Chapter 2.

Policy making for inclusive growth: aligning design, delivery and accountability

This chapter examines the tools and processes that serve a strategic policy cycle for Inclusive Growth, applying a whole-of-government approach. Centres of government must co-ordinate complex policies and national priorities and build a shared vision across all levels of government, relying on national and regional indicators. Budgetary governance for Inclusive Growth involves managing trade-offs and aligning resources for strategic multi-year budgeting. Assessment tools, beginning with ex ante evaluations of government expenditure and regulations, can help in shaping policies. The authors explain the benefits for governments of using data visualisation tools and resources in the policy development cycle. They promote government accountability through incentives and horizontal co-ordination. The chapter also presents ways to make service delivery more inclusive, looking at access and reach, digital welfare, and capacity. Finally, it describes how to close the policy cycle with a focus on ex post evaluation, accountability and learning.

Towards a strategic policy cycle

Policy making – the process by which governments make decisions to solve problems and improve socio-economic conditions – is not a single, uniform activity of government.

First, policies go through several stages along the policy cycle, from design to implementation and evaluation. Anchored in a strategic vision for Inclusive growth, a number of tools and processes inform and enable these policy-making stages, including budget, performance and accountability mechanisms. They must work in unison for policies to achieve their intended objectives.

Second, rarely is a policy implemented singlehandedly: responsibility for outcomes is often shared across levels of government, executive agencies or programmes. Last but not least, policies can be delivered through a diverse range of policy tools that governments have at their disposal, from public expenditure, taxation and regulation to joint action (Box 2.1). These may entail trade-offs but also offer opportunities for complementarity.

With multidimensional criteria comes increased complexity. Finding ways for policy-making tools and processes to work together is essential to overcoming complexity and enabling and inclusive growth strategy.

The complexities inherent in policy making are exacerbated in the context of designing, implementing and assessing Inclusive growth policies.

As discussed in Chapter 1, addressing multidimensionality calls for concerted action, whereby all of the policy-making tools and processes work together – throughout the various phases and aspects of the strategic policy cycle – to support and reinforce one another in achieving ambitious, challenging objectives (Figure 2.1).

This chapter accordingly discusses the strong convening, steering and accountability role of the centre of government; the strategic alignment of key policy making tools with broader outcomes, including through medium-term expenditure frameworks (MTEFs) and performance mechanisms; the role of ex ante and ex post evaluation in assessing and informing Inclusive growth policies; as well as maximising impact and reach through innovation in service delivery.

Box 2.1. Policy levers and inclusive growth

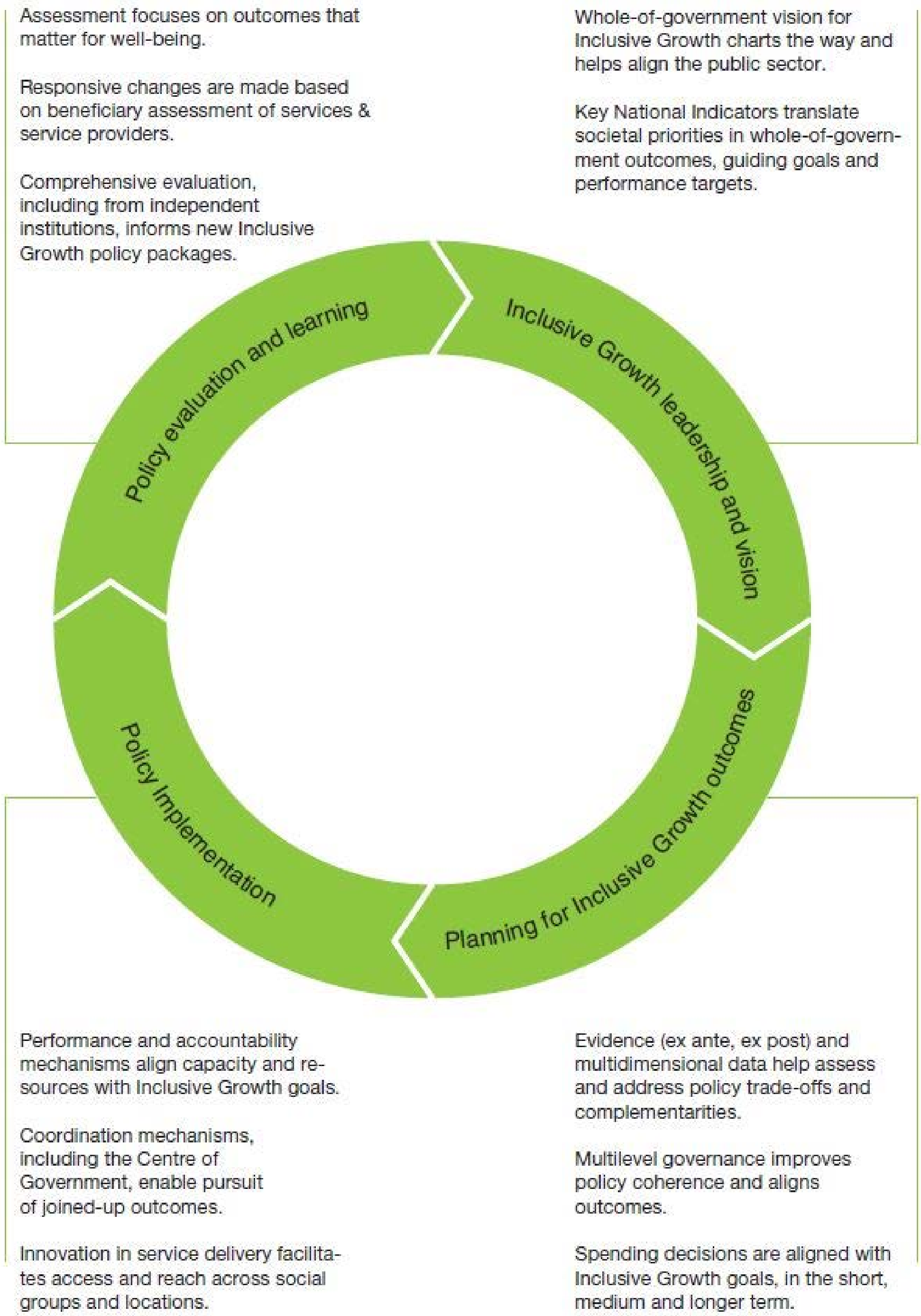
Public expenditure entails allocating resources directly to achieve policy objectives via the annual and multi-annual budget processes. Achieving Inclusive growth requires investment in physical infrastructure and human capital, including education, justice and health care. For example, the availability of electricity, water and transport infrastructure, as well as schools and hospitals, has a key impact on inclusiveness. Similarly, the overall pattern and impacts of current expenditures programmes – including, but not limited to, social programmes and support for vulnerable social groups – can profoundly affect Inclusive growth outcomes.

Taxation entails raising revenues to fund government activities and to influence behaviour. Taxation affects the distribution of income among individuals and households through its interaction with benefit systems and can provide incentives and support for particular sectors of the economy. Taxation can also affect outcomes other than income. For example, environmental taxes can raise revenue while also helping to curb pollution, which in turns affects social groups differently.

Regulation entails structuring and changing the legal environment, including administrative procedures and requirements, to control and influence markets, as well as business and citizen behaviour. Together with public expenditure and taxation, regulation is a key lever in ensuring welfare and economic prosperity. A tool, such as the regulatory impact assessment, can help integrate the issues of Inclusive growth into the law-making process, revealing policy trade-offs between economic, social and environmental effects of potential regulatory responses.

Joint action entails working with civil society, social partners and other actors to advance commonly-held public policy goals. Achieving Inclusive growth also depends on whether policies integrate perspectives of various stakeholders. Joint action can bring attention to important socio-economic issues, including topics such as human development, equality, pensions and public service delivery. These issues matter for the well-being of citizens and can be particularly effective at empowering vulnerable groups and thus foster Inclusive growth.

Figure 2.1. A strategic policy cycle for Inclusive growth



The case for a whole-of-government approach: Fostering co-ordination and the role of centres of government

Policy making for inclusive growth poses new challenges for public governance.

How do government decisions translate into improved services, changed outcomes and better lives for citizens? How do whole-of-government priorities become organisational goals and motivating targets for teams and individuals across policy areas and administrative units? The conventional answer to these questions is that policy making follows a "cascade", whereby the government sets strategic goals that are mapped onto high-level objectives and "output" goals for line ministries and agencies. In turn, these strategic goals are translated into performance targets and specific activity objectives for divisions and individuals. How well these specific goals are met largely determines how well the top-level outcome priorities are achieved. This long-established conception of how policy making works has the merit of simplicity, although there are additional dimensions of complexity that need to be factored in.

How do whole-of-government priorities become organisational goals and motivating targets for teams and individuals across policy areas and administrative units? Inclusive growth often requires a horizontal approach that goes beyond conventional administrative boundaries.

Steering inclusive growth requires managing a complex policy landscape.

