

Chapter 2.

Enhancing centre of government co-ordination capacity in Costa Rica

This chapter analyses the role of the centre of government (CoG) in Costa Rica. The chapter elaborates upon OECD tendencies in this area, which underline a shift from a primary administrative support function for the CoG to a position as strategic player with important responsibilities to foster vision, leadership and innovation across the public sector. Country-specific challenges are identified for Costa Rica and these include the high-level of political and public sector fragmentation, as well as capacity constraints at both the technical and strategic level. The chapter formulates recommendations to strengthen the CoG, which include targeted capacity building, a revised model of co-ordinating the institutionally decentralised sector and the introduction of multi-stakeholder follow-up mechanisms for key policy areas.

The centre of government as strategic player

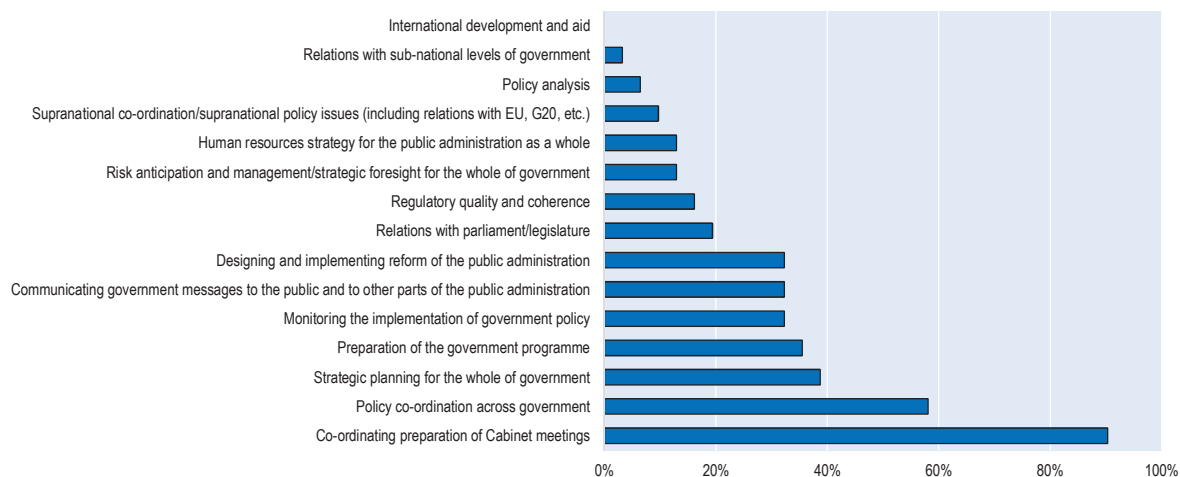
From administrative support to policy co-ordination

The centre of government (CoG) is the body or group of bodies that provides direct support and advice to the head of government and the Council of Ministers. The CoG is known under different labels in different countries, such as the Chancellery, Cabinet Office, Office of the President, *Presidencia*, etc. From its traditional role of serving the executive from an administrative perspective, the CoG is now playing a more active role in policy development and co-ordination across OECD Members. The centre in many countries now provides services that range from strategic planning to real-time policy advice and intelligence, and from leading major cross-departmental policy initiatives to monitoring progress and outcomes (OECD, 2014b).

The extended definition of the CoG does not only refer to the Presidency or its equivalent, but also comprises key strategic partners, such as the Ministry of Finance (where policy priorities are matched with resources) or a Ministry of Planning (with an important role in designing policy priorities across the administration and how these contribute to an overall strategic plan). As such, and depending on the particular situation of a country in terms of its institutional constellation, several actors can play an important role in CoG co-ordination. Additionally, central agencies responsible for a coherent human resources (HR) policy, e-government policy, regulatory policy, etc. across different departments also contribute to a reinforced cross-governmental co-ordination.

Generally speaking – i.e. cross-presidential, parliamentary and other systems – the three key roles of the centre are: 1) supporting quality decision making by the head of government; 2) policy co-ordination across government; and 3) monitoring of the implementation of government policy. With its ambition to mobilise and influence (very often) larger, budget-holding departments across government, the CoG’s success depends not only on formal powers or structures but also, to a large extent, on its capacity to lead and motivate (Figure 2.1 gives an overview of the primary focus of CoG institutions across OECD Members based on the OECD Survey of Centres of Government).

Figure 2.1. **Focus of the centre of government: Primary focus of centre of government institutions across OECD Members**



Source: OECD (2014b), “Centre stage: Driving better policies from the centre of government”, GOV/PGC/MPM(2014)3/FINAL, OECD, Paris, www.oecd.org/gov/Centre-Stage-Report.pdf.

The OECD Survey of Centres of Government also shows that a majority of countries (59%) confirm that the number of cross-ministerial policy initiatives has increased over the past few years (2008-12), and almost all respondents reported that leading policy co-ordination has now become one of the priority tasks of the centre (OECD, 2014b). The centre can lead such cross-ministerial co-ordination by: 1) integrating cross-disciplinary perspectives (including its own perspective – the centre is not “policy neutral”) into policy advice for the head of government and/or Cabinet; 2) leading policy co-ordination via both traditional committee architectures and more innovative and informal channels; 3) facilitating resource sharing through a closer partnership with ministries of finance; and 4) supporting experimentation and testing of new delivery systems, many of which are based on shared service models.

