takes a leading role in improving quality of life now and for future generations for the people of Belfast by making the city a better place to live in, work in, invest in and visit.

(2.1) Provide leadership and strategic directions for shaping developing and managing the city.

(2.1) Meet the needs of local people through the Effective Delivery of Quality and Customer-Centric Services.

(3.1) Develop and maintain relationships with key stakeholders.

(3.2) Promote a positive image and reputation.

(3.3) Continuously improve and innovate the service delivery.

(3.4) Effective communication – internally and externally.

(3.5) Quality advice – and evidence -based decision making.

(3.6) Create an open and performance driven culture.

(3.7) Develop our knowledge, skills and expertise.

(3.8) Ensure happy and dedicated employees and councillors.

(4.1) Strategic Financial Planning.

(4.2) Strategic Human Resource Management.

(4.3) Strategic Information Management

If the overriding strategy is clear, everyone will be able to pull in the same direction and will be more likely to focus on what matters the most, to produce real results. Getting employees to buy into and follow a strategy means engaging them in the process, providing middle managers and front-line staff with meaningful performance feedback.

3.1.2. Monitoring, evaluation and learning

In order to make sure objectives are achieved, public sector organisations need to monitor and evaluate if, to what extent and how these aims are met. Traditionally, public bodies have paid most attention to

efficiency: using as few resources as possible to achieve expected outputs. In times of austerity, the priority for many organisations is, more simply, economy: reducing inputs in line with budgetary constraints. To fulfil their mandates, public sector organisations need to also take care of the strategic aspects of their performance: their effectiveness, impact and the sustainability of outcomes. This demands results-based management in both the

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[6]   Marr, B. (2009), "Strategic performance management in government and public sector organisations", Advanced Performance Institute.

organisational culture and the use of techniques and instruments. Why assess performance in public sector organisations? For the sake of clarity, the reasons can be clustered into three groups:

	1. To learn	2. To steer & control	3. To give account
Key question	How to improve policy or management?	How to influence and shape activities?	How to communicate performance?
Focus	Internal	Internal	External
Orientation	Change/future	Control/present	Justify/past
Examples of instruments	Strategic planning, benchmarking, risk analysis, business process reengineering	Monitors and management scorecards, performance appraisals, performance budgeting	League tables, citizen charters and annual reporting, performance contracts

After deciding *what and why* to measure, one needs to determine *how* to measure. Obviously, key performance indicators (KPIs) will differ in, say, a cultural organisation, a fiscal administration, or an environmental agency. KPIs help organisations understand how well they are performing in relation to their mandate and goals. Like any 'health check', the analysis of organisational health does not stop when the test results come in. The symptoms are usually already apparent to the organisation itself, but the indicators provide evidence of actual performance below the expected range, as the basis for further assessment to understand better the underlying causes. This diagnosis can lead to prognosis (projections if things continue as they are) and hence treatment if needed.

> Inspiring example: Strategic planning and performance measurement at the Flemish Department of Public Governance in Belgium

A crucial decision is whether performance data will be used in a 'hard' or a 'soft' way, depending on how tightly coupled are information and judgement; whether formula-based or interpretative use is made[7]. 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 that requires some performance information to feed into discussions on how to do things differently.

> Inspiring example: Management by objectives, and the balanced scorecard, in the Polish social security administration

With operational indicators, it is desirable to get closer and closer to 'real time' measurement. Strategic measures are more about monitoring progress toward achieving a new and different envisioned destination (as opposed to just doing things better), and they don't change that often. Various tools and guidelines exist to guide public sector organisations to find inspiration in designing good performance management systems and finding or creating suitable indicators.

Tight coupling

Measurement

Judgement

Mediated by interpretation & dialogue

Loose coupling
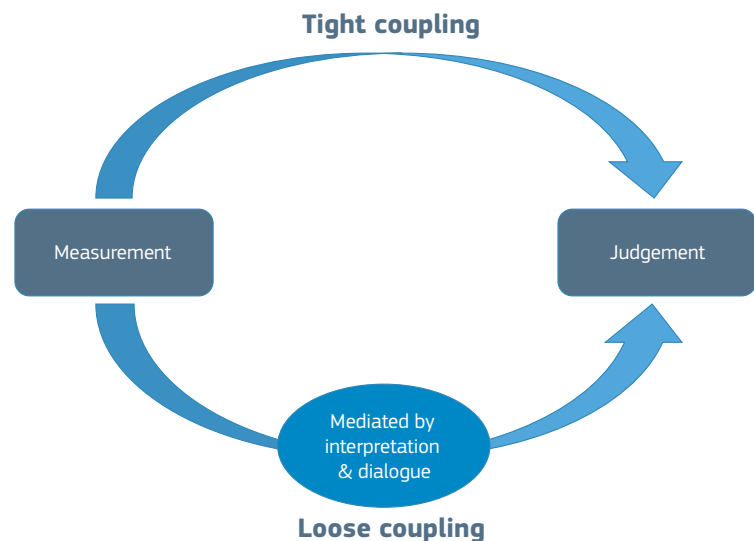
3.1.3. Accountability and communication

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 (see below). 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.

> The UNDP Users' Guide to Measuring Public Administration Performance describes 18 measurement tools that can be used to design indicators.

> 👁 See topic *7.1.2* on presenting financial data

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(7) Moynihan D., (2008), "The dynamics of performance management: constructing information and reform".

User	Use
Managers	Senior managers tend to be more interested in strategic data for learning purposes (leading to strategic planning, benchmarking, risk analysis, business process reengineering), while middle managers and supervisors might also use data for steering / controlling operational performance (such as performance appraisals, delivering performance-based contracts etc.).
Ministers	For executive politicians, accountability is most important, especially in those countries which publish indicators and/or targets for government agencies, education and health bodies, etc. Accountability becomes steering and control when performance indicators are codified in performance contracts with the minister. Ministers should also use performance information as inputs to developing new or more focused policy programmes, but this requires a regular stream of monitoring data and ongoing evaluations.
Members of Parliament (MPs)	The OECD found from a survey of 27 out of 30 of its member countries that 24 provide outcome information to parliament, but MPs use it for decision making in just five, and budget committees to allocate resources in just two. Reasons why performance information is not used more: reports lack credibility, information overload, time constraints, and/or reports follow the agency's or department's logic, and not the needs of MPs to scrutinise performance and explain it to the public.
Citizens	Without doubt, the public is keen to hold public sector organisations to account, but administrators often complain about the public's lack of interest in performance information until things go wrong. An appealing approach to alleviate the problem is to make measurement more demand oriented, which implies the stronger involvement of citizens in the definition of performance, as well as addressing them in their capacity as customer of public services.
Media	The media is a significant user of performance information in several forms including league tables and trends on service levels, but it is difficult to predict which pieces of performance information will be taken out of reports and possibly out of context. Timely, unexpected, sudden, negative, unambiguous, personal, and conflict-prone events are more likely to be picked up in the media, to name a few criteria. Performance information needs to be adapted to increase its news value, and can for instance be personalised by also showing a case or a witness, and by fitting the news cycle of print and broadcast media. There has to be a consistent storyline behind the numbers and focus should be on the unexpected results.

Inspiring example: Everyone's administration – the strategic plan for modernising Castilla y León's public administration in Spain

Administrations can take a pro-active stance to accountability and communication by reaching out to stakeholders within and outside the administration, especially citizens and business, in the whole strategic cycle (planning, implementation and continuous reporting).

In principle, performance information is indispensable to ministers, MPs, civil servants and citizens, but this obvious win/win/win/win does not always materialise in practice, because of communication disconnects and 'missing links'. Annual reports are for specialists: they can be a good instrument for reporting to stakeholders and interest groups, but it is unlikely they have an impact on the public in general. Oral communications will be suitable for reporting to the middle and top management, together with scorecards. News flashes and publicity are instruments to reach the general public through the mass media.

3.2. 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.

See topic 2.3 on HRM's role in ethics & anti-corruption

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

> Inspiring examples of hybrid SCS systems: Belgium and the Netherlands

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.

3.2.2. Recruitment, training and development

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'.

> 👁 See *Principles and values of good governance*

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 different types of 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 on the basis of 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.

> 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

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

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

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.

3.2.3. Managing change

> Inspiring example: The Change[2] project in the German city of Mannheim

At present, managing change is one of the major challenges confronting not only organisations, but also officials who must effect change or are affected by it. This might involve: reassigning responsibilities *across* organisations, resulting in reorganisation or sometimes outsourcing; *internal* reorganisation or re-orientation, such as re-engineering the service delivery process; or introducing new managerial systems or human resources practices.

There are a multitude of models and methodologies which can be applied, but generally speaking, most initiatives to should develop along the lines of several basic phases: defining the objectives; developing a strategy; engineering the organisational change; and upholding and strengthening the process of change.

Transformation cannot be enforced successfully from the top level down, but needs to be understood by all involved to maximise buy-in and minimise resistance. To the individual official, change can represent more than a 'transition', and can pose a threat to his/her current status or even means of income, if it results in the loss of jobs. Every process of change tends to undergo seven stages linked directly to the reactions of the organisation's members, during which they slowly begin to readjust their perceptions and behaviour to the new situation and changed reality: shock; denial; realisation; acceptance; experimentation; understanding; and integration.

Leadership plays a crucial role in designing, implementing, monitoring and maintaining change processes. In the public sector context, leadership is mostly regarded as an exclusive activity of the head of the agency, but distributed, shared or team leadership is also highly relevant. The different steps and the role that leaders can play for the change process to be successful and effective are shown overleaf[8].

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[8] Fernandez, S., & Rainey, H. (2006), Managing Successful Organisational Change in the Public Sector: An Agenda for Research and Practice, Public Administration Review, 66/2.

> ### Successful implementation of organisational change in the public sector
>
> → **Ensure the need:** managerial leaders must verify and persuasively communicate the need for change.
>
> → **Provide a plan:** managerial leaders must develop a course of action or strategy for implementing change.
>
> → **Build internal support and overcome resistance:** managerial leaders must build internal support and reduce resistance to change through widespread participation in the change process and other means.
>
> → **Ensure top management support and commitment:** an individual or group within the organisation should champion the cause for change.
>
> → **Build external support:** managerial leaders must develop and ensure support from political overseers and key external stakeholders.
>
> → **Provide resources:** successful change usually requires adequate resources to support the change process.
>
> → **Institutionalise change:** managers and employees must effectively institutionalise changes.
>
> → **Pursue comprehensive change:** managerial leaders must develop an integrative, comprehensive approach to change that achieves subsystem congruence.