The essential connection between a steering vision and its implementation through activities, outputs and outcomes depends crucially on the "logic model" – the policy rationale for how specific actions feed into achieving the higher- level objectives. How to develop such a logic model is addressed later in this chapter. Second, and just as importantly, the simple "cascade" does not take account of the fact that many higher-level outcomes depend for their success not on a single line of outputs and activities, but on multiple strands and streams of different factors, some of which may be under the control of different bodies. Instead of a cascade, then, the public policy complex may sometimes resemble a system of tributaries and deltas, hard to map and to visualise, and with multiple interconnections.

The centre of government can play a vital role in defining and steering the implementation of a national vision for inclusive growth.

The centre of government (CoG) – Prime Minister's Office, President's Office or Cabinet Office as the case may be – typically acts as the principal co-ordinator of complex policies and national priorities. Among the responsibilities of the CoG is the task to mobilise actors inside and outside government and involve them in setting this vision around key outcomes, as well as in its implementation. Also, the CoG combines, in principle, strategic vision, policy co-ordination authority and monitoring functions and capacity. Because of its placement, by definition outside of line ministries, it can serve as a neutral broker that steers common objectives, rather than specific sectoral agendas while using its proximity to the highest levels of decision-making to convene departments and align policies. Finally, the many tools that the CoG can leverage – and potentially more effectively than at the line ministry level – include holding funding pools and designing accountability frameworks for cross departmental co-operation; supporting departments with centrally located policy units; and conveying key messages and evidence to Cabinet and Head of Government in order to ensure high-level support.

Building a shared vision

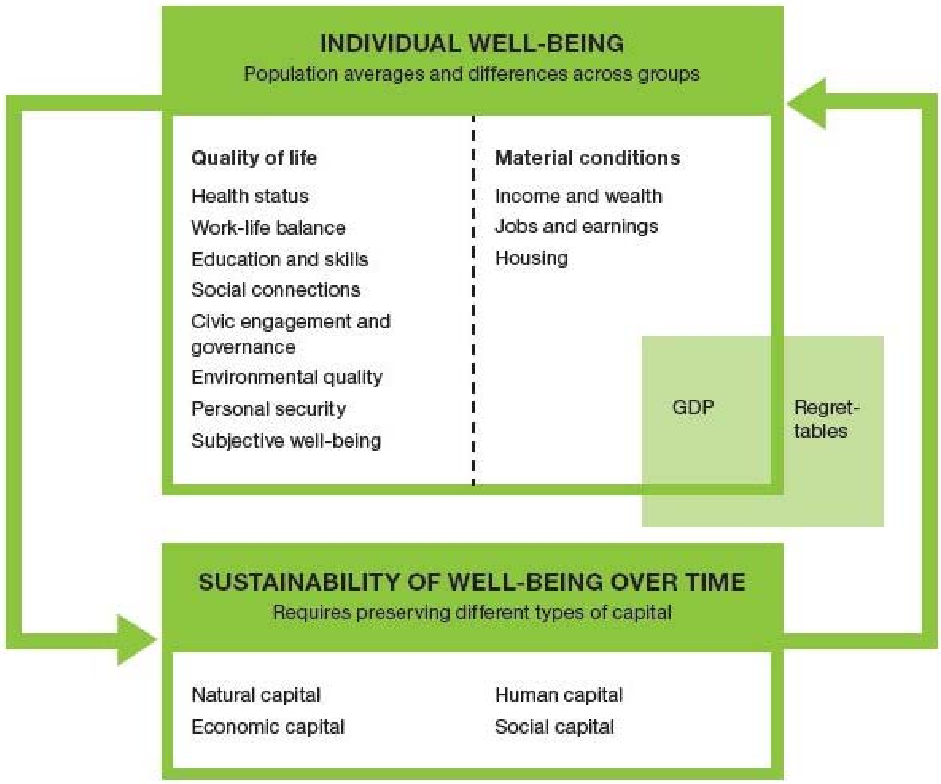
Delivering outcomes starts with setting a vision that charts the way and helps align the public sector, but also government and society at large, around shared goals.

A compelling, overarching vision statement enables government to communicate in simple terms, internally and externally, its overarching objectives and the relevance of single- and multi-sector priority initiatives designed to achieve them. This vision needs of course to be aligned with a political mandate, grounded in the democratic process which tests, shapes and determines the priorities of the people. Further, this vision can lead to identifying a set of key national indicators (KNIs), which should infuse and motivate all government action and provide a road map for joined-up delivery.

Increasingly, OECD governments are articulating their ambitions and goals for national well-being.

In a number of countries, governments are aiming to align their vision with a national discussion on the outcomes that matter for people’s life satisfaction. Indeed, the OECD has undertaken extensive work on measuring well-being and in designing high-quality indicators that allow the various dimensions of public performance and life-quality to be mapped and measured. These indicators comprise a comprehensive, internationally-comparable suite of outcome measures, which government can draw on as a resource in selecting its priorities, and can be used to benchmark progress in achieving these objectives over time (Figure 2.2) (OECD, 2013a)

Figure 2.2. The OECD well-being framework



Source: OECD (2011a).

National experiences are particularly instructive in this regard.

For example, France and New Zealand are developing high-level indicators to broaden policy analysis beyond traditional economic metrics and incorporate a well-being perspective in policy making more explicitly. In both countries, the high-level indicators are evolving towards a three-pronged clustering around the themes of (i) economy/prosperity, (ii) social progress/inclusiveness and (iii) sustainability (Box 2.2).

Box 2.2. Key national indicators in budgeting: France and New Zealand

France's performance beyond gross domestic product (GDP) and use of KNIs: France's over-arching budget law (Loi organique relative aux lois des finances or LOLF) provides for grouping public expenditure by "missions", which bring together related policy programmes and which in turn are associated with performance objectives and indicators. Ongoing reform efforts focus on streamlining the indicators to make them clearer for parliamentarians and the public. In parallel, building on the work of the "Stiglitz-Sen-Fitoussi" Commission on the Measurement of Economic Performance and Social Progress, France enacted a law in 2015 requiring the government to present wealth and well-being indicators other than GDP when tabling the annual budget, to promote debate on policy impacts. The LOLF performance framework lends itself well to such a presentation; the French authorities are currently planning to implement a strategic dashboard using a limited set of internationally-comparable KNIs on the following three themes:

- Economic development indicators, such as foreign direct investment flows to France (OECD), and "Ease of doing business" (World Bank).
- Social progress indicators, such as healthy life expectancy at 65 by gender (OECD), percentage of 18-24 year-olds with no qualification and who are not in training (France Stratégie/Eurostat), and poverty gaps (World Bank).
- Sustainable development indicators, such as greenhouse gas emissions per unit of GDP (European Energy Agency/Eurostat).

New Zealand Treasury's Living Standards Framework: The mission of the New Zealand Treasury is "to promote better living standards for New Zealanders", and this is interpreted and applied by reference to a "living standards framework". The framework encompasses five broad dimensions grouped under three principal themes (prosperity, inclusiveness and sustainability), which are used systematically as a basis for framing policy advice and evaluation:

Prosperity

- Potential economic growth − Higher incomes, stronger growth and efficient allocation of resources Inclusiveness
- Sustainability for the future − Human and physical capital and sustainability of the environment
- Equity − Distribution across society and opportunities for people to improve their position
- Sustainability
- Social cohesion − Core institutions that underpin society, self-identity, trust and connections
- Resilience − Ability to withstand unexpected systemic shocks

Source: www.stiglitz-sen-fitoussi.fr/.

Building a vision of inclusive growth at all levels of government

A whole-of-government approach at the central government level will have greater potential impact on inclusion if all levels of government are on board.

Many of the policies that have a significant impact on Inclusive growth are managed at least in part by subnational governments. Across the OECD, the almost 134 000 subnational governments are responsible for around 63% of public procurement, 59% of public investment and 40% of total government expenditure.

Subnational governments have important roles in, among other things, enhancing and sustaining skill formation and job creation and retention, the infrastructure that determines travel times and influences pollution emissions, and the services that contribute to the well-being of residents (OECD, 2015a) and (OECD, 2014a). In the area of public investment, for example, the OECD Recommendation on Effective Public Investment across Levels of Government[1] emphasises the importance of vertical co-ordination to achieve impact.[2]

Moreover, policies for inclusive growth will need to take into account the often wide regional variations in conditions and preferences.