Leading strategic initiatives is delicate, particularly in countries in which authority is highly decentralised. It is essential to offer both short- and long-term gains to senior public officials as incentives to co-operate in complex initiatives that involve risk-, resource- and accountability sharing. For example, the long-term gains of achieving a culture change among senior civil servants so that they are used to working with each other should be matched with some shorter term “rewards” for changing their behaviour and investing time in new practices.

Centre of government anno 2014: Vision, leadership and innovation

The OECD’s work on centres of government explores how governments can adapt the institutions at the centre in order to play an expanded and more outward-looking role. With declining trust figures across countries in the aftermath of the crisis, the CoG’s leadership and innovative decision-making capacity is more decisive than ever before to ensure that government has a clear vision for a country’s future, is capable of engaging in a dialogue with the administration and citizens on this vision, and manages to deliver so as to foster sustainable long-term growth and well-being (OECD, 2013a).

Box 2.1 provides a more detailed overview of how vision, leadership and innovation are central to the CoG’s daily business these days. Across these three areas of vision, leadership and innovation, the capacity of bridging the (potential) gap between political staff (ministries, state secretaries, political advisors and senior civil servants in certain cases) and the civil service is one of the challenges of incoming governments. To that end, it is noteworthy that some countries specifically invest in training for new political staff (OECD, 2014a). Examples include, for instance Iceland, where the Government Office runs formal training programmes for new ministers, or the United States, where the Office of Management and Budget runs training led by former political appointees.

In addition to the CoG’s responsibility to display vision, leadership and innovation capacity, previous OECD Public Governance Reviews (OECD, 2014c) have shown that an effective CoG is also critical for:

- **Accountability.** The CoG is the steward for strategic vision. It is accountable for overall results and oversight of the delegated responsibilities. It is important, however, to avoid overly rigid “command and control” structures and micro-management, but instead, to work towards a system where the CoG can exert effective oversight and clarify lines of accountability. Line ministries need to exercise leadership for the actions and policies for which they are responsible, within the overall framework of a shared collective commitment.

Box 2.1. Centre of government – observations and trends in 2014: Vision, leadership and innovation

The success of a government rests on its ability to define a vision for the country that reflects an electoral mandate and that is typically designed to increase well-being, prosperity and international competitiveness. In the years following the economic crisis, concern with budgets dominated in most countries, crowding out any other vision. However, those days appear to be over, and governments are seeking to be more forward-looking and strategic. Most OECD Members have some sort of vision document these days. This vision has different, interlinked dimensions, including a long-term vision for the nation, usually going beyond growth objectives to embrace well-being and sustainability goals, and a vision for what the government of the day wants to achieve.

The government no longer has a monopoly on defining the vision. While efforts to gather citizens' views could risk raising expectations that cannot be fulfilled, such bottom-up visions can help validate and legitimise government policy. Vision depends on two crucial factors that were mentioned repeatedly in the debate: trust and communication. If citizens do not trust the government, they will not trust its vision. Taking steps to strengthen trust in government more generally will help to ensure greater buy-in on more strategic goals. Communication and ownership are also important. If the vision has a strong narrative, connects to citizens' lives and is well communicated, then it can help generate support for difficult reforms. A particular problem faced by policy makers is that the reform process and its translation into real benefits for citizens are often too slow, undermining confidence and enthusiasm for longer term visions.

Leadership is crucial to drive policies that contribute to a strategic vision. In a complex and challenging policy environment, characterised by low levels of trust in government, leadership is an essential attribute of effective government. Room for manoeuvre of governments has probably diminished at both the national level, because of budgetary pressure, and at the international level, because of globalisation. Nevertheless, the centre guides in terms of substance and helps departments understand how to align policies with broader objectives. And the centre also has a role to play in leading by example, promoting efficiency and good policy management by departments. A key issue is to ensure that the civil service and the political staff do not become disconnected, working as separate entities at the centre.

Many centres of government actively promote innovation in their public services, with an emphasis on encouraging a culture of innovation in public services and providing a stable frame for policy innovation and creativity. The centre can provide an impetus – particularly when it partners with specialist agencies that can identify talented people, good ideas and “roll-out” techniques. Some countries have successfully used innovation focal points or dedicated units to drive public sector innovation; at the same time, being the innovation leader requires appropriate financial and human resources.

Source: OECD (2014a), “Vision, leadership, innovation: Driving public policy performance”, 33rd Meeting of Senior Officials from Centres of Government, OECD, Paris, www.oecd.org/gov/summary.pdf.

- Strategic planning, policy coherence and collective commitment. The CoG needs the capacity to give the strategic vision specific shape, to secure its coherence and to make it operational. A starting point is likely to be the government programme or equivalent, giving effect to the political manifesto of the party or parties in power. Making the strategic vision operational is key, otherwise the vision is a “dead letter”. The doctrine of collective responsibility is crucial to bind line ministries as well as the CoG to a course of action. Collective commitment is also, crucially, built, developed, discussed and agreed by the whole range of actors that are engaged in public policy making, implementation and service delivery.

- Communication. The CoG needs the capacity to communicate the strategic vision, how it is being taken forward and its implementation. Transparency and openness help to promote a shared sense of purpose, for stakeholders outside as well as inside the government. Clarity of communication within the administration is important so that, for example, decentralised institutions can understand the vision and share in its construction and so that all parts of the public sector understand their role, responsibility and accountability for results.