3.3. Modern human resources policy and management

Financial constraints put pressure on civil services to make effective use of scarce resources, to improve workforce planning, and to set up human resources (HR) systems that promote learning and career development opportunities. Moreover, professional HR strategies are also key for attracting the most competent staff on the labour market for public administration roles, and delivering the good governance that is essential for economic prosperity. This includes non-pay solutions, such as challenging assignments and flexible working conditions (flexible hours, teleworking, distance working, etc.).

One of the basic conditions for a public sector HR policy is the development, implementation and safeguarding of a **civil service act or code** (depending on the legal system) that lays down the basic rights and values of an independent, well-functioning public administration. Nearly all EU countries have adopted civil service legislation, but practices differ regarding the implementation (not only on paper) and safeguarding of rights.

Public administrations across the EU face questions on a strategic and operational level, such as: How is recruitment and selection organised? How popular is the public sector as an employer? How do we attract and develop people for specialist (highly skilled) profiles? A major trend of **HR management reform** in national public services is the switch from a status-based approach, characterised by recruitment and promotion according to level of diploma and time served, towards a competency-based approach, which aims at a maximum use of human potential. An integrated approach to HR management connects training to the appraisal and promotion system, career development and progression. Special attention in developing and implementing HR policy should be given to important horizontal topics: diversity, gender equality, non-discrimination, positive discrimination and active ageing.
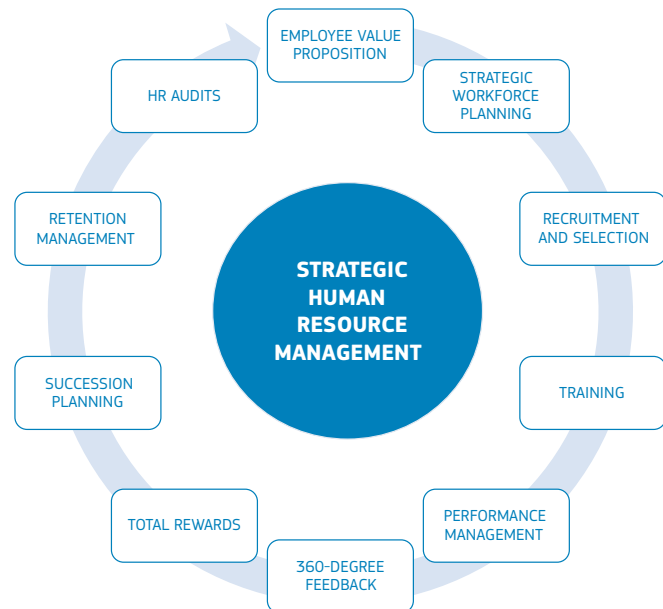
3.3.1. Managing competencies

Traditionally, 'personnel management' in the civil service was a stand-alone activity, purely legalistic and input-oriented in its approach and not at all linked to the organisational strategy. Since the 1990s, more and more European countries have introduced competency frameworks at the central or decentralised levels, describing those skills, attitudes, behaviours and abilities that are key for achieving organisational goals. Focusing on competencies alters both mind-sets and methodologies.

Functional approach	Competency approach
Job description → What is done? → Cluster of core tasks and functional requirements (knowledge, skills, responsibility)	**Competency profile** → What is done, why and how? → Cluster of core tasks and competency requirements (knowledge, skills, personality, attitude, values and norms, incentives)
Selection → How is the person? → Selection in order to realise a fit between the function and the individual → Selection in order to fill a vacancy → Selection criteria based on the current function → Selection criteria focusing on knowledge, personality, and attitude	**Selection** → How does the person function? → Selection in order to realise a fit between the individual and the organisation → Selection with a view of growth and development of an organisation in the long term → Selection criteria based on the future → Selection criteria: knowledge, personality, and attitude, but also skills, values, and behaviour
Development → Development of knowledge → Aimed at hierarchical promotion → With a view of raising job skills	**Development** → Development of knowledge, ability and willingness → Aimed at horizontal mobility → Aimed at the maximum use of human potential → With a view of developing skills and behaviour
Appraisal → Focus on functioning in the job → Focus on dedication	**Appraisal** → Focus on functioning in the job, performance, results & potential → Focus on behaviour
Reward → Pay according to the job → The relative weight of the function determines the wage → Focus on responsibility, knowledge and seniority	**Reward** → Pay according to work → The required competencies for an organisation determine the wage → Focus on output

Source: Op de Beeck, S. & Hondeghem, A. (2010) "Managing competencies in government: state of the art practices and issues at stake for the future", OECD.

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

Competency management (CM) can contribute to a more integrated HRM approach by linking selection, evaluation, training and development, as well as by a stronger alignment of people's competencies with the organisational mission and vision. In practice, the use of competency management (CM) varies in the Member States. Frameworks can be applied to some or also to all HR processes – selection and employee development have already a strong competency-basis. The same framework can apply to all public employees of the central public administration or specific groups only.

Often a distinction is made between generic competencies which all staff members are expected to demonstrate (including putting values into practice) and whose objective it is to integrate staff around core values, and technical, job-related competencies. The added value of competency-based job profiles is that they promote a common vocabulary, they foster transparency and they enhance the visibility of career opportunities.

CM 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 in France

CM is particularly 'popular' in those countries that have engaged in a far-reaching change process or public service reform. Major lessons so far show that factors such as the commitment of political and administrative leadership, the involvement of stakeholders, a regular monitoring and review of the system, and also a holistic approach on the longer term, are key for an effective and successful implementation of competency management. The OECD's 2011 study "Public servants as partners of growth" has identified seven success factors for CM implementation:

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 as regards the technical competencies;
→ Comply 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.

3.3.2. Recruitment and selection

The establishment of a fair, transparent and open recruitment and selection system is key to a professional public service. Vacant posts should only be allocated according to objective criteria (e.g. merit, qualification, competencies) and a formalised procedure. Citizens should not be exposed to public officials who are given jobs only because of personal reasons, family ties or tradition, and who lack the necessary competence and qualification for the post in question. Member States use different systems according to their legal, cultural and administrative traditions, which fall into two broad categories:

→ 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).

> Inspiring example: Lithuania's system of open competition & examination

→ Civil servants in **position-based systems** apply for a clearly defined 'job' and have to take care themselves of career progression. In position-based systems, 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 in the extent to which **responsibility** for the process (publication of vacancies, screening of CVs, and selection procedure) is held by a central ministry/agency or delegated to the organisation with the vacancy. In typical mixed models, a central organisation is responsible for methodology and planning, and the recruiting organisation for defining job profiles and selection.

Decentralised systems can be more adaptable, but a prerequisite is highly professionalised HR departments which can guarantee a fair and merit-based process.

Both career-based and position-based systems have undergone far-reaching reforms, due to demographic changes, related skills shortages, competition with the private sector to attract the most competent staff, and 'better with less'. The challenge to identify the right people for the right job matters even more when employment levels are frozen or cut.

Useful tools to attract the 'right' people
→ Develop an attractive job profile based on competency, and ensure there is sufficient information with regard to job content;
→ Publish all vacancies in the most important print media, and 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.

Inspiring example: Competency-based recruitment in the Federal Belgian public service

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 & language skills. For top managers, key competencies are strategic thinking, managerial and HRM skills, decision-making power, collaboration, result-orientation, networking ability, and political awareness.

Although there are no fixed rules with regard 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 different 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 as regards their expertise, composition and tasks (some useful minimum standards are available).

3.3.3. Learning and development

Continuous investment in people's skills at all levels is a prerequisite for maintaining and raising productivity. Life-long learning prevents skills obsolescence and mismatch, and promotes staff's employability and workability until career end, and thus individual and institutional capacity. In the past, learning and development was considered a stand-alone activity, primarily aimed at promotion and the transfer of knowledge. Training is nowadays seen as an important element of strategic HR management and a tool to achieve organisational objectives, increasingly linked to professional profiles and job descriptions.

Inspiring example: Participative method to identify training needs in Spain's Public Administration National Institute

Demand-oriented and work-based training needs to be carefully planned and coordinated, when defining learning requirements, designing and delivering training, and evaluating training outputs and outcomes. All learning and training activities should be motivated by a **training needs analysis**.

In most Member States, training needs are regularly identified during the yearly staff evaluations. Hence, learning and staff development becomes a continuous process, which is often fuelled by the development of long-term **individual training plans**.

> Inspiring example: Building competencies through 'development circles' in Belgium

In the context of a competency-based HRM approach, the aim of learning and development is to strengthen know-how, as it not only facts and qualifications that foster performance, but also attitudes, abilities and behaviours. Courses increasingly cover transversal competencies, such as analytical, leadership, IT, communication, networking, intercultural and social skills, strategic thinking, goal achievement, and project management. Both **formal and informal learning** are increasingly valued, and recognised in certification.

Staff development is no longer limited to the transfer of knowledge in a classroom situation, but through a multitude of **methods**, such as e-learning programmes, and coaching or mentoring during working time. As well as being tailored to the individual, training programmes can also be targeted on specific groups within the workforce.

> Inspiring practice: Knowledge transfer between senior & junior civil servants in Belgium

In the context of an ageing workforce, learning tools which encourage knowledge transfers between older and younger employees will become more significant, including both the more traditional mentorships and the new wave of intergenerational exchange (IE). Older workers (45+) are not less receptive to training by nature, but look to different approaches to reinforce and extend their competences.

3.3.4. Appraisal, promotion and career development

Traditionally, performance appraisals were often considered unimportant and an additional yearly administrative burden, as officials could expect more or less automatic progression in grades and salary. The appraisal was perceived by both manager and staff member as adding little value and there was a high risk of box-ticking. Managers were often reluctant to attribute bad scores and to deal effectively with under-performance. The reason was systemic: appraisals took place in a standardised HR management system, in which everybody was treated alike.

Since the introduction of public service reforms in the 1980s, appraisal systems have been substantially remodelled in most countries, and become a core component of strengthening performance, result-orientation and motivation. However, Member States apply very different systems, according to their **administrative systems and culture**.