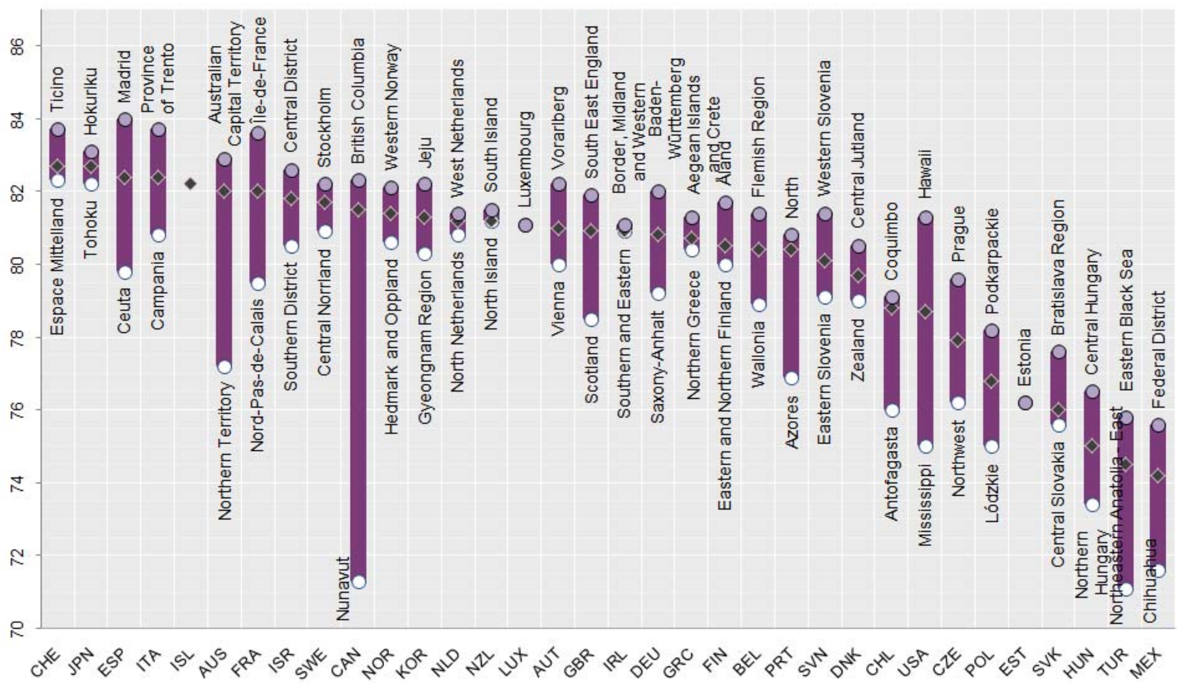
For example, high-school drop-outs are often likely to have greater difficulty finding jobs, to have lower incomes and to experience greater health problems. Yet, the roots of high drop-out rates vary according to context: while urban locations have the density of population to provide education in proximity, the quality of education or other social factors may contribute to lack of completion for some students. In a rural area, the problem may in part stem from the lack of critical mass of students to provide education in proximity and long transport times that may hinder school attendance.

Selecting national and regional indicators to tailor policy responses.

Using multidimensional metrics of well-being can help national and local governments to map needs and to design and deliver effective policies, as well as how the benefits of growth, including non-income outcomes, are shared across population groups and places.

Key insights, drawn from international experiences in OECD countries carried out under the aegis of the OECD work on measuring regional well-being (OECD, 2014b), underline the importance of building synergies across policy domains to improve coherence of policies and delivery of results. In particular, while the well-being indicators help to align policies towards shared high-level outcomes, policy makers need a thorough dialogue across different sectors and levels of government and with civil society and the private sector to identify the policy outputs of specific public policies and how these outputs contribute to the final high-level outcomes. Indeed, the OECD has expanded the measures of the economic and quality-of-life factors to the subnational level (Figure 2.3), recognising that the performance of regions and cities should be benchmarked against a variety of dimensions.

Figure 2.3. Regional disparities in life expectancies at birth



Note: Turkish region TRA2: Agri, Kars,Igdir, Ardahan

Source: OECD (2015), OECD Regional Statistics (database), http://dx.doi.org/10.1787/region-data-en.)

Case studies offer insights into different methodological and political solutions for using well-being metrics in policy making.

Comparative experience offers examples of how indicators can be used in different phases of the policy-making process, such as selecting regional well-being outcome indicators, monitoring progress in people’s circumstances over time and implementing a process of multi-stakeholder engagement to promote social change (Box 2.3). In fact, identifying indicators need not be perfect at the earlier stages. Indeed, governments that follow a strategic whole-of-government approach, starting with vision-setting, have often launched their outcomes framework with a number of place holders, and have continued to revise it.[3]

Box 2.3. Using well-being metrics in policy making

The OECD report How's Life in Your Region? Measuring Regional and Local Well-being for Policy Making provides seven in-depth case studies on different methodological and political solutions for using well-being metrics in policy making. In the case of Rome, Italy, a comprehensive consultation process was used to prioritise the dimensions of well-being that matter most to the citizens, through community surveys, a web tool, public meetings, workshops, etc. The region of Sardinia, Italy, made concrete improvements in public service delivery as a result of the effective engagement of public institutions, the private sector and civil society around clear and measurable well-being objectives. For example, the amount of urban waste landfilled was halved and the share of recycled urban waste raised from 27% to 48% over five years. With its Good Life initiative, Southern Denmark included a comprehensive set of regional well-being indicators in its Regional Development Plan, combining objective and perception-based indicators to monitor social progress in the region. The North of the Netherlands developed a sophisticated set of regional well-being indicators by involving various stakeholders, such as the academic community (e.g. University of Groningen). Newcastle, United Kingdom, is a good example of a city that built on national requirements (to establish local health and well-being boards per the 2012 Health and Social Care Act) in order to develop a wide-ranging local well-being strategy. The state of Morelos, Mexico, designed its state development plan around a set of clear baselines and targets in different dimensions of well-being over a pre-determined time frame (corresponding to the state government mandate). Finally, the United States' Partnership for Sustainable Communities is a national initiative for jurisdictions of all sizes. It aims to align federal policies and funding in order to improve access to affordable housing, provide more transport options and reduce transport costs, and protect the environment. The initiative takes stock of existing indicators – identified with the help of focus groups and governmental agencies – and provides guidelines to local policy makers on their use.

Source: OECD (2014b).

Managing trade-offs and shaping actions for impact

Aligning vision and resources: Strategic multi-year budgeting: Building on a shared vision, government strategies and priorities can be identified for both the near and longer terms.

This strategic planning process is typically embodied in a medium-term National Development Plan, Programme for Government or Coalition Agreement, which should reflect high-level outcome targets for the country on the basis of Key National Indicators, as outlined above. Translating these goals into actions requires an alignment between strategic, political planning processes and the resource allocation, service delivery and accountability processes of government.

Good budgeting practices – as outlined in the OECD Recommendation on Budgetary Governance (OECD, 2015b) – have a role to play in different aspects of policy making for inclusive growth.

To begin with, sound budgeting is central to prudent economic management, which should underpin, investment sustained economic growth. Moreover, the budgeting function – perhaps more so than any other function of government – is concerned with making choices and helping governments to identify and weigh multidimensional trade-offs across various strands of public policy that must contend for limited resources.

Indeed, the Recommendation recognises that, for the budget process to work effectively in improving people's lives, it must interconnect with the other dimensions of public governance, including planning at the centre of government, accessibility and openness of government data, and engagement with stakeholders.

Addressing the multidimensional objectives of inclusive growth requires a sustained medium-term effort.

Inclusive growth outcomes, by their nature, typically are visible over a multiyear period (unlike output and activity measures which can be tracked more regularly). A mismatch between the annual resource allocation process and the medium-term Inclusive growth agenda would likely lead to reality falling short of aspirations. Medium-Term Expenditure Frameworks (MTEFs), which serve to increase the visibility of resources over a multi-year period, can be further leveraged to address this challenge and guide the translation of MTEF ceilings into annual allocations of resources, i.e. money and staff. OECD analysis illustrates that most member countries have moved to implement a system of medium-term budgeting: the challenge is to develop an MTEF which has real force in shaping the annual dynamic of the budget cycle, and thus is effective in bridging medium-term planning and in providing the resources needed to deliver on a shared vision (OECD, 2015b).

Apart from the need to ensure consistency between annual allocations and multi-year plans, it is important to assess the impact of the budget decisions on inclusive growth outcomes.

The process of impact assessment should start, but should not end, with an evaluation of the financial impact on the average householder. As discussed above, inclusive growth concerns more than the average citizen: an inclusive growth focus must therefore examine impacts on the wide variety of individuals and groups in society, including those who are marginalised and those minority groups whose position has little in common with national averages. There is also the opportunity to highlight the position of members of society who may be subject to structural, systemic or historical discrimination (e.g. on the basis of gender or ethnicity) to bring transparency to the allocation of resources and to assist in monitoring impacts.

Table 2.1. Including inclusive growth considerations in budget impact assessments

Budget assessment dimension	Description
Household income	Increase/decrease in net take-home financial position across the salary/benefit scale; classified by household type (single, one-parent, two-parent, number of children, number of other dependants, housing status)
Well-being impacts	Effects of budget measures on a range of well-being indicators, such as access to and quality of healthcare; housing status; access to education; cultural and community life
Environmental impacts	Effects and costing of budget measures as to their impact on production of CO2 and/or other environmentally deleterious emissions
Gender impacts	Relative quantified net impacts of budget measures by gender
Ethnic impacts	Relative income and other impacts of budget measures on particular ethnic groups in society
Poverty impacts	Effects of budget measures, including income, material deprivation indicators and other well-being indicators, on the position of underprivileged and/or marginalised sections of the population

Comprehensive, inclusive growth-sensitive budget impact assessments have yet to become a reality.