Given its comprehensive set of responsibilities, the CoG also requires sustainability across political cycles (OECD, 2014c). CoG institutions are best constructed, as far as possible, to withstand the vagaries of the political cycle and to be sustainable over the time that it takes to implement long-term strategies. Stability of core functions and structures will raise confidence that the strategic vision is taken seriously and that the country will have the institutional capacity, over time, to carry out the vision. To carry out its strategic role effectively, the CoG needs to foster collective commitment and partner with the agencies that provide services on its behalf (Box 2.2) and clearly communicate its strategic vision (Box 2.3).

Centre of government in Costa Rica: The institutional set-up

The CoG operates in support of the President of the Republic and the Council of Ministers. The President of the Republic acts as head of state and head of government and, together with the appropriate Cabinet minister, has functions including the ability (Article 140 of the Constitution) to appoint and remove employees who hold “positions of trust”; the initiative to enact laws and the right of veto; the collection and expenditure of the national revenues; the oversight of the proper operation of administrative services and agencies, among others. The Council of Ministers is chaired by the President of the Republic and composed of the ministers, according to Article 147 of the Constitution of 1949 and Law 6227 of 1978. Its main functions include advising the President, dealing with the issues delegated by him/her and nominating ambassadors and the heads of autonomous institutions. In practice, the Council of Ministers serves the purpose of a co-ordination body, where the President can monitor progress on strategic issues. The President has the right to revise the decision of the Council.

The CoG capacity (in the broad sense) is distributed across the following institutions:¹

- The Ministry of the Presidency: created by Article 23 of the Public Administration General Act of Law 6227. As defined in the Budget of the Republic Act 2015, the Ministry of the Presidency is responsible for exercising political and technical guidance to the President in its decision making, which allows greater welfare of the population through communication and co-ordination. Traditionally, the ministry has been in charge of co-ordination between the Presidency and the legislature, as well as with other entities.
- The Ministry of National Planning and Economic Policy (*Ministerio de Planificación Nacional y Política Económica*, MIDEPLAN): its primary duties include the preparation of the National Development Plan (NDP); the verification that public investment projects across government entities are aligned with priorities set forth in the NDP; approval of investment projects of public agencies when such projects are externally financed or government approval is required; amongst others (Articles 9, 10 and 11, National Planning Act of Law 5525 of 1974). Through these functions, the ministry gives technical and political advice to the Presidency of the Republic and other public institutions, while it

formulates, co-ordinates, monitors and evaluates the strategies and priorities of the government.

- Ministry of Finance (*Ministerio de Hacienda*) – co-ordinates the budgetary cycle for the central government budget (i.e. ministries and their subsidiary bodies). The Ministry of Finance has competences regarding central government budget, public accounting, management of state property, management of the internal and external debt, public procurement, among others. In addition, responsibilities include its contribution to the stability and economic growth for social development through the collection, management, allocation, accountability and proper use of financial resources.

Box 2.2. Fostering collective commitment: The cases of the United Kingdom and New Zealand

To foster collective commitment between government departments, on the one hand, and agencies providing public services on behalf of the government, on the other, the following factors proved essential in the UK experience:

- clarity of accountabilities, roles and responsibilities
- strategic alignment
- financial and performance management
- communications and engagement
- relationship management based on mutual trust and respect and a real understanding of each other's objectives.

In New Zealand's Crown entity system, efforts to foster collective commitment include three actors: ministers, entities and monitoring departments. To work together effectively, a framework sets out the roles, responsibilities and expectations for all three parties. The expectations are aligned horizontally so that each of the three parties is aware of what is expected of the other parties. Statutory Crown entities operate with three sets of expectations:

- The Enduring Letter of Expectations from the Ministers of Finance and State Services.
- Ministerial expectations, which inform entities' strategic direction over the next four years (set out in their statements of intent) and priorities for the coming year (set out in their statements of performance expectations).
- Operating expectations, which guide engagement between the statutory entity, its responsible minister and the monitoring department. These are intended to help the parties achieve trusting, productive relationships.

The following four principles guide the expectations' framework:

- clear roles and responsibilities
- strategic alignment
- efficient and effective monitoring
- trusted engagement.

Sources: Ministry for Culture and Heritage of New Zealand (2014), *Statutory Crown Entities – It Takes Three: Operating Expectations Framework*, Crown Copyright, www.ssc.govt.nz/sites/all/files/it-takes-three-operating-expectations-framework.pdf; Rutter, J. et al. (2012), "It takes two: How to create effective relationships between government and arm's-length bodies", Institute for Government, London, www.instituteforgovernment.org.uk/sites/default/files/publications/it_takes_two_final_0.pdf.

Box 2.3. Communication of a country's strategic vision and its implementation: The case of Colombia

Colombia has developed and refined a comprehensive system of information to monitor and evaluate the extent to which the country is reaching its main goals. This system, inspired by international experiences such as the Delivery Unit in the United Kingdom and the White House Dashboards, has enabled Colombia to discuss priorities and identify major challenges. Through it, Colombia has integrated all of the information from the different entities and sectors, with diverse indicators, clear guidelines and targets. Through a complete set of indicators, the country managed to develop user-friendly dashboards and traffic lights to display the information. In addition, National Development Plan Perception Surveys are conducted periodically so as to compare public perception and government results. The results of the polls are public and are found on the SISDEVAL (Sistema Nacional de Evaluaciones) website. Surveys measure perception of the way the government is achieving the goals set.

Source: OECD (2013b), *Colombia: Implementing Good Governance*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264202177-en>.