Examples of instruments used in different national contexts
→ Staff interviews aimed at motivation, communication and agreement of 'soft' targets;
→ Performance agreements which are often linked with performance oriented pay;
→ Team evaluations;
→ 360 degree feedback;
→ Professional development circles with a strong focus on competency development & feedback;
→ Self-assessment.

The positioning of appraisal within strategic HR management systems is illustrated by the example of Ireland (right). With respect to assessing **individual performance**, we can basically distinguish between two systems. Traditionally, performance was rated on the basis of a set of criteria and indicators, and scored on a scale (e.g. 1-5 or A-E). Alternatively, evaluations are used to agree on targets to be achieved in the following year by staff members. In such a system, the employee is evaluated on the basis of their achievement of individual objectives and targets. In many countries, a mix of the two systems is applied. While the major aim of appraisals in some Member States is to foster

Strategic Performance Framework

PHASE 1
1. Set the objectives for the job and the key deliverables for the year
2. Identify the competences to be effective and achieve results
3. Decide on the training, development (including self-development), coaching and mentoring needs

PHASE 2
4. Put in place a system for mentoring performance at individual and team level
5. Set up interim review to discuss performance at individual and team level
6. Identify any changes in key long-term objectives and/or any changes in key deliverables for the year, both at individual and at team level

PHASE 3
7. Prepare for the formal review meeting
8. Hold the formal review meeting
9. Identify the areas for improvement and development

communication and motivation, performance assessments in others is key to decisions regarding promotion and pay of individual staff, and hence their career prospects. Increasingly, **senior managers** are subjected to different evaluation systems than the rest of civil 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.

Since the beginning of this century, the introduction of **performance-related pay (PRP)** in the public service has become widespread. During the last decade, PRP has been introduced in many EU Member States to increase performance and motivation. Its positive impact in reality should however not be overestimated. First, pay is not the only element which stimulates work motivation, but other factors such as job content, task responsibility, working environment and cooperation matter as well. Second, PRP can also undermine team work, trust and engender jealousy, conflicts and less cooperation, if it is not applied in a professional way and if there are no clear rules and evaluation criteria, explanatory guidelines and training of managers.

In many Member States, the performance of yearly evaluations remains a challenging task for managers, all the more so if they are linked to pay and job security. As compared to the past, they have also

become more demanding and time intensive. The setting, communication and measurement of goals, the achievement of objectivity and fairness, the management of under-performance – which can no longer be ignored - as well as the more dialogue-based style, require a specific set of competencies from managers, including interpersonal and social skills, conflict management, assertiveness and listening skills.

3.3.5. Equality, positive discrimination and active ageing

Like the whole economy, public administrations must respond to demographic trends, including the rising average age of the labour force. In the future, the public sector will have to cope with fewer, older employees. Already, Member States have begun to promote measures that aim to prolong their active working lives, including:

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

→ Age sensitive HRM during the whole career;

→ Varied career paths and interesting jobs;

→ Career development until career end;

→ Life-long learning and participation in training at all ages;

→ Autonomy and responsibility;

→ Combination of private life and work;

→ Flexibility in working time (flexi-time);

→ Mobility;

→ Age conscious leadership;

→ Good working atmosphere.

Another important trend is the growing number of women employed in the public services, as well as the tendency to recruit people with disabilities. EU Member States are increasingly adopting a strategic approach towards diversity, while establishing concrete action plans and targets. A diverse workforce is progressively seen as a valu-

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

able resource to improve public service delivery. The aim is a more representative workforce of the public service which better mirrors the composition of societies with respect to age, gender, disabilities, ethnic origin and cultural backgrounds. It is expected that this development will result in a mixture of skills, competencies, perspectives and experiences that increases government's efficiency and effectiveness through innovative ways of working, and strengthens its capacity to cope with skills shortages.

3.4. Total quality management

The quality of public administration is important for economic competitiveness and societal well-being. In the context of increasing demands and diminishing resources, public sector organisations need to become more effective and efficient. Total Quality Management (TQM) is about the permanent mobilisation of all the resources to improve all the aspects of an organisation, the quality of goods and services delivered, the satisfaction of its stakeholders and its integration into the environment.

3.4.1. Using quality management models

Total Quality Management (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 9001** model provides the framework for organisations to demonstrate their ability to consistently provide products/services that enhance customer satisfaction and meet applicable regulatory requirements. It is based on five principal elements shown in the diagram: overall requirements (including documentation); management responsibility (commitment, customer focus, quality policy, planning and communication); resource management; product/service realisation; and measurement, analysis and improvement. According to ISO guidelines, some steps in the implementation process may be carried out simultaneously.
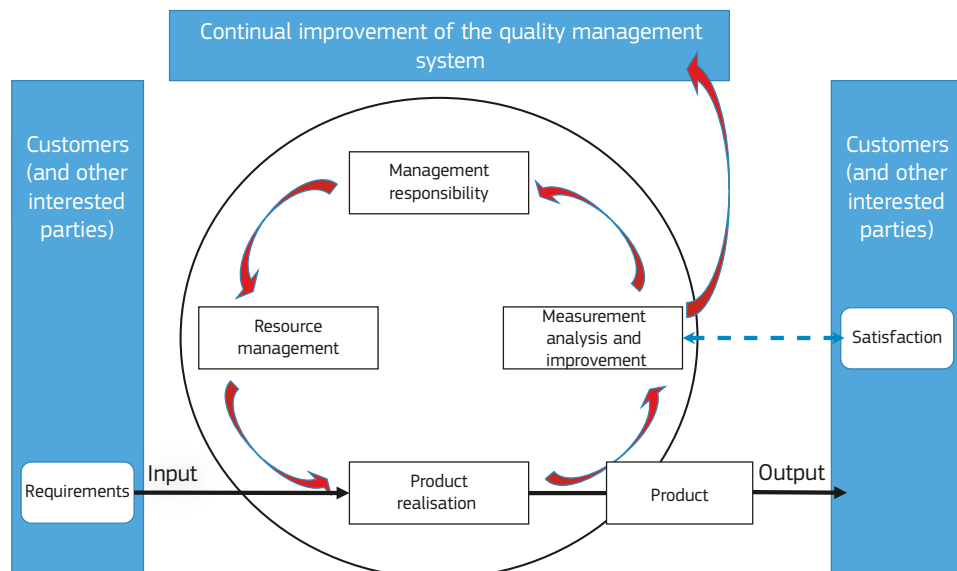
Recommended phases for successful ISO 9001 based QMS implementation

Phase 1: Full engagement of top management in defining:

→ Why implement ISO 9001 based QMS

→ Mission, vision, and values of the organisation

→ Organisation's stakeholders: customers, suppliers, stockholders, employees, society, etc.

→ Quality policy, and

→ Organisational objectives and related product/service quality objectives

Phase 2: Identification of key processes and the interactions needed to meet quality objectives

→ Identification of the processes of the organisation

→ Planning the process

→ Implementation and measurement of the process

→ Analysis of the process

→ Corrective action and improvement of the process

Phase 3: Implementation and management of the QMS and its processes

Phase 4: Building ISO 9001-based QMS

Phase 5: Managing the ISO 9001-based QMS

→ Focus on customer satisfaction

→ Monitor and measure the operation of your QMS

→ Strive for continual improvement

→ Consider implementing business excellence models in the company operations

Phase 6: If necessary, seeking third party certification/registration of the QMS

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 CAF Model
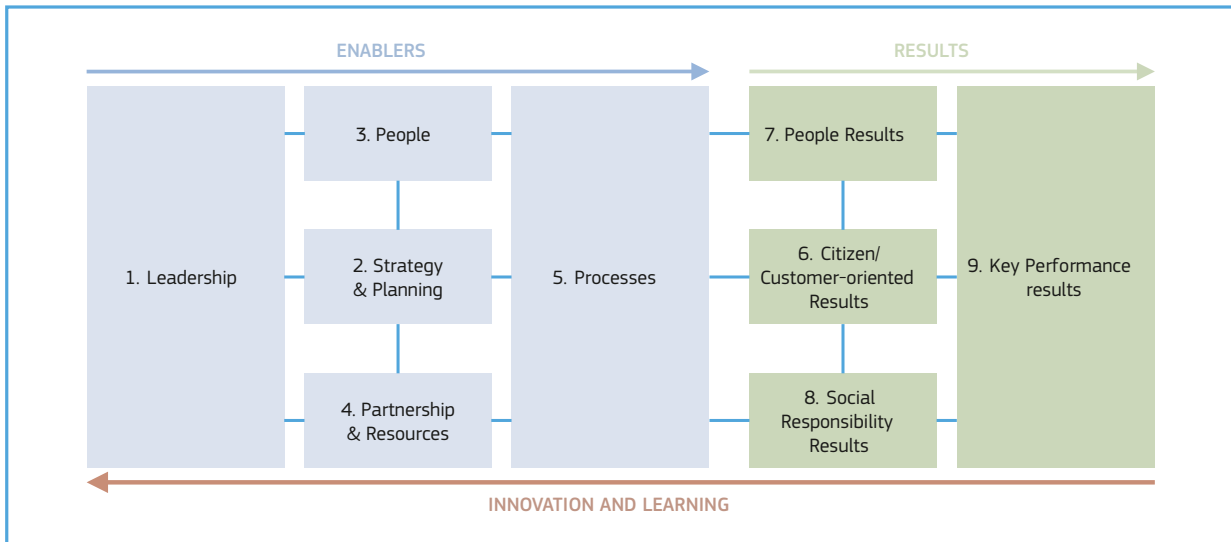
The steps are shown in the diagram below:

PHASE 1: THE START OF THE CAF JOURNEY

Step 1
Decide how to organise and plan the self-assessment

Step 2
Communicate the self-assessment project

PHASE 2: SELF-ASSESSMENT PROCESS

Step 3
Compose one or more self-assessment groups

Step 4
Organise Training

Step 5
Undertake the self-assessment

Step 6
Draw up a report describing the results of self-assessment

PHASE 3: IMPROVEMENT PLAN/PRIORITISATION

Step 7 Draft an improvement plan, based on the accepted self-assessment report

Step 8
Communicate the Improvement plan

Step 9
Implement the improvement plan

Step 10
Plan next self-assessment

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 Germany, Austria, Belgium & Norway

3.4.2. 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

3.5. Conclusions, key messages and inspiration for future action

The main messages from this theme are:

→   Ensure the institutional system as a whole is complete and coherent, inter-woven by governance relationships across organisations, whether formally part of the administration or performing functions on its behalf;

→   Enable each organisation to perform at the highest level, by putting in place effective leadership, management, structures, staff and processes that are fully fit for purpose, and continuously evolving with the environment and the expectations of citizens and businesses;

→   Agree and share values with staff, and ingrain them in the administrative culture, assess performance and promote it when it's strong, correct it when it's poor;

→   Build a quality culture, and use 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 individual within these organisations to optimise his or her contribution to achieving their objectives and aspirations.