Although impact assessments could ideally consider each of the dimensions that matter for people's well-being, the full use of this spectrum of assessment criteria is still the exception, rather than the norm, across OECD countries. Nevertheless, some countries have made good progress in addressing some of these dimensions (Table 2.1). For example, Ireland produces a comprehensive assessment of how the annual budget measures affect net household income, with extensive case studies of different representative household types. The budget also includes a poverty impact assessment. In addition, Austria has designed its performance management system to be explicitly responsive to gender issues: each government ministry must include one gender-related objective among its small number of overall key objectives, which in turn form the structural basis for allocating resources and reporting on impacts in the context of the budget.

Ex ante evaluations: The case of government expenditure and regulations

Ex ante evaluation is essential for decision-makers to weigh and design policy interventions.

Across the field of public policy, there has been a long tradition of ex ante appraisal of capital investment, which involves high upfront outlays and has long-term impacts on the development capacity of the economy. Nevertheless, it has been less widely accepted that, in principle, all forms of major expenditure – current as well as capital – should be subject to rigorous ex ante appraisal. Current expenditure programmes, although they may have smaller upfront costs than capital investments, tend to persist for longer, and the lifetime costs can be large. It is for this reason that the OECD Recommendation on Budgetary Governance now includes a call to governments to conduct routine and open ex ante evaluations of all substantive new policy proposals to assess coherence with national priorities, clarity of objectives, and anticipated costs and benefits.

Techniques are available for ex ante analysis of expenditure for inclusive growth.

One of the reasons for the traditional distinction between current and capital programmes, as regards the use of ex ante evaluation, has been the perceived non-applicability of capital appraisal methodologies to current spending. While capital programmes traditionally have a distinct focus on delivering an economic benefit which lends itself to standard calculation (e.g. internal rate of return, net present value), the same has not been the case for current-funded programmes, where results can be more social, intangible and thus (the argument goes) incalculable. In fact, modern public financial management techniques are quite capable of bringing similar analytical rigour to bear on ex ante assessment of current programmes. Techniques such as cost-effectiveness analysis (a standard methodology which allows for identifying trade-offs within a specific sector, such as health care) and multi-criteria analysis permit these complexities to be managed in a way that is useful to decision-makers. The latter technique, in particular, holds the potential to allow for the broad range of public policy dimensions, notably those associated with inclusive growth, to be factored in and weighed as an integral part of the policy formulation process.

Country experiences are instructive.

For example, Ireland has expanded its traditional capital-appraisal methodologies, which originated in large part in the management of European Union-funded programmes, to public expenditure more generally, including current programmes (Box 2.4).

Box 2.4. Towards holistic evaluation of expenditure: Ireland's public spending code

Ireland has a long tradition of robust capital appraisal mechanisms, which were refined in particular in the context of the drawdown and application of European Union regional development funds during the 1980s and 1990s. The ex ante appraisal requirements in respect of capital investments are set out as follows:

1. Define the objective of the proposed expenditure intervention
2. Explore realistic alternative options of achieving the objective – including the option of doing nothing – taking account of constraints including financing, technological capacity and "general policy consideration"
3. Quantify the costs of viable options and specify sources of funding
4. Analyse the main options using standard analytical techniques including financial analysis, cost-benefit analysis, cost-effectiveness analysis, cash-flow analysis and multi-criteria analysis
5. Identify the risks associated with each viable option
6. Decide on and specify a preferred option, including a time profile and financial profile for action
7. Make a recommendation to the decision-making authority, explaining the analytical rationale

Since 2011, these general appraisal requirements have been explicitly extended to all forms of expenditure, current as well as capital, as part of an expanded Public Spending Code. The additional guidance for current funded programmes makes the following specifications:

1. Preparation of a detailed business case incorporating a financial and economic appraisal
2. Provision for a sunset clause, after which the expenditure scheme will be reviewed and discontinued unless it can be demonstrated to meet value-for-money criteria
3. Fixed cash limits for demand-led schemes
4. Pilot implementation of new proposals, where feasible, before final approval is granted
5. "Evaluation-proofing" of all business cases and related memoranda for government, to ensure that performance objectives and criteria defining success and failure are apparent from the outset, and can thus be used in the context of future ex post evaluation

Source: Public Spending Code, http://publicspendingcode.per.gov.ie.

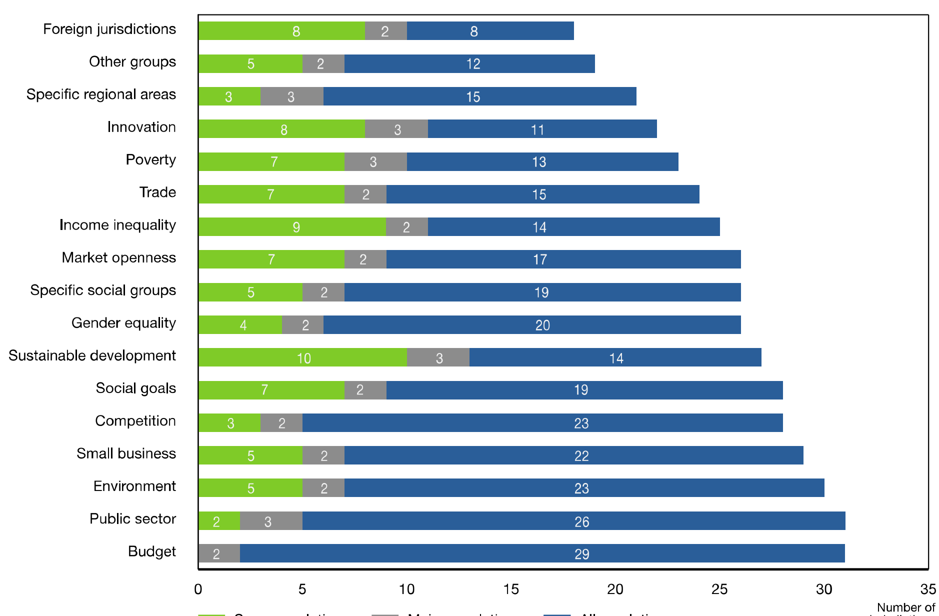
While ex ante assessment of current expenditure programmes has tended to be relatively under-developed in OECD countries, the same does not apply in the area of regulatory policy.

Regulatory impact analysis (RIA) is a tool and a process to inform decision- makers on whether and how to regulate to achieve policy goals. It represents a central element in the regulatory governance cycle, and it is widely adopted to ensure that regulation works effectively and is in the public interest. As a tool supporting decision-making, RIA examines the potential impacts of government actions by focusing on the costs and benefits of a regulatory measure, on the effectiveness of the measure to achieve its policy goals and on whether or not there are superior alternative approaches available to governments. As a decision process, RIA complements consultation initiatives in order (i) to communicate information ex ante about the expected effects of regulatory proposals at a time and in a form that can be used by decision-makers, and (ii) to assist governments ex post to evaluate existing regulations (OECD, 2009).

RIA plays a role in informing policy making for inclusive growth.

By definition, RIA aims to provide information on the distributional impacts of regulation (across groups, sectors, regional areas, etc.), which can help reveal and monitor the trade-offs between the economic, social and environmental effects of potential regulatory responses. The process of developing a RIA is in itself an opportunity to gather the inputs of regulated and more generally of affected parties. Beyond these generic features of RIA, a more focused use of the tool to promote social inclusiveness is also possible through assessing specific impacts. Indeed, recent OECD analysis (OECD, 2015i and 2015d) shows some use by OECD countries of the RIA process to assess the distributional effects of regulation on disadvantaged social groups, gender, poverty and job creation (Figure 9). Spain for instance requires impact assessment on gender and regional distribution and encourages social impact assessment, including on equal opportunity and non-discrimination.[4] However, the assessment of distributional effects generally focuses on large groups, such as government, businesses and communities, without going into specific population sub-groups and without targeting inequality per se. RIA also tends to focus on economic impacts, rather than on more multidimensional effects that are relevant for inclusiveness, and often are conducted too late in the regulatory policy cycle to usefully inform decision-making.

Figure 2.4. Types of impacts integrated into RIA (December 2014)



There is much potential for government to clarify what is expected from line ministries in relation to mainstreaming distributional considerations in the RIA process.

For instance, countries could clarify in their RIA guidelines or frameworks which specific types of regulation the assessment of distributional impact is required and which level of analysis is expected (macro versus micro analysis). The guidelines should define how to display this type of impact within the RIA document. For instance, in the United States the RIA guidelines explicitly call for measuring and outlining distributional impacts in a specific section of the RIA document, which helps stakeholders to better focus and consider distributional aspects.

Clarifying the methodology and providing the tools to measure distributional impacts (both quantitatively and qualitatively) would also help to support line ministries in assessing impacts that are mostly qualitative in nature.