- Budgetary Authority: initially created in 1979 by decree. The current legislation is provided by Law No. 8131 on Financial Administration of the Republic. The law defines the Budgetary Authority as a collegiate body in charge of advising the President on budgetary policy. According to Article 23 of the law, the Budgetary Authority proposes the general and specific budgetary guidelines for the following year for the central government, including its decentralised bodies and the state-owned enterprises. The final approval of such binding guidelines is done by the President, after its presentation in the Council of Ministers. The Budgetary Authority has three members: the Minister of Finance (or vice minister), as chair, the Minister of Planning (or vice minister), a minister (or vice minister) nominated by the President of the Republic. In addition, the Budgetary Authority has an Executive Directorate and a Technical Secretariat.

Next to these institutions, the following (*ad hoc*) instruments contribute to the CoG's co-ordination capacity:

- Costa Rica 2030, National Development Goals: published in 2013 by MIDEPLAN with the support of the UNDP, complementary to the four-year National Development Plan. The report presents a long-term view for the country, was built upon a public consultation process and has a monitoring and evaluation framework incorporated. There is no explicit link with a (medium-term) budgeting process or with the National Development Plan. The government is currently launching a council of experts from academia, the private sector, the public sector and the organised civil society to assure evaluation of these National Development Goals. The council, along with MIDEPLAN, will also choose the methodology and four key topics that will be addressed in a new long-term strategy, in line with the National Planning System's legal framework, i.e. displaying (minimally) a 20-year perspective.
- National Development Plan (NDP): on 17 November 2014, a new NDP for 2015-18 was presented, following the change of government of Costa Rica. The elaboration of the new NDP was driven by three main guidelines: 1) strategic orientation, with strong focus on performance management, including the national, sectorial and regional dimensions; 2) public consultation and active

participation of the various actors responsible for the implementation of the plan, to ensure its compliance; 3) assure that the monitoring and evaluation provides information not only on the achieved goals but also on the products, effects and impacts achieved in social welfare. MIDEPLAN co-ordinated the drafting process with the institutions, involving approximately 100 public bodies and entities, and drafted regional and sectorial proposals while taking into account the national priorities. The elaboration of the NDP is characterised by a prospective vision, a mid- and long-term approach, in order to develop the country and eradicate poverty, with increased equality and environmental sustainability. The time horizon therefore now surpasses the four-year mandate of the government, reinforcing the strategic vision to formulate national policies. Nevertheless, as mentioned previously, no explicit link is made with the 2030 National Development Goals. The three basic pillars of the new administration for the definition of policy goals and targets are: 1) promote economic growth and quality employment; 2) fight poverty and inequality; and 3) open government, transparency, efficiency and fight against corruption. The principles guiding the new model of development contained in the NDP 2015-18 are: promote citizen participation through dialogue roundtables; solidarity, considering the rights of the vulnerable population and local governments; environmental sustainability and risk management; equity and equality; responsibility and improved management of public investment projects; ethics, accountability; open government, transparency in public service, prevention and control of corruption; universal accessibility; the *Tejiendo Desarrollo* project (oriented towards territorial development) and employment. The new NDP considers it essential to promote citizen participation and foster transparency, in order to enable society to perform the function of control and surveillance of public actions. Therefore, the NDP envisages generating mechanisms, initiatives and instruments of citizen participation in decision making on public policy.

- National Planning System (NPS): regulated by Law 5525 of 1974, the National Planning System is the key mechanism for the monitoring and evaluation of public policies, plans, programmes, projects and strategic actions of the government in a systematic, public, independent and participative way. The general objective of the NPS is to enhance the sustainable development of the country through the exercise of planning, with a focus on intensifying growth production and productivity, promoting a better income distribution and social services, and promoting increasing citizen participation. The NPS' responsibilities cover analytical work on socio-economic themes, development of policy proposals for economic and social development, participation in the preparation of and adopting the National Development Policy, co-ordination of the latter and the evaluation of obtained results. The General Regulations of the NPS enumerate a set of principles: adaptability, co-ordination, effectiveness, equity, impartiality, integration, legality, opportunity, participation, reasonability, simplicity, transparency, universality and binding nature. The regulations also refer to the different planning instruments existing in Costa Rica. Finally, they establish that the institutions comprising the NPS shall develop permanent actions to effectively incorporate social and productive sectors, and citizens in general, in the formulation of planning instruments. MIDEPLAN is the head of the NPS, which further comprises sectorial councils, sectorial secretariats, rector ministers and planning offices in each institution.