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 4: Improving service delivery

Public services encompass not just the high visibility ones (health, education, police, welfare, etc.), but also every instance in which citizens, businesses and others come into contact 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 how on 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 now assumed 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.

"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?

Key questions for theme 4	Ways & tools to strengthen capacity
Do we know what citizens / users **expect** from our organisation in terms of services and their delivery?	→ Direct contact (surveys, panels, and focus groups) → Indirect feedback and representation → Mystery shopping → 'Life events' analysis & customer journey mapping
How do we improve our **processes** in order to optimise service delivery?	→ Process re-engineering → Administrative simplification
Are user demands met through the '**front office**' interface with the administration?	→ One stop shops → Multi-channel service delivery
Given all of the above, do we make best use of **e-Government** in delivering these services through online channels?	→ Interoperability → Online life events → Key enablers (e-ID, single sign-on, etc.) → 'Once only' registration → 'Digital by default' → 'Open by default' & 'clouds of public services'
Do we know how **satisfied** users are with our services and how we deliver them?	→ Users' service charters → Satisfaction measurement and management

4.1. 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 have to be involved in expressing their needs and expectations, and already are more and more. Different 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 seen 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.

> 👁 **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.	→ 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	→ 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.	→ 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

4.1.1. 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 population as a whole, 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 below[9].The choice of survey format should be tailored to the purpose and the audience, by analysing the total population of users in advance.

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

Survey type	Pros and cons
Face-to-face	☑ 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	☑ 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	☑ 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	☑ 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.
	☒ 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.

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

→ **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 choses 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.

<div style="float:right; border:1px solid green;">Inspiring example: Liverpool City Council's task-focused website</div>

4.1.2. 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.

<div style="float:right; border:1px solid green;">Inspiring example: Complaint Front Office in Milan</div>

Furthermore, public administrations can introduced 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.

<div style="float:right; border:1px solid green;">Inspiring example: The Dutch Informal Pro-active Approach Model (IPAM)</div>

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 particular circumstances are not taken into account sufficiently, for example people with disabilities by reaching out to **representative bodies** and identifying improvements in both communication and physical access.

<div style="float:right; border:1px solid green;">Inspiring example: Improving access to the Łódź–Bałuty tax office in Poland</div>

4.1.3. Mystery shopping

> Inspiring example: Mystery shopping in the Belgian social welfare service

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'.

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 whole process from beginning to end.

4.1.4. Life events and customer journey mapping

> 👁 See also topic *4.4* on 'life event' e-Services & topic *5.2* on business 'life events'

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.

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	

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 also involves arranging property, registration, etc.).

In order to design a service that is truly fit-for-purpose, this means also conducting an **in-depth investigation of bottlenecks** in the process – where are they, 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 systems similar to the one 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

4.2. 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:
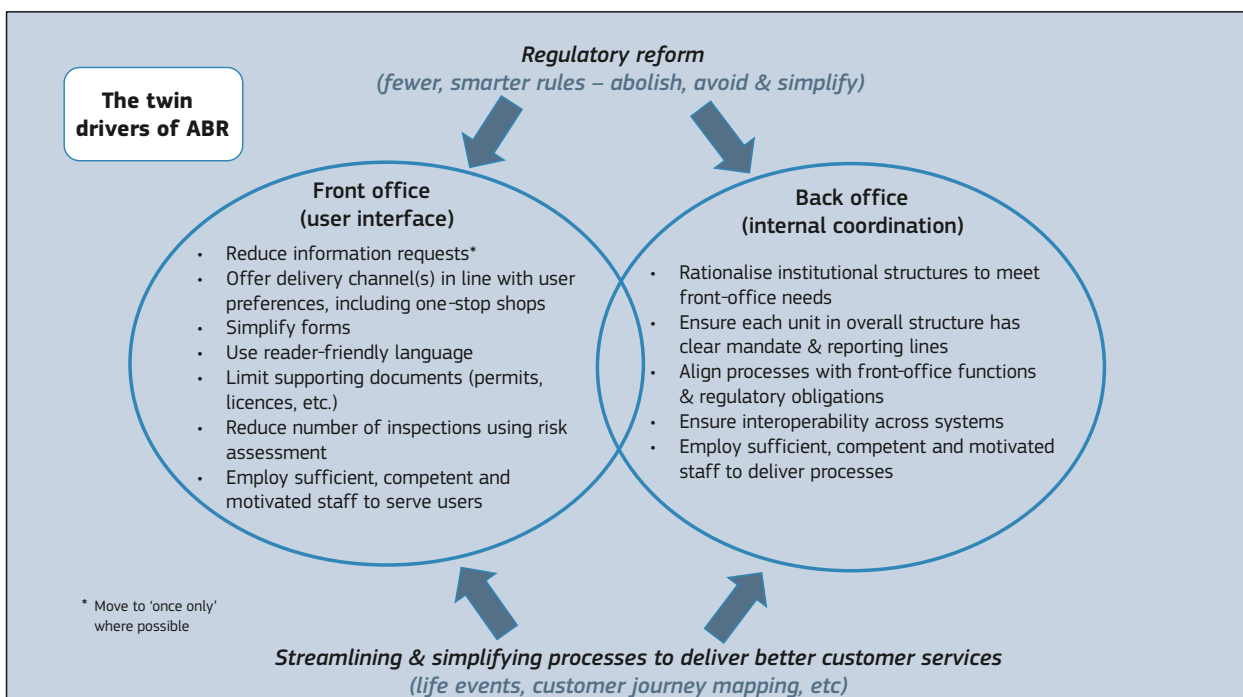
→ Regulations are often open to interpretation by administrations, in respect to how they are implemented. Public administrations have **choices** about how information requests, inspections and other processes are applied.

→ 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).

Inspiring example: Reducing administrative burdens for Austria's citizens

All these factors affect the user's experience of the service. Even without regulatory change, public administrations have the ability to **streamline and simplify processes** to reduce the burden on citizens and businesses, as well as freeing up resources and realising savings. Customer journey mapping can be the inspiration.

In order 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).

The twin drivers of ABR

Regulatory reform
(fewer, smarter rules – abolish, avoid & simplify)

Front office (user interface)
- Reduce information requests*
- Offer delivery channel(s) in line with user preferences, including one-stop shops
- Simplify forms
- Use reader-friendly language
- Limit supporting documents (permits, licences, etc.)
- Reduce number of inspections using risk assessment
- Employ sufficient, competent and motivated staff to serve users

Back office (internal coordination)
- Rationalise institutional structures to meet front-office needs
- Ensure each unit in overall structure has clear mandate & reporting lines
- Align processes with front-office functions & regulatory obligations
- Ensure interoperability across systems
- Employ sufficient, competent and motivated staff to deliver processes

* Move to 'once only' where possible

Streamlining & simplifying processes to deliver better customer services
(life events, customer journey mapping, etc)

4.2.1. Process re-engineering

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 effective and efficient (in time and money) can we make our operations, and how do we 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 now plays a vital role.

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

4.2.2. 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[10]. The following tips draw in large part from this guidance, which are summarised below

→ 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';

→ Take a 'user-focused' approach;

→ Promote a 'reform and innovation' mentality;

→ Adopt a multi-disciplinary approach;

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[10]   See OECD (2009) "Overcoming barriers to administrative simplification strategies: guidance for policy makers".

→ 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 ABR to citizens and businesses within the administration.

Inspiring example: Bureaucratic simplification of social assistance in the Netherlands;	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 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.

4.3. 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.

4.3.1. The one-stop shop (OSS)

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	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 transactions in one place, either physical or 'virtual'[11]. 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 a single location, 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.

Inspiring examples: Exclusive Office in Romania; 'On the Spot House' in Portugal	OSSs can also be created for **specific services** relating to life events, such as tax administration, or buying and selling a property.

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*'.

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[11] Please note: 'one-stop' is not the same as 'once only' (see topic **4.4.2**). 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.

→ **'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 e-Toolbox:

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.

4.3.2. 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. 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. 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 e-channels such as internet, e-mail, 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 e-Toolbox. 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

→ **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.

4.4. Using e-Government to access faster, cheaper, better services

The goal of the e-Government Action Plan is that, by 2015, 50 % of EU citizens and 80 % of EU businesses should be using e-Services, including cross-border services.

Performance gains in the public sector are among the key drivers of the productivity that generates economic growth. As a labour-intensive sector, pubic 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. Digitisation of public administration is not an end in itself, but a means to improve efficiency, to increase user-friendliness and accessibility, and to promote ethical practices and reduce opportunities for corruption.

4.4.1. Information to interaction

Inspiring example: Purchasing public certificates online worldwide in Ireland

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).

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 2014 study shows almost three-quarters of national public services are available online, but less than half of cross-border services.

At present, life event journeys are rarely completed end-to-end without interruptions, which implies incomplete availability of online services. Portals tend to function less well in countries

Inspiring example: Access to government entities through a single national page in France

where fewer e-Services are available. In approaching service delivery from a 'life event' perspective, public administrations should take account of the following factors:

→ 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** 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, 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.

4.4.2. Interoperability and 'once only'

The changing relationship between administration and service user through e-Government 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, in order to exchange, interpret, use and re-use information. 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 secure and seamless electronic services to citizens and businesses: electronic identification (e-ID), single sign on (SSO), 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 e-ID & electronic trust services adopted in 2014 will facilitate cross-border services & e-Business

Inspiring example: The Netherlands' DigiD

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.

Conceptual Model for online public services

Composite services

A number of basic services are grouped to appear as a single service to users. Behind the scenes, transactions may be implemented across borders, sectors and administrative levels, via mechanisms tailored to specific requirements.

Users *(businesses, citizens or administrators)*

Composite public services *(e.g. life events)*

Orchestration

Secure data exchange

Access to all basic public services passes through it. Official information should go through a secure, harmonised and controlled layer (security is potentially a barrier to interoperability if not applied in a harmonised way among organisations). Secure data exchange requires several management functions, including service management, registration and logging.

Secure communications management

Secure data exchange / management

Individual public services

European public services online are built up from three basic components:
- Base registries– reliable sources of basic information (personal, corporate, vehicles, licenses, etc.), under the legal control of public administrations and maintained by them, but made available for reuse with appropriate security & privacy measures
- Interoperability facilitators – providing services such as translation between protocols, formats & languages or acting as information brokers
- External services – eg payment services provided by financial institutions, or connectivity services by telecommunications providers.

Basic public services

Interoperability facilitators

Base registries

External services
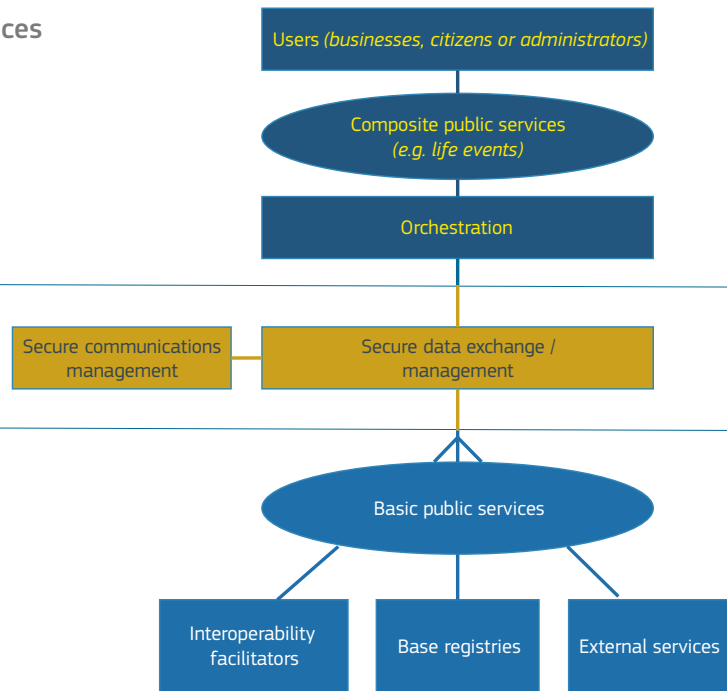
Both key enablers & cross-border interoperability will be pushed forward in 2014-2020, with EU's support for Digital Service Infrastructures (DSIs) from the Connecting Europe Facility (CEF) & Digital Agenda for Europe.

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 extend the LSP solutions further.

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. 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.

Factors to take into account when introducing once-only[12]

→ A robust legal framework is essential, especially regarding data privacy and protection.

→ Citizens and businesses ultimately own their data – they should be able to trust the administration with its safekeeping, decide who can access it, and take corrective action if data is felt to be incorrect or insecure.

→ Data protection means authentication (e-ID 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, cultural change is critical.

Inspiring example: Estonia's X-Road

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. 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

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[12] 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".

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. This is why it is typically part of a broader e-Government programme.

4.4.3. Moving towards digital by default

'Digital by default' means that the e-Service is so widely available, accessible and more appealing than the alternatives that the user is expected to choose the online channel over other delivery options (face-to-face, telephone, postal), unless there are compelling reasons to do otherwise. 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.

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. 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.

> 👁 **See topic *4.2* on administrative simplification**

> Inspiring example: UK's Digital Strategy and 'Digital by Default Service Standard'

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. A high percentage use the Internet on a daily basis. 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:

> 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.

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 best be 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.

Potential measures to improve take-up
→ Increase generally the transparency of the public administration;
→ Provide the required level of data security (e-ID with secure authentication);
→ 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.

Inspiring examples: Italy's privacy policy and office; "W!Ladecans. Viladecans Smart City" in Spain

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 **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).

Interoperability and increasing connectivity also pave the way to realising the potential of '**open by default**' to increase transparency and accountability. Government-collected data is *presumed* to be available to all – in free, accessible and machine-readable formats – unless there is a compelling reason to keep it confidential. The principle can be extended further, by also offering online services for widespread re-use, 'cloud of public services'. This could ultimately achieve the aspiration of citizens and businesses being able to assemble 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.

4.5. 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.

4.5.1. 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.

Inspiring examples: User charters in health care in the Netherlands and UK

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.

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.

4.5.2. 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?

👁 *See topic 4.1 for research methods*

Administrations can use multiple methods, such as face-to-face and telephone surveys, and 'mystery shopping' to feed into refining or re-designing services, in line with 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').

Inspiring examples: Quality of service of the Ghent City Administration in Belgium; use of the Net Promoter Score in the Netherlands

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

4.6. 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 and comprehensive 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; and

➔ Commit to service standards that correspond to customer satisfaction, according to user feedback.

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 5: Enhancing the business environment
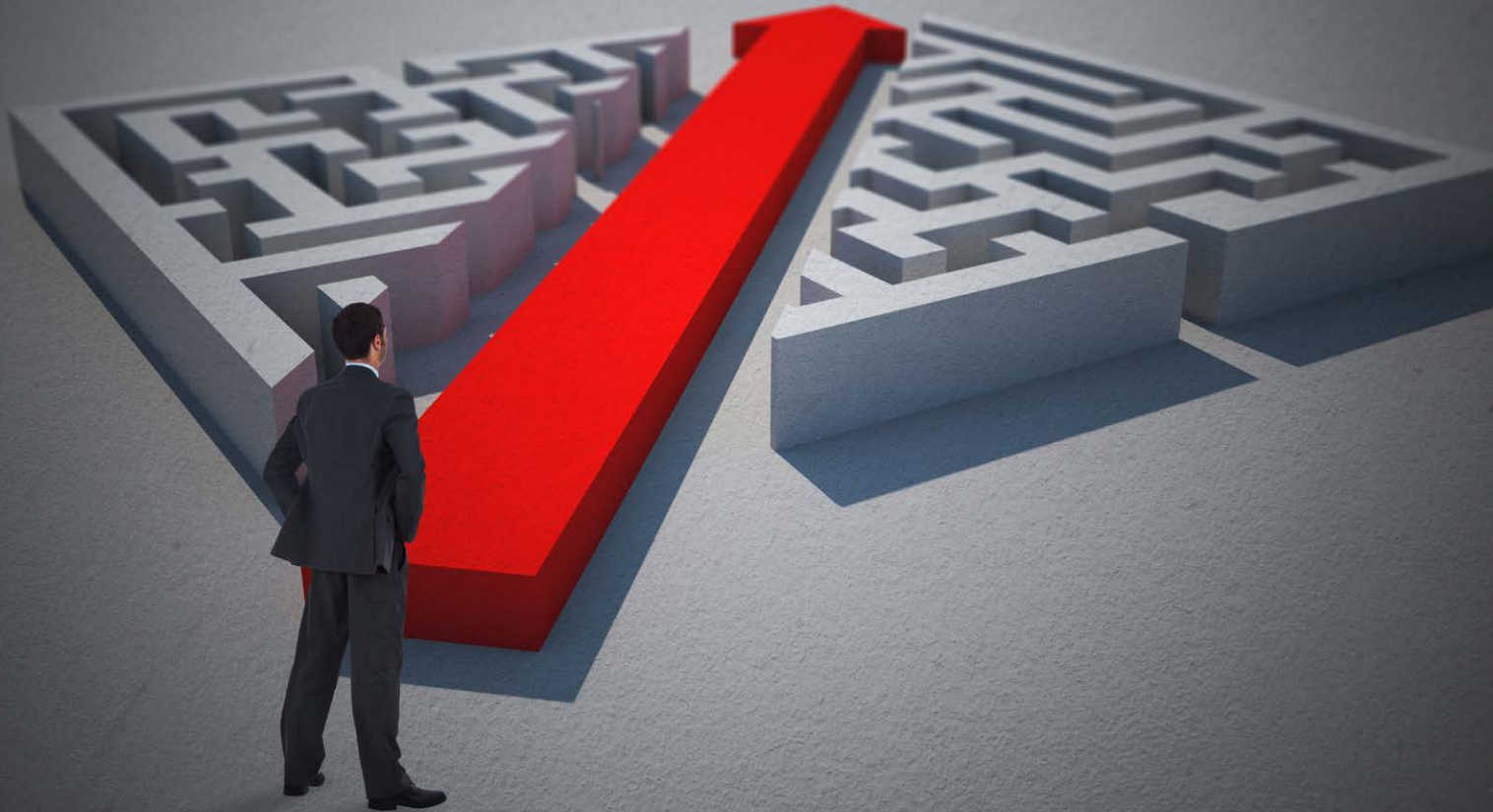
The 2014 European Competitiveness Report "Helping Firms Grow" shows the impact of efficient public administration on business competitiveness & finds tax administration deficiencies, corruption & ineffective justice systems to be most detrimental to firm growth.

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 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.

Key questions for theme 5	Ways and tools
How can we make compliance with essential **'red tape'** as painless as possible for all businesses?	→ 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
How can public administrations ensure **easy, fast and cheap access to public services** to help enterprises at all stages of the life cycle?	→ 'Indivisible' government → Single Points of Contact & other One-Stop Shops (OSS) → e-Government for business (G2B)
What can administrations do to encourage **aspiring entrepreneurs**, by reducing the cost, time and steps to start up in business?	→ Removing minimum capital requirements → Simplifying registration through inter-agency cooperation, e-Services & removing process steps → Reducing the statistical burden on new start-ups
How can administrations best support **established businesses** to operate, employ, and expand if desired?	→ 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 payment
How do authorities make **trade**, especially beyond the EU's borders, as seamless for business as possible?	→ 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
Faced with **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?	→ Promoting rescue and restructuring in insolvency law → Making available mediators to assist negotiations and reorganisation of insolvent enterprises (see theme **6**) → Ensuring a second chance for honest bankrupts → Improving efficiency & transparency in insolvency proceedings.

Small and medium-sized enterprises (SMEs) receive special attention, because of the contribution they make to the economy and the circumstances they face. SMEs comprise the overwhelming 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 Public Administration Scoreboard, part of the Member States' Competitiveness Report 2014, is the first EU-wide exercise to analyse administration's the fitness for purpose in promoting growth & competitiveness

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.

5.1. 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 smarter 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

5.1.1. 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

Inspiring examples: Denmark's Business Forum for Better Regulation; France's Administrative Simplification Committee; 'Simple Lombardy' in Italy

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.

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 EUR 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	In order 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.

Inspiring example: 'The Mark of Good Services' in the Netherlands

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.

5.1.2. Business-centric administration

Inspiring example: Business ambassadors in the Municipality of Hultsfred's LOTS project (Sweden)

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.

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 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 benefitting SMEs in particular. 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 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[13].

> Inspiring example: Austria's Business Service Portal

> PSCs are supported by IT tools through the SPOCS project, and are benchmarked in the Single Market Scoreboard

> Inspiring example: Belgium's Crossroads Bank for Enterprises

5.2. 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 taken action to make processes more efficient and effective[14]. In practice, of course, many such reforms are planned and implemented in parallel, often as a package.

> Inspiring example: Improvement of business environment (Latvia)

5.2.1. 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 2012 e-Government benchmarking study identified up to 23 possible steps before and during registration, which have been clustered into eight groupings.

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[13]   For the difference between one-stop shops and 'once only' data registration, please see theme 4.

[14]   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.

Business start-up: potential required steps
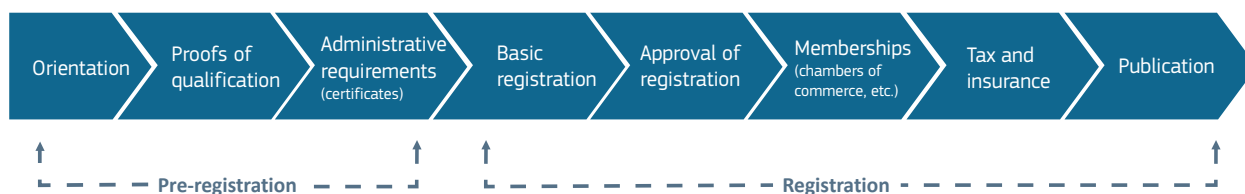
Source: European Commission, 2014 eGovernment Benchmark report.

Inspiring examples: the "BarcelonaActiva" Entrepreneurship Centre; StartUpGreece

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. 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.

At the May 2011 Competitiveness Council, Member States signed up to a target of three days and EUR 100 cost to start-up a private limited company, achievable through an OSS.

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 Commission has played an active role, and there has been much progress within Member States in recent years. By 2013, the average time to start a business in the EU had fallen to 4.2 days, the average cost had fallen to EUR 315, and 20 Member States were operating OSSs. 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.

The May 2011 Competitiveness Council called on Member States to reduce the time to obtain business licences to a maximum of 90 days.

Inspiring examples: Introducing a simpler form of incorporation for start-ups in Greece; Portugal's 'On-the-Spot Firm'

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 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 'once only' principle of data entry to provide public services pro-actively and automatically. Several EU Member States have adopted major reforms to simplify and streamline procedures for **business licence** applications, such as switching from ex ante approval to ex post checks.

Inspiring example: the Zero Licensing initiative in Portugal

5.2.2. 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.

Inspiring example: Simplified corporate information in Portugal

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.

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 have to 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 e-Government systems are sufficiently advanced to apply the 'once only' principle to data entry, it also opens up the scope for pre-filled tax declarations.

The Commission's 2007 Expert Group study sets out good practices for simplifying & streamlining tax compliance procedures for SMEs.

Inspiring example: Inland Revenue Services On-line in Malta

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

Inspiring example: Digitising & automating registration in Denmark

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, digitising 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.

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.

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)

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 regard 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.

5.2.3. Trading across borders

Inspiring example: Raising reporting thresholds in Germany

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.

See also topic 2.3 on tackling corruption through simplification

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 chose 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.

Inspiring example: Risk-based trade control system in Turkey

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, phyto-sanitary, 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.

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[15].

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.

> 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.

5.2.4. 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 debts: 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 more costly 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 is subject to the jurisdiction of courts from two or more states), which is the reason for the Council Regulation on Insolvency Proceedings.

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 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 comprehensible to all parties. Given the costs, time and stress 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.

> In 2014, DG Justice published a comparative overview of proceedings in Member States aimed at rescuing companies & individuals in financial difficulties.

> Inspiring examples: Bolstering reorganisation within the insolvency framework in the Czech Republic & Italy; Denmark's Early Warning System; Improvement of insolvency procedure in Latvia

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[15]   Please note: 'one-stop' is not the same as 'once only' (see topic *4.4.2*). 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.

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.

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, there is a social stigma to bankruptcy. In the event of closure, there should be a proportionate, not punitive, time period to **discharge honest ex-owners from bankruptcy** and allow them to start-up in business again. The Commission proposes a maximum period of three years.

5.3. Conclusions, key messages and inspiration for future action

The main messages from this theme (within the wider context of themes 1, 2, 4 and 6) 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 tailors services to the enterprise's circumstances, rather than the administration's convenience.

Theme 6: Strengthening the quality of judicial systems

The independence of the judiciary from the legislature (parliament) and the executive (government) is a sacrosanct principle across the European Union. But judicial administrations are also an integral part of the State, and provide an essential public service. Access to an effective justice system is a **fundamental right of citizens**, enshrined in Article 6 of the European Convention on Human Rights (ECHR), and Article 47 of the Charter of Fundamental Rights of the European Union.

See the EU Justice Agenda for Europe 2020, and the Commission's Justice Programme for 2014-2020

Trust in justice underpins business confidence, job creation, and **economic growth**. Enforcing the rule of law creates 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.

See EU's Justice Scoreboard

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 aspects: quality, independence, and the efficiency with which it operates.

Key questions for theme 6	Ways and tools to strengthen capacity
How can the **performance** 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?	→ Performance monitoring & reporting → Performance evaluation → Quality groups → Satisfaction surveys & other consultation techniques → Quality management systems
How are judiciaries maximising **access to justice** under civil and commercial law, including Europe-wide case law?	→ Information for court users → Media relations → Court coordinators & case law databases → Alternative dispute resolution (arbitration & mediation)
How are justice systems being **modernised**, so that the judicial process is better, faster and more cost-effective, especially across the European judicial space?	→ Process re-design → e-Justice → e-CODEX → e-SENS
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**?	→ Training needs analysis → Curricula and training plans → Training methodologies → Training tools to apply EU law → Training assessment

6.1. Assessing and enhancing performance

See also topic *1.3* on monitoring & evaluation

Before you can strengthen the quality of any system, you need to understand its performance – 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.

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.

6.1.1. 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 CEPEJ's 2014 Report on "European judicial systems: efficiency and quality of justice".

CEPEJ is an authoritative expert source on judicial performance indicators

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.

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.

Inspiring example: Slovenia's Judicial Data Warehouse & President's Dashboards Project

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

Inspiring example: 'Quality Project' in Rovaniemi courts, Finland

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.

Example of quality benchmarks	
Aspect	**Quality criteria**
The process	→ 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 have 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	→ 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	→ 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 in- formation 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	→ 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 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.

Example of quality benchmarks	
Aspect	**Quality criteria**
Competence & professional skills of the judge	→ 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 also in other work of the Quality Working Groups.
Organisation & management of adjudication	→ 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.

6.1.2. 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 corruption (especially systemic), 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). 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.

> CEPEJ has produced a model survey and methodological guidance.

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?

👁 **See also topic *4.1* on user needs and expectations, and topic *4.5* on customer satisfaction**

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'.

6.1.3. Moving to total quality management

👁 **See also topic *3.4* on TQM**

Inspiring example: Implementing & evaluating quality service delivery in Lithuania's courts

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 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 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.

6.2. Improving access to justice

Access to an effective justice system is a fundamental human 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 lawyers on legal precedents, and to promote alternatives to court which are potentially faster, cheaper and more conciliatory in the service of justice.

6.2.1. 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: 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

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.

Inspiring examples: Media relations in the courts of Germany's Baden-Württemberg; court communication with the media & public in Poland

6.2.2. 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. 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.

Inspiring examples: The Netherlands' Eurinfra model; Romania's EuroQuod

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.

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.

6.2.3. Increasing access to alternative dispute resolution

Alternative dispute resolution (ADR) 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.

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.

ADR can be instigated by the parties *before* they proceed to court or *after* proceedings have commenced. In principle, ADR has 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; resulting in speedier resolutions; and settling on solutions which should meet each side's interests. For the judiciary, ADR frees up court time and saves costs. There is a growing argument for re-framing ADR as "appropriate" dispute resolution, which encompasses all the relevant options for conflict resolution, and gives parity to litigation and to non-court methods.

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.

Medication can be especially expedient in **cross-border disputes**, such as family conflicts between residents in different EU countries 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.

Inspiring example: Mediation in Denmark

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.

Directive 2013/11/EU on consumer ADR must be implemented by 9 July 2015 in all Member States; Regulation 524/2013 on Online Dispute Resolution (ODR) comes into force in January 2016

A European Commission survey in 2010-2011 found that more than seven in ten businesses that had used ADR were satisfied with their experience, over eight in ten would use it again, and seven in ten would prefer ADR than going to court to settle disputes.

ADR across the EU will get a boost when the Consumer ADR Directive is implemented, so that 'ADR entities' (service providers) are available to resolve consumers' disputes with businesses after the purchase of goods and services, offline or online, and across borders. Neither businesses nor consumers will be 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, ODR mandates the Commission to establish an EU-wide online portal for disputes that arise from online transactions: an interactive website offering a single point of entry to consumers and traders. 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. It will channel disputes to a relevant ADR entity that is competent to deal with the dispute.

6.3. 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.

6.3.1. Re-designing processes

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 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 digitisation of systems and operations, including:

👁 **See also topic 4.3**

Inspiring examples: Italy's ESF project 'Diffusion of Best Practice in Judicial Offices' and the organisational & process transformation in Court of Monza

→ 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 e-mail 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.

6.3.2. Moving to e-Justice

ICT is playing an increasingly pivotal role in justice administration and service delivery. Overall, 3.3 % of the court budget of European members was devoted to **computeri-sation** in 2012, 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:

👁 **See also topic 4.4**

Inspiring example: Access to information & court rulings in Poland

→ 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.

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.

Inspiring examples: Estonia's E-File central database and case management system; Spain's Lexnet system of e-Notifications

Estonia's original E-File System
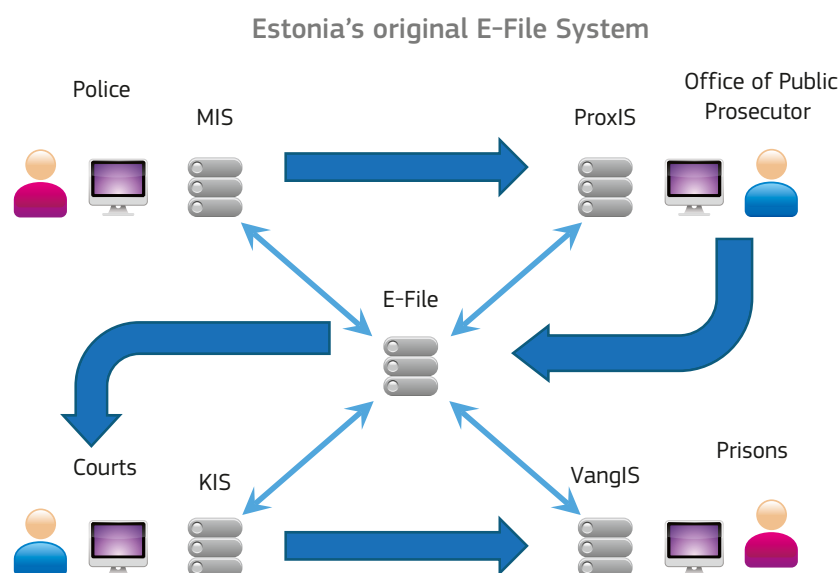
6.3.3. Cross-border justice

The https://e-Justice.europa.eu portal is owned jointly by the Commission and every Member State with information, guidelines, online forms and signposting for citizens, lawyers and legal authorities.

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.

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 three 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

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. Cross-border claims up to EUR 2 000 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[16]." 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.

6.4. 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

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[16]   European Commission's e-Government Benchmarking Report for 2014 (op. cit.).

CEPEJ's 2014 report, however, less than 1% of court budgets was spent on judicial training in Europe in 2012, which has not improved over the past periods studied by the CEPEJ.

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 2011, the Commission set a minimum target of 50% of legal practitioners (700 000) being trained in EU law by 2020. Over 220 000 have taken part during 2011-2013.

6.4.1. 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.

Many of the techniques used for assessing customer expectations of service delivery or citizens' experience of the justice system can be used 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.

> 👁 **See also topics *4.1* and *6.1***

> 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.

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.

6.4.2. 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 examples: Initial training of judges in Italy; training of assistant judges in Hungary

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.

> Inspiring example: Romania's retraining of the judiciary in four new legal codes

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

> Inspiring example: France's leadership and management training

communication and the digitisation 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.

6.4.3. Training methodology

Inspiring examples: Bulgaria's comprehensive online e-Learning strategy; the Snowball technique in England and Wales

Alongside training content, Member State judiciaries have the opportunity to 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.

6.4.4. Training tools to apply EU law

Inspiring example: European Gaius system in Italy

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 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.

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.

6.4.5. 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 particular 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 feed-
back. 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 design-
ing future training programmes.

Inspiring examples: The Rapporteur in Belgium; Estonia's Case Law Analysis

6.5. Conclusions, key messages and inspiration for future action

The main messages from this theme are:

→   Introduce total quality management (TQM) by taking the perspective of the 'customer' and striving for continuous improvement in the service (fair, impartial and timely judgments);

→   Improve performance 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 justice 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 profes- sional development.

See also the conclusions on monitoring and evaluation (theme *1*), promoting ethics & tackling corruption (theme *2*), organi- sational development (theme *4*) and process re-engineering (theme *4*).

Theme 7: Managing public funds effectively

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 40 % 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. Almost EUR 4.75 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.

Key questions for theme 7	Ways and tools to strengthen capacity
How do public administrations ensure that they fulfil the principles of fiscal governance when **managing spending**?	→ 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?	→ Simplified procedures → Cross-border procurement → End to end e-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?	→ Streamlining, delegation, coordination & continuity → Managing human resources for ESIF → Project preparation & selection → Procurement tips and risk-scoring → Programme & project monitoring → ESIF governance

7.1. Public financial 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 financial 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 PFM system as a whole. 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. Through repeat assessments, it is capable of demonstrating performance changes over time.

Budget cycle
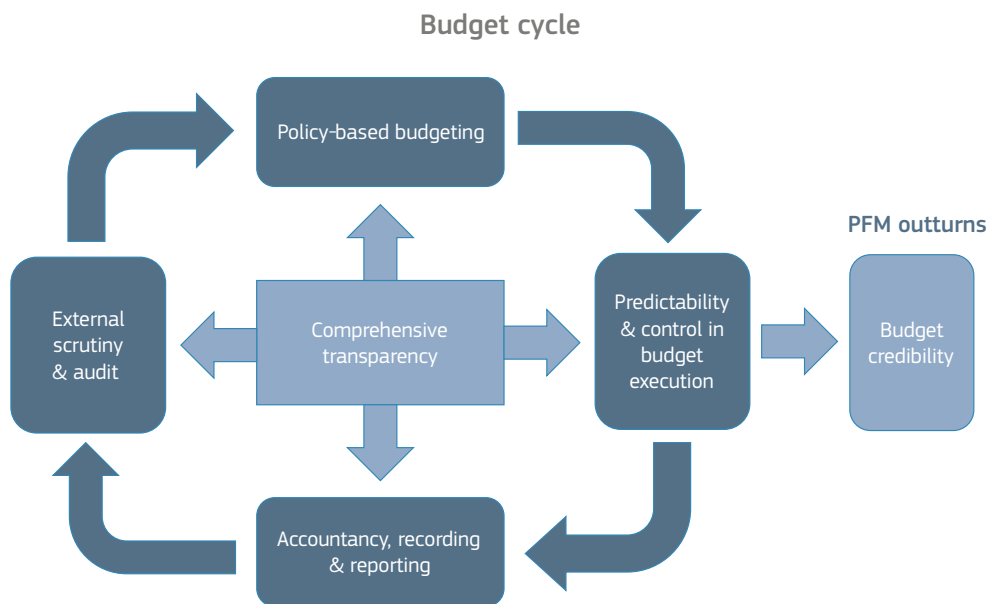
7.1.1. Budget preparation

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.

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 contrast 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.

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.

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.

Inspiring example: Accountable budgeting in the Netherlands

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.

DG ECFIN's study of spending reviews finds success factors include political commitment, ownership by the administration, clear objectives and governance, integration in the budgetary process, anticipation of implementation, and building of transformation capability and 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 and 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.

Inspiring example: Lisbon City Council's 'Collaborative Budget 2.0'

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.

7.1.2. 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

Expenditure authorisation	Commitment	Verification	Payment authorisation	Payment	Accounting

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 virement. 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 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, 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.

👁 See also *Principles and values of good governance*

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.

Inspiring example: Ireland's Public Spending Code

Inspiring example: Austria's Budget Information System

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)** 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.

See also topic *2.2.2* on external scrutiny

Inspiring example: Romania's partnership for internal audit in local administrations

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 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 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.

See also topic *1.3.1* on performance audit

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.

7.2. Public procurement

Total public spending on supplies, services and works in the EU is valued at more than EUR 2 trillion. This makes procurement pivotal to interactions with the business community, as well as an instrument for improving public services. At the same time, purchasing power is also a potential source of conflicts of interest and corruption. 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 have until April 2016 to transpose, except for e-procurement (October 2018).

A 2013 EU business survey found 21% of companies that had not participated in a public tender in the past three years said the procedure seemed too bureaucratic or burdensome, while 16% said the criteria seemed tailor-made for certain participants.

Around one in every five euros spent on public procurement, worth EUR 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.

7.2.1. 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.

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. Local authorities can benefit from the new simplified regime for social, health, cultural and assimilated services.

> 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 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 through partnership arrangements. 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.

> Inspiring examples: Procuring ICT solutions for all the ministries & public enterprises in Catalonia; purchasing telecommunications services for over 800 Catalan municipalities via 'Localret'

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.

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.

> Inspiring example: product catalogues produced by Ökokauf Wien in Austria

7.2.2. Cross-border procurement

Tendering within national systems is complicated enough, but is harder still when bidders wish to take advantage of the single market 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.

> According to 2011 research, just 1.6 % of all public awards (3.5 % by value) involve direct cross-border procurement, 11.4 % indirect.

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 through the use of open standards in ICT procurement, for example.

7.2.3. E-Procurement

> ◉ See also topic *4.4* on e-Government

The drive to digitisation 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.

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**.

All potential stages in e-Procurement
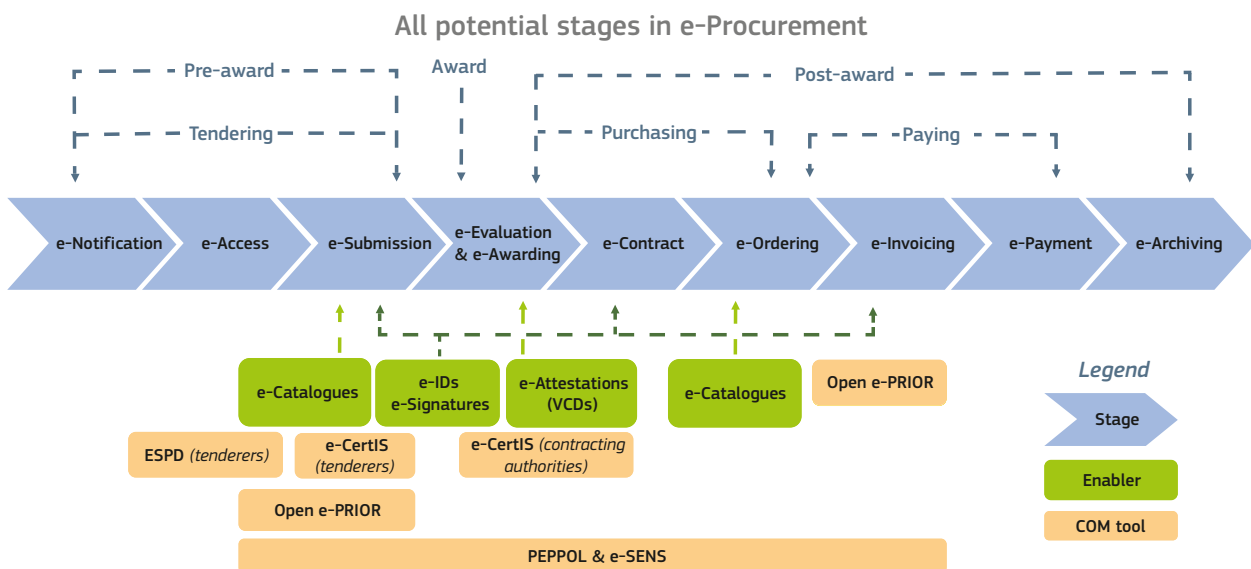
> Inspiring example: Finland's HILMA centralised e-Channel for publishing contract notices.

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.

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

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 move to e-Procurement, especially across EU borders, is underpinned by the development of '**key enablers**', including electronic identification (e-ID) 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).

> The e-CertIS database is a free, online information tool that can help businesses and contracting authorities with certification

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-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 experience shows that these can be recouped in a relatively short period of time and secures a strong return on investment in the medium term. Member States have reported cost savings of 5%-20%.

> The Commission has been heavily involved in facilitating e-Procurement, leading by example and presenting good and bad practices in the 'Golden Book of e-Procurement'
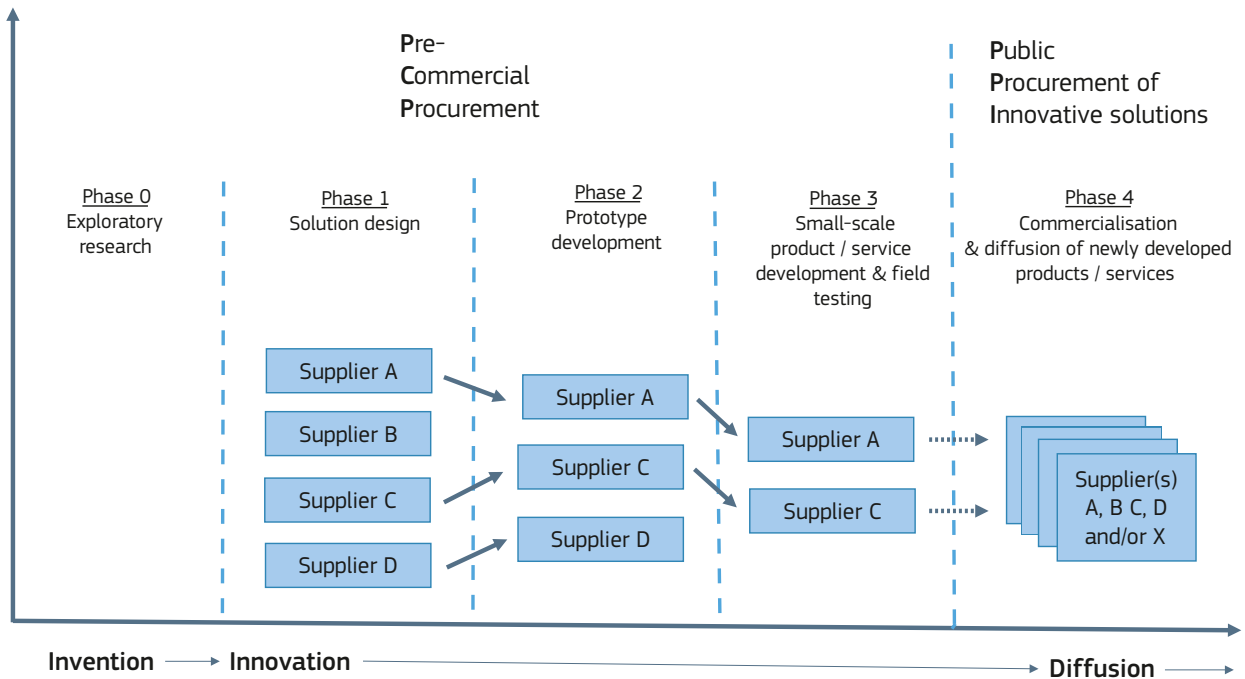
> Inspiring examples: Portugal's mandatory e-Procurement; the free e-Procurement system for all contracting authorities in Cyprus

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 e-Government 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

7.2.4. Procurement for innovation

Increasingly, public administrations have been exploiting their purchasing power to foster innovation, and employing two instruments. Pre-Commercial Procurement invests in R&D before a new product or service has been launched in the market place. Public Procurement of Innovative solutions supports commercialisation and early adoption of near-to-market products, processes or service. These two instruments follow the classic model of **invention-innovation-diffusion** of new technologies.

Under **Pre-Commercial Procurement (PCP)**, 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

Public Procurement of Innovative solutions (PPI) draws 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.

> Inspiring examples: UK's Forward Commitment Procurement; HAPPI, a joint PPI covering France, Belgium, Germany, Italy, Luxembourg & UK

Tips on implementing PPI	
Give the supply chain time to innovate	→ 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	→ 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.

> The EU is supporting PCP and PPI through the Horizon 2020 research & innovation programme.

7.3. 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 identifies 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.

7.3.1. Structures

The 2014-2020 regulations set out a **new operating environment** for ESIF, 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 a large number of 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:

Guidelines for managing structures for ESIF	
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 and 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.

7.3.2. 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:

Minimum staffing requirements for ESIF
→ Preparing strategies and programmes within the EU regulatory framework;
→ Planning and overseeing implementation to avoid de-commitment and maximise impact;
→ Marketing ESIF to potential beneficiaries, communicating with the public and ensuring visibility guidelines are followed;
→ Developing and operating procedures to ensure compliance with EU regulations and national rules;
→ Generating, appraising and 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 and use of ex ante and interim evaluations;
→ Developing and using ICT tools in support of programme management and operations;
→ Managing the performance and integrity of the entire ESIF system, and maintaining high ethical standards.

DG REGIO will be publishing a competency framework in late 2015 for efficient management and implementation of ERDF and Cohesion Fund (CF), to help Member States and regions to structure their administrations in a more efficient way, identify gaps in competencies and skills among their staff, as well as define training and recruitment needs.

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. 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 then have to incur costs and time to recruit and develop replacements, who may 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 skill-sets**, especially analytical and programming capacity to develop and deliver results-oriented programmes. A strategic training programme 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.

> A pilot exchange scheme, REGIO PEER2PEER, will be launched in 2015 for a period of two years, and will finance up to 100 short-term exchanges among public sector officials managing the ERDF and CF in Member States, to transfer hands-on expertise and good practice on concrete issues.

7.3.3. 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 e-Government and social media to reduce the administrative burden on beneficiaries and to share data and improve transparency.

As the programming phase for 2014-2020 draws to a close, the focus will switch 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 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

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.

> 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.

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 (in order 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 criteria, 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.

Inspiring example: Modification of the template of the fiscal certificate in Romania

As with other aspects of public administration, MAs and IBs can look for ways to make it easier for potential beneficiaries to respond to **calls for proposals** by simplifying their information obligation.

The Commission Services responsible for ESIF and DG GROW have formed a joint Technical Working Group on public procurement with EIB, resulting in several country-specific action plans & developing guidance for practitioners.

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 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.

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.

Practical tips on getting the most from consultants
→ 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 you 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 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 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.

> 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 most risky projects, beneficiaries, contracts and contractors that are potentially vulnerable to errors and fraud.

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.

Payment claims represent a key element of performance data. In order to improve the efficiency and quality of information transfer, the new ESIF regulations will introduce 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 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.

> Inspiring examples: The WEFO 'Clearing House' in the UK; Italy's OpenCoesione platform (*see topic 2.2.1*)

> 👁 See topic *1.3.1* on monitoring & evaluation

7.3.4. 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.

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.

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 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.

See also topic *4.4* on e-Government

However, there is also scope for t**ransfer 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. As Member States, however, there is scope to take advantages of national innovations, such as e-Government and the 'once-only' principle.

The Commission will play 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.

7.4. 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 from PCP, PPI and innovation partnerships to stimulate creativity and so drive up national productivity, realising the benefits of the new procurement directives;

➜ 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 ESIF 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.

Some Considerations on Managing Thematic Objective 11

The principles of good ESI Funds management, outlined in chapter 7, 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.[17]

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.

> The problem of thinking of EU funding, rather than the desired change, is the starting point: 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.

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[17]   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 in order to deliver the systemic change you would like to achieve.

👁 See also topic 7.3 on working with consultants

→ **Equipment:** In most cases, this is likely 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, in order to avoid disappointment, it is important to first deal with organisational optimisation before installing an IT system, in order to enable the new or updated system to deliver the expected efficiency gains, instead of just digitising 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 3.4*)

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.

See also topic 3.4

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.

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).

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.
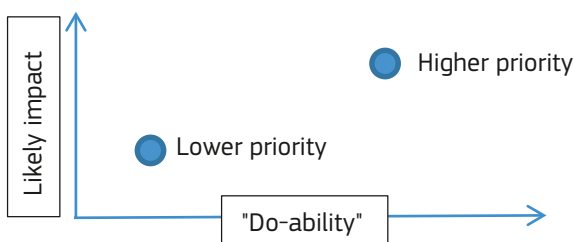
The second consideration is **path dependency**: are some measures or actions conditional on others being in place first, or at least progressing in advance of them? In which case, the ranking of do-ability and impact is still valid, but the order in which measures are initiated might need to be adjusted. 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. In order 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, we are 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 thus not very useful to have separate monitoring & evaluation systems for the strategy (an ex ante conditionality requirement) and for the ESIF OP, but to achieve effective alignment.

👁 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 in practice. Experience shows that administrations are often 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.

Many Member States, which will 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 of its institutions, both governmental and judicial, is a key determining factor for a country's 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. The EU supports Member States' administrations through the European Semester process and the European Structural and Investment Funds (ESIF). 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 almost 170 inspirational case studies.

This abridged version of the Toolbox (the full e-version can be found at http://ec.europa.eu/esf/toolbox) sets the scene for readers, lays out principles and values of good governance, summarises the seven thematic chapters (policy-making, ethics and anti-corruption, institutions, service delivery, business environment, justice systems and public finance management), and sets out some considerations for managing the ESIF's thematic objective 11.

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