A number of countries, including Austria, Switzerland and the United Kingdom, provide guidance and methodology to assess the distributional effects of regulation. In Sweden a manual with guiding questions to be asked on gender equality as part of the assessment process is provided to support regulators. The European Commission guidance for assessing social impacts provides some methodological information on how to assess impacts on employment and the labour market. Furthermore, other technical and capacity challenges need to be addressed, such as gathering information that is relevant for the design of inclusive growth policies; developing standard models and tools to measure social impacts and quantify the qualitative impacts; using a broader range of methodological tools, such as multi-criteria analysis; dealing with a lack of adequate skills and resources within line ministries and regulatory agencies; and mitigating the risk of overloading the RIA procedures.

In parallel with RIA, some countries implement gender impact assessments (GIA) to evaluate the implications of proposed policies, programmes and regulations on men and women.

Requirements for ex ante Gender Impact Assessments of primary legislation are becoming more commonplace among OECD countries (OECD, 2011b). The majority of OECD countries reserve GIAs for primary and secondary legislation rather than for policies and programmes. However, GIAs are most effective if integrated at early stages of the development policies and programmes and sustained through all phases of the policy cycle, including implementation, monitoring and evaluation. Additionally, as suggested in the forthcoming Recommendation on Gender Equality in Public Life, ex ante gender impact assessment needs to be generally aligned with broader policy assessment processes, whether in RIA or expenditure appraisals, in order to be fully anchored within public administrative procedures.

There is much scope to reinforce ex ante evaluation as a standard tool of policy making for inclusive growth. In particular:

- Standardise the common, foundational methodology for ex ante assessment, encompassing both public expenditure and regulatory policy, in order to make policy development simpler and less opaque. Particular attention should be paid to developing standard models for measuring social impacts and gauging the qualitative impacts of policy interventions.

- Develop specialist analytical resources and make them available across government; and overcome institutional and policy silos which prevent a more holistic approach to policy design and re-design. This should go beyond economic tools to encompass sociological expertise for gathering data on social, gender, environmental and other qualitative dimensions.
- Develop data visualisation tools and resources to inform policy choices and trade-offs and to make the policy development cycle more accessible to stakeholders inside and outside of public administration Using Open Government Data to expand policy horizons.

Open government data (OGD) can further strengthen government capacity to define a vision for inclusive growth.

Traditionally, public sector information is created, collected and kept in silos – both from the perspective of organisational culture and technical interoperability. The increased release of OGD means that other stakeholders are able to access and reuse government data in potentially innovative ways that augment the internal analytical capacity within government and increase the visibility of the data across organisational boundaries. Moreover, the open release of data allows for mixing public data with commercial, civil society and citizen input data. It also permits pooling with data produced by other public agencies and/or levels of government – i.e. developing shared content, services and policies between cities or countries; this holds considerable potential for creating public value. Being able to spot trends, evaluate the effectiveness of past and ongoing initiatives, and plan targeted interventions is critical to high-value policy creation. Moreover, OGD can be used to spur public participation and social engagement, as will be discussed in Chapter 3.

Despite progress, much remains to be done.

Authorities across OECD countries point to the need in the future not just for drawing on citizens' inputs and facilitating data analytics, for example to develop and simulate public policies and better target services, but also for a more qualitative approach, including for example ethnographic surveys. Datasets on immigration flows and ethnographies are not available in all countries, whereas their availability as OGD could foster a deeper understanding of the societal needs and support the design and delivery of services that are more inclusive. There is therefore a need for both big quantitative data crunching to provide explicit codified evidence for public sector activities, on the one hand, as well as more qualitative survey data to contextualise big data to provide the necessary implicit and un-codified evidence.

Moreover, countries are still struggling to develop the skills the public sector needs to conduct and make the best use of data analytics and the capacities to reconcile data, privacy and security.

Creating these capacities is essential to spur availability of Open Government Data which can be used and re-used to drive better decisions and better policy development. At the same time, there are legitimate public concerns with regard to privacy and security in the use of big data and the release of OGD. It is important for governments to be vigilant in ensuring that public trust is maintained through high standards of data protection and privacy controls, as well as transparency with citizens as to how governments hold and use personal information. Data protection also encompasses the security of critical information and communication technology (ICT) infrastructure and databases from potential breaches, intentional or accidental.

Promoting government accountability for inclusive growth

Performance-related budgeting processes are particularly relevant for inclusive growth.

While practices vary across countries, the key features of effective performance budgeting systems are identified in the OECD Recommendation on Budgetary Governance. In the context of inclusive growth policy making, it is important that the performance objectives specified in the budget should correspond with the Key National Indicators identified during whole-of-government planning, as discussed above. To the extent that these indicators reflect the requirements of inclusive growth, the entire process of resource allocation will thereby be mobilised and oriented in support of this agenda.

Recent country experiences are instructive.

For example, Austria has in recent years reformed and streamlined its budgetary framework so that each ministry must specify a small number of performance objectives, while the resources allocated to each objective are made explicit in the annual budget document. Likewise, New Zealand has a well-developed results approach, whereby agencies are organised around the outcomes that matter to citizens, and in this context each agency must specify the "vital few" indicators that will tell whether these goals are being achieved. The United States has also placed a high priority on articulating clear performance objectives for each agency, including a small number of "agency priority goals"; these objectives have become an organising principle for public accountability and also for internal management and staff engagement. Scotland's National Performance Framework involves a co-ordination mechanism to ensure alignment of strategies and programmes across sectors, in support of broader national outcomes.[5]

The availability of comparable, timely and usable information will become increasingly important.

It is likely that, together with traditional performance-tracking mechanisms, Open Government Data will be used more and more to complement performance indicators on public policy outcomes and quality of services, helping policy makers to shed light on inefficiencies but also to compare the performance of different providers of public services (e.g. public schools and hospitals). For example, OGD can (i) facilitate benchmarking across government services and identify opportunities for improving the delivery of financial and social benefits/impacts; (ii) help government make savings by automatically tracking prices paid through public contracts; and (iii) help identify gaps in the data that can be used to fully capture all aspects relevant to assess public sector performance. Indeed, a few OECD governments are currently maximising the value of OGD to complement performance indicators, including the United Kingdom, which uses OGD to assess performance of hospitals (OECD, 2015e).

Aligning incentives and horizontal co-ordination

Public performance is naturally dependent on the quality, capability and motivation of public servants, which is particularly challenging in the context of inclusive growth.

Performance management and performance-based arrangements for senior civil servants (SCSs) exist in most OECD member and non-member countries. However, in the context of inclusive growth, as responsibility lies across ministerial lines, the challenge becomes one of not only aligning SCS performance goals with ministerial expectations, but also incentivising co-operation and co-ordination across institutional silos. One way to do this can be to align incentives with projects that are horizontal in nature. The Canadian province of Alberta has done this with senior civil servants' performance-related pay (Box 2.5).

Box 2.5. Building incentives for agility and collaboration in Alberta, Canada

In Alberta, Canada, officials agreed that getting departments to work together is the biggest challenge to public service and that achieving this depends on the behaviours of senior officials in the departments. The most effective incentive to joining up has been to explicitly link the performance pay of senior officials to horizontal policy initiatives. For deputy ministers, the heads of the departments, 20% of their remuneration package is based on performance, and 75% of this is based on their performance in horizontal issues. For assistant deputy ministers, 50% of their performance pay is based on horizontal initiatives. This has created a meaningful incentive to focus on the success of the government's horizontal initiatives, even if it requires re-allocating resources away from achieving the goals in the department's business plan.

Source: Määtä (2011).

In parallel with aligning performance assessment frameworks, the capacities and skills needed to design, implement and assess inclusive growth policies should be reconsidered.

The multidimensional nature of inclusive growth outcomes calls for reinforcing the capacities of public servants to contribute to a whole-of-government view of interlinked and complex policy challenges. Indeed, OECD countries share a common challenge of developing their workforces in ways that reinforce mobility and cut through organisational silos. Greater mobility within the public workforce can help to foster a corporate, whole-of-government perspective on new challenges posed by inclusive growth. Mobility can also facilitate attraction and retention, as varied job experiences are often attractive to applicants and can keep employees motivated. Baseline conditions required to enable internal mobility are uniform employment and pay terms and conditions. Once these are established, organisations often develop and use secondment policies and other mobility programmes to provide fixed-term assignments to other organisations, thereby simultaneously building the experience of the workforce and promoting sharing across organisational boundaries.

A horizontal challenge such as inclusive growth needs a public sector workforce ready to think across organizational lines. Mobility helps.

Country experiences offer insights on human resource management for inclusive growth.

Some OECD governments establish specific job rotation programmes within organisations or across ministries. Due to the management challenges of such programmes, enrolement is usually limited to employees who stand out in terms of development potential and to specific cadres of managers. These programmes sometimes establish upward mobility. Additionally, many public services see time spent in other agencies or the centre of government as a prerequisite for advancing to higher levels of management and leadership. This can ensure that senior leaders are aware of the work of other organisations and consider issues that extend beyond their own sphere of direct control. Moreover, leadership training programmes offer a valuable way to impart whole-of-government perspectives to mid- and senior-level managers, especially when they are run centrally and organised around horizontal leadership principles such as innovation.[6] Indeed, recent OECD work on human resource management tools to support more public sector innovation has highlighted a range of practices that encourage and reward successful collaboration across organisations. These include developing and maintaining networks, formal and informal, at all levels of government, as well as using awards processes to collect successful innovative practices and share them across the civil service.

Making service delivery more inclusive

Improving access and reach

Inclusive growth relies on the effective, efficient delivery of public services to citizens.

As outlined in Chapter 1, access to quality services, such as education, health care and justice is essential to break ingrained cycles of disadvantage, and to allow for marginalised groups to benefit from higher-paid jobs, better living standards and longer, more fulfilling lives.[7] Further, developing human capital is at the heart of the transmission mechanism through which income inequality may be detrimental to economic growth. The reverse is true as well: higher educational attainment and better skills is one of the strongest drivers of economic growth in the long run and can at the same time offset at least in part rising earnings inequality (OECD, 2015f).

Higher educational attainment and better skills is one of the strongest drivers of economic growth and can help offset earnings inequality.

Inequalities in access to services persist today in OECD countries in part due to increasing complexities in delivering quality services and expanding access.

Governments must respond to increasing quality and efficiency expectations, as well as address demographic changes and pressures to consolidate public finances. Within many OECD countries[8] societies are becoming more diverse, the urban-rural divide continues to widen, and there can be large discrepancies in income and access to services within cities. Moreover, service delivery models are changing, calling for an innovative, systematic and consistent approach to ensure public sector productivity, particularly in the cost-intensive welfare service delivery areas. The combined potential of digital transformation, innovation and updated skills of the public sector can help governments reduce the fixed costs of service delivery, while improving the quality, reach and targeting of services.

Leveraging access to services for inclusive growth implies first and foremost understanding where and what the needs are.

Understanding the challenges associated with access begins with information, such as the number and location of service institutions, their geographical features, user feedback, transportation network and economic cost. These differences are policy-relevant because they reflect the opportunities available to people and the extent of inequality, including in terms of territorial disparities. A number of mechanisms can be used to better map demand and tailor service provision, including digital technologies (such as geo-localisation and real-time feedback through social media), user experience feedback and new forms of service delivery.

Knowing citizen needs is key to meeting them. Tools are available that help policy makers better map demand and tailor service provision.

Understanding user needs and experiences allows governments to tailor services provision and improve access, including for disadvantaged groups.

The solution to many contemporary societal challenges is not necessarily more public services, but rather better targeted, better designed services, that improve access for the most hard-to-reach users.[9] The traditional model of service provision, based on individual administrative transactions, should be replaced with whole-of-government solutions, recognising the need to make users part of the design of relevant services. An example of this is the “life-cycle approach” or “user’s journey” introduced in some OECD countries as a mean to increase access (in terms of reduced complexity) to service users but also satisfaction and a more effective use of public resources (Box 2.6). Other examples come from the justice sector, where countries are exploring innovative ways to address the diverse legal needs of citizens and remove barriers to access, especially for the disadvantaged groups. Strategies range from enhancing the use of technology, such as mobile applications for accessing legal services, to targeting legal aid services to respond to citizen’s personal circumstances. Some countries are also developing options for better case triage and better client orientation with links to other services (health or social) and establishing a “no wrong door” approach (e.g. justice one-stop shops). To improve access in remote areas, some countries offer tailored dispute resolution services, decentralise courts and enhance provision of public legal services in rural areas.

Box 2.6. Life events approach to service delivery

The “life events” or “user’s journey” approach designs service delivery around the key life events of a user and provides a framework for the government to collect evidence that services are delivered in an effective and fair manner from the user’s point of view. First, the key life events of a typical user are selected (e.g. giving birth, graduating from university, or starting up a business). Second, a representative survey identifies how many users have recently experienced a particular life event and how many of them find administrative steps related to this life event complicated (fair, inclusive, etc.). Third, a focus group of users who recently experienced a particular life event goes through a “customer journey mapping” to identify the concrete bottlenecks in service delivery.

Box 2.6. Life events approach to service delivery *(continued)*

This approach helps governments to focus resources on the most problematic areas of service delivery, and improve transparency and accountability, especially when done repeatedly. The life events methodology also has the potential to improve service delivery for disadvantaged groups. In France, for example, this approach has been used to study administrative barriers to recent immigrants. Using the methodology, administrative procedures related to the life event "I am an immigrant (non-EU national)" have been found the most complex of all life events studied. Disabled groups have also been identified as constrained by bureaucracy. Results showed that administrative procedures related to the life event "I'm disabled/one of my close relatives is disabled" are severely complex, which has helped the government to understand the administrative customer's journey of these disadvantaged groups.

Taking a "life events" approach to understanding service delivery provides a comprehensive framework for mapping citizen service needs.

Collaboration between service users, service providers and professionals can also lead to public services that are better designed and delivered in partnership with citizens (Box 2.7).

In such a scheme, citizens/users are invited to participate in the whole process of service delivery, which can improve outcomes through community involvement and tackle service failures (OECD, 2011c). Such approaches draw on the unique knowledge and resources of service users, resulting in more customised service delivery for more effective results. The public administration acts as a facilitator or convener, recognising the assets that citizens have and bringing them into the delivery equation (Box 2.7). The role of voluntary and community organisations is often critical, particularly in targeting those most in need, and helping to implement services effectively.

Box 2.7. Co-producing better health outcomes

Governments must respond to the challenge of longer life expectancy and re-orient services towards preventing ill health, rather than just responding to illness. In transforming services, users become key partners to deliver desired outcomes and reduce the costs of expensive, acute health services or residential care. A variety of approaches can be used in co-producing better health outcomes. A combination of home-based technology, self-management by service users and targeted professional support can enable patients to manage their own care on a day-to-day basis, while relying on expert service for specialised or complex functions and as back up. Potentially, this can release resources either to reduce levels of public spending or for transfer to other priorities. Training service users to be a source of information and support for others with the same conditions allows patients to take more control over their health while helping others. This scheme combines elements of co-production with individuals and community, as it makes expertise available to other groups of patients and builds support networks. These approaches share an emphasis on prevention and may reduce the need for expensive services, such as emergency hospital admissions or outpatient visits. By doing so, user co-production can reduce costs to the public purse also potentially improve health services.

Box 2.7. Co-producing better health outcomes *(continued)*

Evaluations of these approaches in countries like the Netherlands, the United Kingdom or the United States have shown their positive impact not only in terms of cost efficiency (for example, by reducing visits to the emergency room) but also in secondary outcomes, including well-being and satisfaction. There are also potential savings for future expenditure, which are more difficult to quantify and which will result from better management of ongoing conditions.

Source: OECD (2011c).

Citizen input makes a difference. Citizens have unsurpassed knowledge of their own needs. How can policy makers tap into this knowledge to better design services?

Social investment, social impact bonds and associated outcomes funds are other examples of policy instruments that can be used to improve provision, focus on outcomes and cut across administrative silos.

Social impact bonds were first launched in the United Kingdom and offer an innovative way to finance solutions to social issues. A social impact bond is a type of public-private partnership that embeds a pay-for-success scheme, commissioned by public authorities, foundations or corporations to provide social goods and services. These public-private partnership models, when implemented in a context of transparency and accountability, can contribute to much needed innovation in financing models as well as improvement in public service delivery (OECD, 2015g).

Increasing services inclusiveness through digital welfare Digitisation can affect a range of public services in the social area.

Digitisation can affect a range of public services in the social area.

In education, technology is enabling new teaching and learning methods, as well as new mechanisms to facilitate administration, parent interaction, and teacher-pupil and pupil-pupil relations. In the area of health, new service models are also emerging (Box 2.8). Patients have better access to information, which leads to their increased independence and empowerment in care. Digitisation will play a key role to leverage this transformation in public welfare areas given its potential to increase productivity and inclusiveness of service production and delivery. In the short term, this digitisation will be a precondition for ensuring sound fiscal policies. In the longer run, it will be equally important to maintain the public sector's credibility in terms of efficient and effective service delivery responsive to users' needs, thus nurturing public trust in governments' capacity to boost more inclusive processes and growth (OECD, 2016 forthcoming). Only by addressing these issues – and related themes such as new ethical challenges, building local commitment and ownership, and ensuring that groups are not left behind by digital welfare initiatives – will more countries embrace the potential of digitisation as a strategic model for service delivery.

Leveraging digitisation in transforming public welfare areas can increase the productivity and inclusiveness of service production and delivery.

Building capacity for new forms of service delivery.

Digitisation and new forms of service production and delivery imply a shift towards a multi-stakeholder, demand-driven strategy, calling for new skills and accountability models in the public sector (OECD, 2015i).

Addressing the required cultural change and preparing public sector staff for new professional roles – as stewards or commissioners rather than producers – implies investing in new knowledge and skills, such as behavioural insights, design thinking and digital skills such as social media management. Some government institutions have taken up the challenge of developing a new set of skills and capacities. For example, the Australian Public Service has a systematic approach to developing skills for digital government reforms, which was recently adapted to include ICT, social media and collaborative approaches, including for service delivery (Mickoleit, 2014). Similarly, the UK Government created Policy Lab in 2014 to identify and test new tools and techniques for policy making, including design, digital and data. The government has shared these with over 1 500 policy makers to date.

Box 2.8. Denmark's strategy for improved service delivery: digital welfare and open government data

Continuing the last decade of achievements in digital government, in 2011 the Danish Government and the representatives of the regions and the municipalities agreed on The Digital Path to Future Welfare – eGovernment Strategy 2011-2015 (www.digst.dk). This strategy covers 12 focus areas, which include sharing core data for all authorities. The aim is to maximise the power of data and technology to deliver more efficient and inclusive services. The digital strategy outlines three overall milestones regarding data sharing:

- High-quality and cohesive core data ensures that the authorities can serve citizens and companies quickly and easily.
- All authorities reuse core data so that citizens and companies do not have to enter or look for the same data several times.
- Core data is distributed more smoothly, efficiently and reliably thanks to a shared infrastructure for data distribution.

While rather general, these milestones are highly ambitious in terms of full deployment across all parts of the public sector. Following up with further analysis, the strategy includes specific actionable commitments such as budgetary consequences through the annual budget agreements between the central government, the regions and the municipalities. Together with the Annual Government Budget Act, these budget agreements provide the essential strategic orientations and define the overall business case of the Open Government Data initiatives covered.

Source: OECD (2015h).

Setting ambitious digital objectives pays off. Denmark is making important strides in maximising the power of data and technology towards more efficient and inclusive services.

In addition, private sector provision affects citizens' expectations about the services provided by government, specifically with regard to digital services.

If governments cannot provide digital services of the quality and responsiveness that citizens have come to expect from commercial or even non-profit providers, this can ultimately erode trust in the public sector. This is particularly true among the younger generation of "digital natives" who have come to expect a "digital first" approach to any service interactions.

To meet rising expectations of access and quality in a rapidly evolving context, governments should invest in a well-targeted framework for inclusive service delivery.

Within such a framework, governments can align an inclusive growth vision with the means to deliver on it, through shared outcomes accompanied by an actionable set of goals and targets that can be used to monitor implementation (Box 2.9).

A framework for inclusive service delivery helps to align tools and processes towards improving the access and reach of services.

Box 2.9. Integrated service delivery in New Zealand

New Zealand is aiming to deliver better results and improved services to its citizens. To address future challenges, the administration recently started to centre its approach to policy making on citizens rather than on agency.

In this reform, the government acknowledges the council role of ICT. The government created the position of ICT functional leader, a senior public official responsible for creating a single and coherent ICT eco-system that helps deliver smarter, customer-centred services. In addition, the new website Govt.nz (based on Gov.uk) was launched and the following principles adopted for the online service delivery: be user-centred, start small and iterate, try to deliver a more consistent user experience, use plain English and be device-friendly and accessible. New Zealand's experience confirmed the need to listen to users. For example, the first version of Govt.nz was too complicated for users with a limited literacy rate, and changes had to be made.

As a measure of success of the integrated service delivery reform, the government of New Zealand set the following indicators: agencies are collaborating; agencies are using common capabilities; significant savings across the system are being made; assurance frameworks are in place; privacy expectations and standards are set.

Source: OECD analysis based on MacDonald (2015).

In addition, user involvement has to start much earlier than during the evaluation phase of the services.

Effective involvement for the delivery of more inclusive services starts with identifying key issues and collaboratively designing services. But translating these practices into digital service transformation is only emerging across the OECD, and few countries have been able to systematically overhaul the way digital services are conceived and implemented. The work carried out under the guidance of the UK Cabinet Office in recent years is ground-breaking, as it has resulted in new standards for usability of digital services in the form of the public service portal www.gov.uk. To ensure a harmonised public service experience, the Government Digital Service (GDS) has authority to review any digital service against a set of minimum criteria before it can be launched. The GDS also provides assistance to institutions on how to achieve the high standards of quality and user involvement outlined in the Government Service Design Manual22 (OECD, 2015j).

Are you preparing for tomorrow's seamless digital government services? There is plenty of scope to create an outstanding user experience across the full range of digital government services while expanding access and read.

Finally, governments need to be able to measure outcomes and impact on various types of social and economic groups beyond the average.

This will require rethinking many service delivery processes and will put more emphasis on the administration's ability to measure properly the achieved outcomes, including their distribution across different segments of the population and across place-based considerations. Moreover, civil servants will need to be able to engage users in evaluation and service design, which will generate demand for new skills, such as communication and leadership.

Closing the policy cycle: evaluation, accountability and learning

Evaluating the impacts of government expenditure and regulations

While countries have struggled to develop ex ante appraisal methodologies for current spending, this has in general been counter-balanced by a stronger focus on ex post evaluation of such programmes.

The OECD Recommendation on Budgetary Governance details how evaluative mechanisms should be integrated within the budget process – both annual and multi-annual – to ensure that lessons are learned from how well (or poorly) results are being achieved. It underlines that these findings can inform future policy design. The principal expenditure evaluation mechanisms relevant to the inclusive growth (IG) agenda are outlined below (Table 2.2).

Table 2.2. Ex post evaluation of inclusive growth policies

Expenditure evaluation mechanism	Description
Performance (or value for money -VFM) audit	Targeted review, typically carried out by an internal or external audit institution, to assess whether programme objectives are being achieved, and with what levels of efficiency.
Programme evaluation	In-depth evaluation of a specific programme, by reference to original rationale, ongoing relevance, effectiveness in achieving objectives, cost of delivery, alternative modalities and savings/efficiency options. Typically intended to form part of multi- year government-wide expenditure evaluation cycle.
Focused policy assessment	Short, sharp evaluation focused on one or more of the key criteria used in programme evaluation. Typically intended as an element of a time-bound spending review. Could also be used in IG-proofing of programmes.
Spending review	Large-scale re-assessment of the disposition of resources within an entire sector of public expenditure, by reference to new priorities and effectiveness in meeting objectives. Typically used on a periodic basis to identify "fiscal space" for new priorities within the sector.
Comprehensive spending review	Whole-of-government re-assessment of the use of resources across all sectors of public expenditure by reference to new priorities and effectiveness in meeting objectives. Typically used on a periodic basis to identify "fiscal space" for high-level political priorities. Maybe used to assess inclusive growth alignment and expenditure impact.

Ex post evaluations of inclusive growth policies involve a variety of government agencies and public institutions.

The institutions involved in these evaluations range from the line ministries (for internal management purposes and to assist in prioritising within their limited resources), the ministry of finance (to assist in its task of providing the government with options as to resource allocation), the centre of government (in connection with co-ordination of political priorities), and the supreme audit institution (in its primary tasks of facilitating accountability and its "value-added" tasks of improving the quality of administrative, political and public debate about resource allocation) as well as parliaments (to which supreme audit institutions often report and which have a role in evaluating public policies and holding the executive to account for results). It is also open to governments to involve external experts for their input regarding issues of efficiency and performance.

More generally, the evaluation process lends itself particularly well to the task of reassessing and calibrating the government's actions on inclusive growth.

Spending reviews, whether comprehensive or sectorial, provide an ideal opportunity to take stock of how high-level outcome objectives are being advanced. A primary task of such spending reviews is to identify "fiscal space" for spending on new government priorities. These reviews have become a standard part of the budgetary toolkit across most OECD countries. A test of the effectiveness of the inclusive growth agenda over the coming years will be whether governments explicitly recognise inclusive growth as a factor in their evaluation criteria.

Ex post evaluation of large expenditure programmes is particularly pertinent.

This is especially true for public social spending, which is worth 22% of GDP on average across the OECD. In Chile, for example, a number of initiatives have been considered to strengthen ex post evaluation of public programmes, including in the

Ministry of Social Development and the Education Quality Agency; discussions on the need to create an Agency for the Evaluation of Public Policies are ongoing (OECD, 2014c). In the United Kingdom, cost-benefit analysis includes ex post evaluation of public expenditures. Benefits are defined as increases in human well-being (utility), and the trade-offs involved in choosing among different policy options are clearly identified. In that respect, the United Kingdom has one of the most solid traditions in project appraisal to select investments under budget constraints, and ex post expenditure evaluation is perceived as a key policy learning tool (OECD, 2015k).

It is increasingly accepted that inclusive growth requires effective analysis and intervention throughout the regulatory policy cycle.

Therefore, RIA, the traditional tool of ex ante evaluation, needs to be supplemented with greater use of ex post evaluation (as to whether the intended objectives of regulation have been achieved). According to a recent OECD survey (OECD, 2015l), in the last three years, only seven countries have undertaken ex post evaluations frequently for both primary and subordinate legislation. The majority of ex post evaluations that have been conducted in OECD countries over the last 12 years have been of a principle-based nature and not on a specific sector or policy themes. These evaluations have largely focused on reducing the administrative burden. While this represents a useful start, ex post evaluation practices need to expand to assess economic and societal outcomes of policies more broadly. Similarly, while OECD governments undertake Gender Impact Assessments (GIA) across a range of sectors, such as health, labour and finance, to address the gendered nature of policies, programmes and practices, GIAs are yet to become routine elements of policy making. Similar to RIA, the primary focus has been on ex ante assessments, while the practice of ex post gender impact evaluations is rare and would need to be expanded, also in accordance with the forthcoming Recommendation on Gender Equality in Public Life.

Ex post evaluation shouldn't be an afterthought. Their use needs to expand in order to assess economic and societal outcomes of policies across different social groups.

Test your evaluation culture. Check out the themes listed below to see how they can be adapted to your ex post evaluation methodology.

Deepening the culture of evaluation

Strengthening already-established evaluative techniques and broadening their reach within policy dimensions – social as well as economic – is an essential aspect of a strategic policy cycle geared towards inclusive growth.

These processes are essential for assessing policies and re-directing them for optimum impact. They should therefore move beyond their conventional narrow perception as technical mechanisms that are incidental to the thrust of policy design.

A number of elements can help embed and deepen a culture of holistic evaluation.

Such an integrated approach to evaluation, which reflects social as well as economic impacts, could draw from the following themes reflected in various OECD public governance instruments:

- A routine requirement that all public policies be subject to ex ante assessment, whether in the form of a RIA or expenditure appraisal, as outlined above.
- A standardised and publicly-recognised methodology for conducting and presenting these evaluative findings in a way that is accessible to policy makers and non-specialist observers.
- The development of a cadre/community of evaluation professionals within the public service, available to all policy-making agencies, working closely and directly with policy practitioners more broadly, and with supporting feedback loops into the policy processes of government.
- An expectation that government policies, particularly those addressing social outcomes, be subject to routine ex post evaluation. After allowing appropriate space for the internal deliberative processes of government to proceed as normal, results should be made available directly for public scrutiny, so that a constructive debate can be promoted within society at large.

An open, transparent approach to using evidence in public policy can also open the way for the broad range of public institutions to contribute, in a constructive and critical manner, to elaborating policy.

For example, supreme audit institutions have the potential to move beyond their traditional role of financial probity, towards a more substantive engagement on the quality, efficacy and value-for-money of public policy interventions. The clear analytical and accountability focus of the audit function has the power to challenge and strengthen the "programme logic models" that underlie inclusive growth policies, in both their economic and social aspects. Finally, it is parliaments that are ultimately responsible, as representatives of the people, for approving primary legislation and budgets. Greater transparency and openness regarding policy objectives and public performance can also allow parliaments to contribute more actively in assessing laws and spending programmes ex post and linking results of implemented laws to the production of new laws and programmes.

Towards better policy making for inclusive growth

Action on inclusive growth begins with whole-of-government vision and outcome objectives that cut across administrative boundaries to reflect national and political aspirations, a natural role for the centre of government.

The experience of advanced countries in articulating the Key National Indicators that shape a broad, multidimensional national vision shows that it is possible to map and monitor their progress in achieving inclusive growth. Regional well-being indicators are also well-developed across the OECD and provide additional specificity about the targets, impacts and distribution of inclusive growth policies. Likewise, Open Government Data can be leveraged to map trends and present a fuller picture of inclusive growth targets and outcomes.

Strategic alignment of vision and government tools and processes across the policy cycle is essential for delivering on joined outcomes.

Translating inclusive growth goals into reality requires carefully selecting specific policy interventions based on evidence and aligning high-level goals onto budgetary allocations and other policy interventions. Some countries and jurisdictions are already moving towards "outcomes-based national frameworks" (e.g. France, New Zealand and Scotland). Further emphasis should be placed on better understanding the crafting of such frameworks and their implications in terms of consultation, engagement, delivery and accountability.

To assist in evidence-based policy making for inclusive growth, there is scope for developing and applying a common, foundational methodology for evaluation and for emphasising the role of distributional analysis and qualitative techniques.

Systematic assessment and refinement of inclusive growth policies requires that a culture of evaluation and evidence be embedded throughout the public service, drawing on all institutional resources, so that a full economic and social balance sheet can be brought before policy makers and stakeholders. Ex ante policy evaluation is a well-established feature of capital investment policies and of regulatory policy and should be extended to current expenditure interventions. Likewise, regulatory impact assessment (RIA) could assist further by expanding its distributional analysis and including relevant multidimensional impacts, as well as building policy feedback loops earlier in the policy-making process. Whole-of-government accountability systems – with regard to budget allocations, human resource management and programme delivery – can align policy sectors and units towards joined-up delivery by providing incentives for horizontal co-ordination. The strategic policy cycle must embrace ex post evaluation and learning with a focus on multidimensional impact and distribution across social groups.

> ***Whole-of-government accountability systems can align policy sectors and units towards joined-up delivery by providing incentives for horizontal co-ordination.***

As a prior step, and apart from necessary alignment of planning and budgeting systems, the budget process itself should be more transparent about the range of inclusive growth impacts arising from budget decisions.

The budget process – in its annual and multi-annual aspects – is fundamentally important in keeping economic growth on course and in resourcing inclusive growth priorities. Impact analysis should go beyond basic income distribution to include impacts on well-being and on vulnerable, marginalised and under-represented groups. Performance budgeting is the natural vehicle for highlighting the objectives of budget policies, organisational objectives and their coherence with overall inclusive growth goals. In addition, medium-term expenditure frameworks (MTEFs), where inclusive growth goals are made manifest, can be further reinforced to bridge medium-term priorities and annual resource allocation.

There are several options for mitigating service access problems, including consolidation of services, co-locating services or merging similar services.

Inclusive growth impacts rely most directly on efficient, targeted public service delivery.

Access and reach of services can be further pursued through innovation, co-creation and alternative service delivery. Policy options include exploring strategies that can mitigate access problems, for example consolidating, co-locating or merging similar services; encouraging the direct involvement of individual users and groups of citizens in planning and delivering public services; and innovation and alternative delivery mechanisms, such as digital welfare, shared services centres or cloud computing.

Public performance itself is critically dependent on the skills, motivation and engagement of staff in the public sector.

To achieve inclusive growth goals, where responsibility can span different agencies, performance management frameworks should incentivise co-operation across institutional silos. Moreover, the skills and capacities of public servants will increasingly need to adapt to the requirements of multi-faceted, government-wide policy design and delivery. In tandem, new capacities for data analytics, data security and new professional roles in the commissioning and oversight of service delivery are needed.

Performance management frameworks should incentivise co-operation across institutional silos and prepare new capacities for data analytics and data security.

In each of these areas, the OECD has a key role to play in facilitating critical discussion among national experts, and in developing tools that underpin international best practice and lay the groundwork for future progress.

While many elements of the inclusive growth agenda are in place, more need to be developed. The overarching work of forging a common framework – bringing all elements together as instruments of modern public governance – remains a key priority for the coming years.

Notes

1 For further information, see www.oecd.org/effective-public-investment-toolkit/.

2 For OECD work on multilevel governance, see www.oecd.org/gov/regional-policy/multi-levelgovernance.htm.

3 For example, Scotland identified where indicators were not available at the time, leaving a placeholder for future development. New Zealand reached out externally to

complement available indicators and also identified those unable to ensure a realistic framework. France is currently embarked in a process of continuous improving their KNIs, to achieve a simpler, more accessible framework.

4 Regulated by Royal Decree 1083/2009.

5 For more information, see www.gov.scot/About/Performance/scotPerforms.

6 Programmes of this kind are increasingly common in OECD countries and benefit leaders in two ways. Leaders are exposed to ideas and insights from the curricula and the sharing of experiences by participants. This, in turn, enables the creation of networks that can be leveraged to stimulate horizontal information sharing and collaboration. In Belgium, for example, the Vitruvius programme, an in-depth 24-day programme conducted over 8 months, has now coached over 450 middle and top leaders.

7 For example, across 15 OECD countries, people with better education live on average 6 years longer at age 30 than people with the lowest level of education. Access to quality health care may explain some of this inequality. Also, there is a strong positive correlation between educational attainment and subjective life satisfaction across countries (Atkinson, 2013). Being born in a disadvantaged family has an impact on a students' performance and access to tertiary education, which, in turn, has an impact on earnings, employment status and also on life expectancy (OECD, 2010).

8 On average, across OECD countries 15% of the variation in students' performance in mathematics can be explained by their socio-economic background. In 2013, more than 50% of students enrolled in tertiary education had at least one parent with that level of education whereas only 10% of children whose parents had not completed their secondary education were enrolled in university. While the majority of OECD countries have achieved and maintained universal coverage for health care, challenges remain. On average across EU countries, people with low incomes are eight times more likely to report unmet care needs. Differences in access remain for spatial reasons (see OECD, 2015k) and access to justice.

9 For further reference, see OECD, 2015m.

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