- Sector planning and co-ordination (Executive Decree 38536): defines the organisation of the sector co-ordination (currently 16 sectors in total). Each sector comprises central and decentralised institutions. The sector co-ordination responsibility lies with the head of the central government institution, not the institution itself. The sector co-ordinator can count on the technical support of a secretariat. Only a few sectors have established formal secretariats that are distinct from the ministerial structure. The co-ordinator appoints a technical liaison who co-ordinates with MIDEPLAN the processes and procedures relating to the preparation of the NDP. Likewise, the liaison is in charge of co-ordinating with other institutions in the same sector.
- Interministerial Commission Planning-Hacienda (set up in 2011 by Executive Decree No. 36901): composed of representatives of MIDEPLAN and of the Ministry of Finance. The purpose of the commission is to issue and standardise technical and methodological guidelines for programming, monitoring and evaluating budget execution at its different levels (strategic, sectorial and institutional), with the view of ensuring simplification of procedures, guiding the public sector during the planning-budgeting cycle. The most important accomplishments of the commission since its creation include promoting a better understanding of the differences and similarities between the ministries' planning and budgeting mechanisms; harmonisation of a framework of strategic concepts that allow a link between planning for results and budgeting for results; incorporation of gender and inclusiveness guidelines in the planning-budgeting cycle; first attempts to elaborate a medium-term expenditure framework (MTEF) for 2013-18. The remaining challenges of the commission included in its work plan until the end of 2015 are the continuous improvement of methodological guidelines, to become clearer, unique, inclusive and outcome-oriented; the design of methodologies for the calculation of the cost of public goods and services, starting with pilot cases; awareness raising among civil servants of the importance of an MTEF; incorporation of risk management criteria. The development of a co-ordinated instrument for planning and budgeting in public sector institutions has been identified as a top priority of the commission.
- Presidential councils: regulated by decree, attached to the President of the Republic, composed of ministers (or their representatives) and other public institutions. Their functions include advising, orientation and co-ordination of public policies, as well as planning and design objectives, goals, actions, indicators and control mechanisms. Additionally, they can take into account the stakeholders' views. To this end, the President can nominate leaders or intellectuals as advising bodies on specific topics. To ensure adequate feedback, representatives of the private sector, academics or civil society leaders can be involved. Ministerial councils were initially created in 2010 (Executive Decree 36024), including the establishment of the Presidential Council on Competitiveness and Innovation and the Presidential Council on Social and Family Well-being in 2011 (Executive Decree 36467). In 2014, Executive Decree 38662 further revised the structure and functioning of the Presidential Council on Competitiveness and Innovation.
- Better Regulation Commission: an advisory body attached to the Ministry of Economy, Industry and Trade, set up in 1995 by Law 7472 of Competition and Consumer Effective Protection. Its main functions are to co-ordinate and lead the regulatory initiatives; analyse specific proposals from public institutions or

citizens for bureaucratic and regulatory simplification and reduction of administrative burdens; and recommend the implementation of corrective actions in order to increase efficiency on specific regulations. The commission is chaired by the Minister of Economy, Industry and Trade, and is also composed of high-level representatives of the Ministries of Health, Environment and Energy, Agriculture, as well as the President of the Competency Commission, and a representative of the several sectorial chambers. For 2015, the President announced that 195 procedures (i.e. 3 procedures per institution involved) should be simplified by the end of October 2015, for which the Ministry of Economy, Industry and Trade will assure monitoring through reporting to the President every 4 months.

- Thematic cross-government co-ordination with legal basis: such as Law 9137 on the initiative to integrate efforts to reduce poverty into one centralised system comprising all beneficiaries of relevant programmes and institutions (“National System of Information and Single Registry of State Beneficiaries”). In that context, an entity attached to the Mixed Institute of Social Aid was created in 2013 to constitute an updated country-wide database with information about people requesting services, assistance, subsidies and economic aid for those in poverty or vulnerable situations, eliminate duplicated actions of social protection to the families in need of assistance, determination of a single methodology to measure poverty levels. For that purpose, the entity developed a database, constituted an inter-institutional network, ensured co-ordination of different institutions working on poverty eradication, and monitored and evaluated the effectiveness of related programmes. Finally, a council was created to facilitate compliance with the objective, composed of senior civil servants of the Mixed Institute of Social Aid, MIDEPLAN and the Ministries of Education, Health, Housing, Employment and Social Security, *inter alia*.

Costa Rica’s centre of government challenges

As for most OECD Members, Costa Rica faces the “new” CoG challenges such as the push for a longer term strategic vision, including a clear strategy on how to incorporate citizens’ input in this process. The development – and implementation – of the new NDP is a critical process for the country in this respect.

In addition, Costa Rica grapples with some country-specific CoG co-ordination challenges, including:

- political fragmentation, hampering overall policy-making capacity, and hence, putting pressure on the strategic leverage of the CoG
- public sector fragmentation, in particular because of the operating principles (in terms of autonomy and steering) of the institutionally decentralised sector
- capacity constraints at both technical and strategic level across CoG actors, fostered by substantial turnover of staff that accompanies a change of government and reflecting a certain degree of path dependency in policy-making practices (e.g. more focus on policy planning than the analysis of strategic policy performance).

The challenge of ensuring national level co-ordination in a setting characterised by public sector fragmentation due to the creation of agencies and decentralisation, is not unique to Costa Rica alone. Box 2.4 synthesises lessons learnt and practical recommendations following a research programme on the creation and operation of public sector agencies in 30 countries.

Box 2.4. Agencies and public sector fragmentation: Lessons and recommendations from 30 countries

Lessons learnt:

- Extensive agencification in systems with weak co-ordination capacity may endanger system effectiveness.
- Rationalisation of agencies is not an absolute guarantee for better performance or more co-ordination; the approach and criteria for the rationalisation matter.
- The choice of agencies as an organisational form for public tasks happens in many countries in a rather *ad hoc* or unsystematic way.
- The overall autonomy of an agency is actually a product of balancing managerial, policy, financial and legal autonomy. There are, however, no straightforward relationships between these different kinds of autonomy (legal, financial, managerial and policy autonomy).
- While the level of perceived managerial autonomy of agencies differs considerably between countries and within countries, the level of policy autonomy of agencies in many countries seems to be rather substantial.
- Steering and control of agencies requires new skills and competencies of parent ministries and other principals, which fit with a more horizontal, contractual relationship.
- Steering agencies at arm's length requires the development of new instruments and organisational arrangements, which fit with a more horizontal relationship.

Recommendations:

- Consider elements like the creation, autonomy, control and management, and co-ordination of agencies, in an integrated way.
- Invest in better co-ordination by improving the connection between policy and implementation, and between financial and performance information. Create incentives and cross-cutting targets for collaboration among agencies and between agencies and other organisations.
- Create more transparency about agency models and types, for example by setting up a register of agencies, as well as criteria and checklists for agencification decisions. Limit institutional variety and the number of agency types to a level that is manageable and transparent, while leaving sufficient scope for context-specific design. Link agency types and governance more to the tasks and functions of agencies where possible.
- Consider more carefully the combination of different kinds of autonomy which are given to a specific agency (formal/legal, managerial autonomy with regards to personnel and financial management, policy autonomy, financial autonomy).
- Review periodically the compatibility of formal regulations with actual practice in order to better align these, while avoiding that such adaptations of the legal framework lead to more procedures and regulations, hampering flexibility.

**Box 2.4. Agencies and public sector fragmentation:
Lessons and recommendations from 30 countries (cont.)**

- Involve the implementation expertise of agencies in the policy development process, without hollowing out the role of parent ministries as main initiator, co-ordinator and manager of the policy development process.
- Invest in new models and instruments for steering agencies at arm’s length, for example performance dialogue, trust and account management. Consider performance contracts primarily as instruments to improve communication, exchange, negotiation and mutual learning between parent ministries and agencies, instead of contracts in a legal sense with a focus on harsh sanctions.
- Strike a balance between autonomy (letting go) and control (keeping in touch) in building and maintaining good relationships with agencies. Consider a risk-based and dynamic approach to control agencies in order to reduce the control burdens for parent ministries and agencies alike.
- A relationship is mutual; make sure that agencies are involved in (policy and management) decisions that concern them.
- Pay sufficient attention in developing parliamentary and extra-parliamentary instruments (like ombudsmen, public reporting) to hold agencies accountable. Horizontal accountability instruments towards peers and customers is important in this regard.

Source: Verhoest, K. et al. (2011), “Governing public agencies in the 21st century: International lessons and policy recommendations”, COST Office, KU Leuven, Public Management Institute, Leuven, Belgium, http://soc.kuleuven.be/io/cost/act/pdf/20110527_Brussels/COST_policy_brochure_for%20conference.pdf.

Box 2.5 provides an insightful overview of the co-ordination opportunities and challenges a key CoG actor in Costa Rica, MIDEPLAN, is currently facing to follow-up the NDP implementation in a context of a fragmented public sector, and it reflects the interplay of the three aforementioned challenges (political fragmentation, public sector fragmentation and capacity constraints).

Coping with public sector fragmentation

As discussed in Chapter 1, Costa Rica faces substantial fragmentation of the public sector. Institutionally decentralised public entities and subsidiary bodies of central government ministries are one of the key features of the country’s governance system. Formally, and regardless of the variance of the purpose, nature, legal framework and degree of independence (financially and administratively) of the institutionally decentralised entities, the Financial Administration and Public Budgets Act and the National Planning Act establish that the budget and investment projects of all decentralised institutions must be aligned with the National Development Plan (Article 4, Financial Administration and Public Budgets Act, Law 8131 of 2001; and Article 9, National Planning Act, Law 5525 of 1974).

Whereas most of the initial entities of the institutionally decentralised sector were created in the 1940s as autonomous institutions with a mandate of policy making as well as service delivery such as health, energy and education, a more recent wave of newly created public institutions primarily consists of subsidiary bodies, representing “policy implementation shortcuts” to attain greater administrative and budgetary flexibility

(Government of Costa Rica, 2014). Whereas this creates flexibility, it impacts on the CoG co-ordination capacity subsequently, as was repeatedly flagged by different stakeholders.

Box 2.5. Centre of government co-ordination constraints and opportunities: The NDP

A brainstorming session with MIDEPLAN on its current co-ordination capacity (i.e. including the institutionally decentralised sector) for the NDP provided an insightful overview of the co-ordination opportunities and challenges the institution is facing:

- importance of distinguishing between dimensions of steering, co-ordination and accountability, i.e. to understand how these differ, complement each other, can be used strategically, and how these dimensions shape the interaction between vertical and horizontal actors
- board composition of the institutionally decentralised sector (e.g. added value of having the rector for sector co-ordination as board member for strategic autonomous entities), and impact of board nomination cycle (i.e. not necessarily coinciding with political cycle)
- potential added value of “soft” instruments like a code of conduct for both the institutionally decentralised entities and their boards to foster principles of transparency and accountability, commitment to NDP goals, etc.
- importance of the capacity and credibility of actors responsible for horizontal co-ordination
- the added value (and limitations) of individual agencies’ performance goals in the new NDP
- the potential of performance reporting as opposed to compliance reporting (combined with reduction of the reporting burden)
- the impact of perceived sector political priority, leadership and personal relationships
- the impact of the constitutionally and legally binding budgetary allocations
- the role of ultimate decision-making power of the President (i.e. removal of head of autonomous institution)
- the potential to increase accountability of the institutionally decentralised sector towards citizens.

Co-ordination capacity, roles and responsibilities

In terms of CoG capacity, Alessandro, Lafuente and Santiso (2013) identify eight types of CoG units which reflect CoG core competences and can be arranged in different configurations:

1. chief executive’s direct support unit: offices that provide direct personal support to the President or the Prime Minister, including political and logistical assistance and managing both logistics and political affairs (e.g. White House Office in the United States, Prime Minister’s Office in the United Kingdom)
2. strategy units: devoted to the task of preparing the government’s main strategic initiatives (e.g. Prime Minister’s Strategy Unit in the 2002-10 UK Cabinet Office)
3. policy co-ordination units: a co-ordinating function, either by supporting and facilitating environments for policy co-ordination to occur (e.g. preparing Cabinet

meetings or interministerial committees), or by being directly involved in the contents of policy

4. performance monitoring units: focused on measuring the results that the policies are producing through a limited number of strategic, high-level indicators (e.g. the United Kingdom’s Prime Minister’s Delivery Unit, or the *Unidad Presidencial de Gestión de Cumplimiento* in Chile)
5. press, communications and speechwriting unit: in charge of co-ordinating the government’s communications, ensuring a coherent message across the different ministries and agencies
6. policy advice units and individual advisors: in order to diversify their sources of information, chief executives sometimes have experts on their staff in areas that are the responsibility of line ministries (e.g. Council of Economic Advisers in the United States)
7. legal counsel unit: reviews the legality of the proposals sent by the departments to the chief executive
8. internal management unit: carrying out administrative duties needed for the CoG to properly function.

Referring back to the section on the main CoG actors and instruments (i.e. including competencies of the Presidency, MIDEPLAN and presidential councils), it shows that a substantial part of the strategy, policy co-ordination, performance monitoring and policy advice functions is rather located at MIDEPLAN, complemented with a relatively important role for (a limited number of) presidential councils. However, there is a substantial risk that – because of the scope of its duties, as well as its institutional embeddedness – MIDEPLAN is fully occupied with the technical and operational responsibility of policy co-ordination and performance monitoring, which does not necessarily have the same impact and leverage it would have if these responsibilities (at a strategic, rather than operational level) were embedded in a unit close to the President. Box 2.6 provides some examples of the set-up of strategic performance units in other countries.

Based on its organisational chart, the Presidency primarily focuses on its role of presidential management (including legal aspects), support services, information and communication, and on being the Secretariat for the Council of Ministers. However, the Budget of the Republic Act 2015 states that the Ministry of Presidency “is responsible for exercising political and technical guidance to President in its decision making, which allows greater welfare of the population through communication and co-ordination”.² Referring to the Presidency’s current organisational chart, this responsibility might benefit from a more explicit visibility in the organisational chart and possibly be strengthened in terms of actual capacity. Box 2.7 shows an example of areas in which the Presidency could provide guidance with respect to the preparation of high-level government meetings and also indicates to what extent this is the case in other OECD Members.

Next to a clear definition of CoG actors’ responsibilities, the stability of the CoG is important in order to develop a strong CoG co-ordination capacity throughout time and to establish a solid reputation as an institutional actor. In this respect, it is instrumental to consider the changes in MIDEPLAN’s mandate and position throughout time. Over time, there have been shifts in the institutional anchorage (from an office within the Presidency

to a separate ministry in the 1980s) as well as very substantial changes in the scope of its mandate (e.g. diminishing involvement in the budgetary process in the 1980s and 1990s, active involvement in state reform processes in the 1980s and 1990s, expanding role in the interaction with the municipalities after 2000, reactivation of its role in public investment planning in the 2000s, recent strengthening of its role in evaluation, etc.). Whereas some evolution in the scope of mandate is natural, aspects of appropriate capacity and suitable strategic anchorage to successfully fulfil these different tasks should be considered carefully, so as not to jeopardise the CoG's co-ordination capacity for each of these important cross-government responsibilities. A certain level of stability is indeed needed for accumulating knowledge and experience, as it helps to build relationships of authority and control within and across institutions.

Box 2.6. Implementation units in Australia, the United Kingdom and Malaysia

Countries such as Australia, the United Kingdom and Malaysia have established implementation units within their central agencies at different times to monitor policy and programme implementation. These units may have the role of pre-implementation review of proposed programmes to determine their readiness for implementation, or may have a monitoring role to ensure effective implementation. These implementation units use a combination of hard levers (e.g. formal implementation analysis) as well as a variety of soft levers, such as training and the exchange of best practices, to improve implementation performance.

The Prime Minister's Delivery Unit in the **United Kingdom** under Prime Minister Blair, used quantitative indicators to measure how the departments were performing on the Prime Minister's top priorities and could intervene with a targeted action in case adjustments were required. The role of the Prime Minister's Delivery Unit was as follows: the Prime Minister's Delivery Unit aims to help to deliver better and more efficient public services by monitoring and reporting on delivery of the Prime Minister's top delivery and reform priorities; identifying the key barriers to improvement and the action needed to strengthen delivery; strengthening departments' capacity to deliver, through capability reviews and sharing knowledge about best practice in delivery; and supporting the development of high-quality public service agreement targets that will effectively incentivise improvements in public services (UK Cabinet Office, 2006).

The Cabinet Implementation Unit in **Australia**, established in 2003 in the Department of Prime Minister and Cabinet, aims to ensure a rigorous follow-up on the implementation of policies: "The Cabinet Implementation Unit provides support and advice to the Prime Minister on the development, implementation and delivery of the government's strategic priorities. This includes the preparation of regular reports to the Prime Minister on the progress with key policy initiatives. It also includes working collaboratively with departments and agencies to improve the planning, implementation and delivery of key government priorities" (Australian Government, 2012). The Cabinet Implementation Unit conducts regular, short implementation planning "workouts" to provide agencies with practical information to help improve implementation planning. The unit seeks to ensure that policy prepared for consideration by the Prime Minister and Cabinet has clear goals, a robust assessment of costs and benefits, and clarity about how it will be implemented. The unit helps departments and agencies to prepare their implementation plans and to identify, assess and manage implementation risks. The unit also monitors the progress of the implementation of key government decisions and reports to the Prime Minister and Cabinet on the status of these decisions.

In 2009, the Prime Minister of **Malaysia** established the Performance Management and Delivery Unit in the Prime Minister's Department, which draws on both public and private sector officials to oversee both the government and economic transformation processes: "The Performance Management and Delivery Unit (PEMANDU) was formally established in 2009 and is a unit under the Prime Minister's Department. PEMANDU's main role and objective is to oversee the implementation, assess the progress, facilitate as well as support the delivery and drive

Box 2.6. Implementation units in Australia, the United Kingdom and Malaysia (cont.)

the progress of the Government Transformation Programme (GTP) and the Economic Transformation Programme (ETP). While the responsibility for end-to-end delivery of national key results areas and ministerial key results areas outcomes ultimately rests with the respective ministries, and the success of the national key economic areas rests with the private sector, PEMANDU has been mandated to catalyse bold changes in public and private sector delivery, support the ministries in the delivery planning process and provide an independent view of performance and progress to the Prime Minister and ministers” (PEMANDU, n.d.). Through PEMANDU, the government ensures effective implementation of its transformation initiatives against key performance indicators, while also drawing on private sector expertise to assist with the process of government and economic transformation.

Source: OECD (2012), *Slovenia: Towards a Strategic and Efficient State*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264173262-en>.

Box 2.7. Centre of government’s role in preparing high-level government meetings

One key management role of the CoG with respect to high-level government meetings is to ensure that harmonised consultation processes have been followed and that appropriate analytical tools have been used. The overall objective is to ensure that the usefulness and cost benefit of a particular action can be judged easily by the head of government and senior members of the government, whether they are knowledgeable in the field or not. Information should be presented in a way that allows political leaders to understand the need for – and consequences of – proposed policy interventions, to evaluate costs and benefits, to weigh evidence on their likely impact and to anticipate risks and resistance to policy.

Table 2.1 Centre of government’s role in reviewing items submitted to the Council of Ministers

	CoG reviews	CoG has authority to return items to ministry for additional work if criterion is not satisfied	This is reviewed by another body
That procedures for preparation and presentation are respected	65%	74%	10%
That the item is in line with the government programme	59%	59%	21%
That relevant ministries and other stakeholders have been consulted as required	53%	63%	20%
Quality of legal drafting and legal conformity	45%	55%	59%
That a regulation meets regulatory quality standards (public/economic benefits, that benefits outweigh costs, that an impact analysis has been carried out, etc.)	43%	64%	43%
That adequate costing has been carried out	41%	48%	62%

Source: OECD (2014b), “Centre stage: Driving better policies from the centre of government”, GOV/PGC/MPM(2014)3/FINAL, OECD, Paris, www.oecd.org/gov/Centre-Stage-Report.pdf.

Recommendations

Beyond the administrative support for the Council of Ministers, the Ministry of the Presidency could play a more strategic role in supporting the quality of the

decision-making process of the Council of Ministers, by reviewing agenda proposals on different dimensions. Such a review could cover a procedural check, a coherence check with the government's programme, a consultation check of relevant stakeholders, a legal conformity check, a regulatory standards check and a costing check. The balance between administrative and strategic support assured by the Ministry of the Presidency could subsequently also be reflected in its organisational chart, which would preferably remain stable across different government periods, in order to build and preserve capacity.

Explicit, and structural, investment in CoG capacity building should be considered, given the substantial turnover within CoG institutions (reflecting turnover in the Costa Rican public sector in general in line with the political cycle) on the one hand, and substantial challenges for successful CoG co-ordination, on the other hand. Primary beneficiaries for such training would be the Ministry of the Presidency and MIDEPLAN and could cover technical training, as well as soft skills like negotiation and communication skills. As an example, in Queensland, Australia, the government – via the Public Service Commission – has partnered with a university to run an Emerging Leaders Programme. Shared training for CoG actors could also foster a shared identity and culture across the public sector.

Costa Rica is by no means an exception in its struggle to deal efficiently and effectively with the institutionally decentralised sector. One way to move forward in this area would be to foster the CoG's strategic thinking about the institutionally decentralised sector. Across most OECD Members, governing public agencies is a challenge and is subject to numerous analytical and strategic reflections. Both cross-country analyses of agency governance tendencies and country-specific initiatives in this area could inspire Costa Rica and provide ideas for future action. At the level of cross-country analysis, it is worth mentioning "Governing public agencies in the 21st century" (Verhoest et al., 2011), which provides a solid inventory of international lessons and policy recommendations. Based on empirical research covering 30 countries, the report synthesises lessons learnt regarding the creation of agencies, their autonomy, the steering and control of agencies, agency management, and rationalisation and co-ordination. Some relevant elements for Costa Rica include reflections on the use of performance targets (to be used as opportunities to improve communication, exchange, negotiation and mutual learning) and the definition of agency performance (i.e. going beyond quantitative indicators, but also addressing quality, effectiveness, equal access and responsiveness). At the level of individual country experiences, