



A regular series of notes highlighting recent lessons emerging from the operational and analytical program of the World Bank's Latin America and Caribbean Region.

## The Spanish Trust Fund for Latin America and the Caribbean: Rebuilding Trust in the State in Latin America by Improving the Quality of Public Policies – Ideas from the OECD<sup>1</sup>

By Mariano Lafuente and Fernando Rojas



Spanish Fund For Latin America and the Caribbean

Different studies show that trust in public institutions in Latin America tends to be, on average, the lowest in the world.<sup>2</sup> While in some Latin American countries the introduction of performance management appears to be the prevailing lever to reconstitute this public trust, increasing the quality of public policies is a key stepping-stone towards consolidation of results-based accountability and enhancing government responsiveness.

In their path to improve their policy-making process, Latin American governments typically face, at least, five important challenges: (i) insufficient technical capacity at the center of government to formulate policies or evaluate them ex-ante or ex-post;<sup>3</sup> (ii) poor coordination across policies coming from the sectors, leading to inconsistent and incoherent policies; (iii) low levels of contestability during policy formulation, whether within the executive, from the legislature, or from outside the public sector; (iv) a disconnect between policy-making and the implementation of these policies; and (v) while politics shapes policy-making in all countries, Latin American countries tend to have a much greater distance between proposals from different political parties as compared to the OECD.<sup>4</sup>

Some of these challenges are strongly affected by the political reality of Latin American countries, such as their concentrated presidential systems, or are perceived to be shaped by cultural aspects, which may take a very long time to change. Nevertheless, there is clearly room for improvement in the practice of policy-making in the region. In this context, an analysis of the experience of some OECD countries, which are known for having achieved relatively better results from their public policies, may be a good starting point, not only to get ideas on what road to choose but also alerts on which options to avoid.

### *Facilitating Knowledge Sharing between Policy-Makers and Practitioners from LAC and the OECD: International Seminar on Policy-Making*

With support from a grant from the Spanish Trust Fund for Latin America and the Caribbean (SFLAC), the Public Sector and Governance Unit (LCSPS) organized a seminar directed only to high level policy-makers, scholars and practitioners from Latin America and the OECD, with the main objective of finding practical methods by which Latin American governments, especially middle-income countries, might improve their policy-making processes. Latin American participants came from Argentina, Brazil, Chile, Colombia, Mexico, Peru and

<sup>1</sup> This note is based on: World Bank (2010, forthcoming) "The Practice of Policy-Making in the OECD: Ideas for Latin America", co-financed with the Spanish Trust Fund for Latin America and the Caribbean.

<sup>2</sup> See for example Blind (2006), *Building Trust in Government in the Twenty-First Century: Review of Literature and Emerging Issues*, June 2007. Vienna, Austria; and Arizti et al. (2010), *Results, Performance Budgeting and Trust in Government*, Public Sector and Governance Unit, LCR, World Bank, Washington, DC.

<sup>3</sup> By center of government we refer to the political authority at the summit of the executive power, usually located in the prime ministerial or presidential office, but central secretariats (for example, cabinet offices) and ministries (for example, Finance) provide vital administrative support to the center.

<sup>4</sup> "OECD countries" generally refers to those countries having acceded to membership before the 1980s. Two Latin American countries, Mexico and Chile, are members of the OECD club. In the report, these two countries are grouped as Latin American countries.

Uruguay. Practitioners, scholars and experts from OECD countries including Australia, Canada, France, Spain, UK and the US participated as speakers together with experts from the World Bank and other international organizations.<sup>5</sup> The discussions centered on the institutional aspects of the policy-process, the evaluation of public policies, tools and instruments for policy assessment, the politics of policies, policy-making and the budget process, linkages between policy control and performance management throughout the administration, and the political economy of particular reforms. Presentations from OECD countries were focused on the overall picture of quality control of public policies



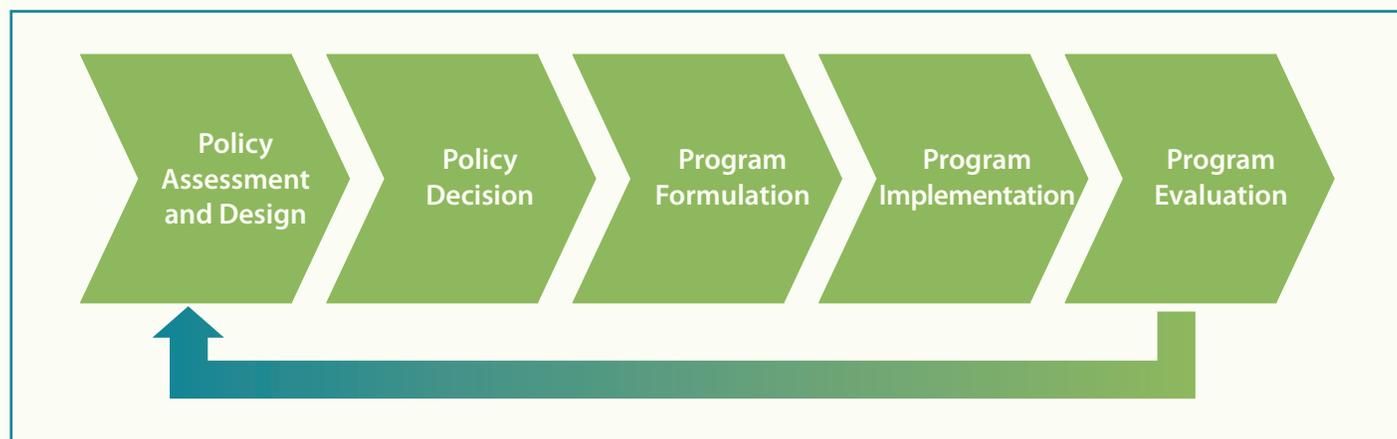
while Latin American presentations were primarily targeted to case studies in policy making and implementation, as well as ongoing institutional reforms for consolidation of performance-based policies and programs.

The outcomes of the international seminar provided extremely valuable insights of the challenges, good practices and innovations in these countries, and contributed to the creation of an informal network of practitioners and policy-makers. Governors, vice-ministers, mayors, former presidential candidates, practitioners and scholars exchanged ideas during two full days with the objective of strengthening the practice of policy-making in Latin America.

### *The Practice of Policy-Making in the OECD: Ideas for LAC*

These valuable lessons were reflected in the World Bank report: “The Practice of Policy-Making in the OECD – Ideas for Latin America” (forthcoming), also co-financed with SFLAC resources. The report starts by providing an analytical framework for policy-making, defining policies, studying the different stages of the policy-cycle (summarized in Figure 1 below) and summarizing OECD frequently used tools. It later summarizes the practice of policy-making in the OECD by analyzing the experiences of Canada, New Zealand and the UK (Westminster countries), Spain and France (civil law countries) and the US (Presidential system), drawing lessons from their good and not so good experiences. The study finally proposes ideas for enhancing the policy-making process in Latin America.

**Figure 1. The Policy Cycle**



<sup>2</sup> For a list of participants and copies of the presentations please see <http://go.worldbank.org/4M47TUH9Q0>

The report expects that ideas drawn from the OECD countries' drive towards higher consistency and effectiveness in government actions can shed light on the pros and cons of a given approach to enhancing the quality of policy making and its connection with implementation. Reducing the risk of poor policies and lack of government cohesion is more likely when governments compare their own vision against the mirror of governments that have had a long and serious experience with performance management. The report does acknowledge the caution needed before transferring ideas on policy-making. This is an area where there are no standard recipes. The scope and quality of the policy process are highly dependent on each country's idiosyncratic bridge between politics and administration or the particular national balance between political calculus and technical assessment. The process of controlling the quality of public policies will vary according to each country's institutional arrangements. Therefore, the report cannot and does not emphatically recommend adoption of this or that institution, process, or instrument.

That being said, the main characteristics of the policy-making process in OECD countries, which may be a useful reference for those Latin American governments embarked on the process of enhancing the quality of their public policies, are:

**(i) Political authority and technical expertise at the center-of-government.** OECD country examples indicate that good policy making begins with the combination of effective political authority and technical expertise at the center of government. The political authority – a prime ministerial, cabinet, or presidential office – is responsible for the government's program as a whole, overseeing the conception of policy ideas, deciding which policies are to go forward, coordinating between sectors, and overseeing that policies are implemented as intended. In a complex, modern economy, the political authority could not possibly carry out these functions without the support of a strong technical secretariat. This secretariat is expert in administering the operating processes that promote, enhance or vet policy ideas, ensure their coordination and consistency, and attend to their implementation.

The single most important step to improve the policy-making process in the countries of the region would be to strengthen the center of government, in terms, first, of a political capacity for managing policy and, second, of a technical secretariat to support this function. First, the office of the president is typically strong in political matters, including managing relations with other branches and levels of government and coordinating political support. And it is increasingly committed to demanding results from ministries and executing agencies. But this office typically possesses little policy expertise. Obviously, no political solutions are proposed – for instance, it is simplistic and unrealistic to mandate strong cabinets in presidential regimes. On the

other hand, presidents can (and already do in some countries) convene effective political bodies for sector coordination, akin to cabinet committees, for economic affairs, for social affairs, for security issues, and so on.

Second, technical secretariats in the presidential office are generally weak or non-existent. To take charge of policy, the president would need such a secretariat. Almost any of the OECD cabinet and presidential offices covered in this report provides useful information for the design of a technical secretariat. The US Executive Office of the President, provides perhaps the most relevant example for Latin America's presidential regimes, though the countries of the region would be expected to start out on a much smaller scale. The UK's Cabinet Office or France's prime ministerial office are also interesting examples because they are pro-active in looking at policy problems and proposing solutions.

**(ii) An organizational system that coordinates policy making.** Policy-making in the OECD is anchored in organizational structures, coordination mechanisms, and control mechanisms. Organizational structures determine who does what tasks and organizational hierarchies and boundaries set up particular sets of incentives. Coordination mechanisms, such as cabinets or more ad-hoc committee formats (or "lead ministries" in the New Zealand case and "super-ministries" in Australia) are designed to counter the effects of public agencies pursuing their own agendas, and instead make them focus on the goals cascading down from the center of government into a particular policy area. Control mechanisms are the means by which the principal at the center seeks to have his/her priorities carried out by the agent in the line ministry or semi-autonomous institution. There is an evident problem of policy vulnerability in Latin-American countries, risking cohesion and effectiveness in the uncertain transition from government priorities to expected results. This makes this broad topic clearly central for an agenda of better policy-making in the region which involves such issues as: setting up a technical secretariat at the center of government (and the implications of this for the roles of ministries of finance which, until now, have been expanding); opening up, where this does not exist, a process of stronger contestability within the executive by establishing adequate standard procedures to test policies, politically and technically, at cabinet meetings; visualizing and controlling each agency's contribution to the country's priority goals and other techniques for "joining-up" the distinct parts of the administration.

**(iii) Senior public servants who provide expert policy advice and coordinate between policy making and implementation.** Senior public servants are appointed according to both political and "hybrid" (political mixed with technical) criteria in OECD countries, depending on the country. Their role in bridging the world of politics and policy making and the world of implementation is crucial. They play this role both at the center (in center-

of-government secretariats, notably) and at the top of the ministries. With a small number of exceptions – particularly Brazil and Chile – these professional cadres are more notable for their absence than their presence in Latin America. This is a broad reform, in many ways beyond the scope of the paper, because it is one of the keys to better public management more generally. But it also has a particular importance for better policy making, principally because senior public servants provide the link between policy making and implementation and many of them are policy experts.

**(iv) Strong capacity of the line ministries.** Line ministries in the OECD tend to have strong analytical capacity in specialized units in or departments. In addition to their own financial, human resource and asset management units, which are also common among line ministries in Latin America, OECD ministries also sometimes have management information systems at the sector level to inform the policy-making process. Many ministries in Latin America have a weak capacity to manage their own policy-making activities and/or coordinate the policies of the agencies they oversee. To improve this capacity, in a first stage, the ministries might (with help from the center) concentrate on improving the level (amount and quality) of information available to the minister to inform policy-making. This would enable ministries to better harmonize the broad presidential priorities they are responsible for with the specific programs that they and the agencies that are attached to them are designing and, later, implementing. To this end, strengthening the ministerial planning offices would give ministries a greater capacity to gather and analyze information and to use it for strategic planning. More ambitious organizational initiatives (such as ministerial research units) might be considered later.

**(v) Strong capacity of the legislature.** The US Congress – the closest example to Latin American presidential systems – plays a key role in shaping policies and has a strong budget office and technical committees to do so. The technical capacity of Latin-American parliaments to develop policy ideas and shape and evaluate policy proposals coming from the executive is not very strong.

## About the Authors

Mariano Lafuente is a Research Analyst and TTL and Fernando Rojas is a Consultant, both in LCSPS.

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Despite not being as technically and politically empowered as the US Congress, they do have a mandate to shape policy and are politically stronger than the legislative branch of most parliamentary systems in the OECD. Therefore, giving congresses a more solid technical basis for making policies or assessing proposals could reinforce contestability and improve policy-making in Latin America. The Congressional Budget Office and the Committees of the US Congress provide possible models that go in this direction. Many Latin American congresses are already part of a worldwide movement that is driving for results, and this will push them to demand a greater policy-making and -evaluation capacity of their own.

**(vi) Active alternative channels of policy advice exist.** Finally, the development of alternative channels of policy advice, when capacity is available, clearly represents another option for strengthening policy-making in Latin America. Following the review of OECD countries, there is a range of possible alternative institutional formats that could reinforce technical analysis by opening up the policy-making process to expertise in academia and, more broadly, the non-government sector. Such initiatives can also encourage the participation of stakeholders—not as experts or evaluators, but rather as part of the debate—in the consideration of different policy alternatives. This process can bring viable policy alternatives to light, and it can minimize resistance from interested parties.

Obviously, these ideas need to be tailored to the particular institutional framework of each country before they are transplanted and adopted in Latin America. In addition, policy makers need to be aware of the timing and the political risks involved. The ideas listed cannot be completed in a short period and they will require leadership and political will as much as a good dosage of expertise and reform continuity. However, taking heed of the lessons from OECD countries in these areas is needed if trust in the Latin American state is to be rebuilt. Enhancing public sector credibility requires building the proper institutional and instrumental bridges between political announcements, government priorities, flexible financing, execution capacity, delivery of quality services, results-based accountability and citizen satisfaction.

## About “en breve”...

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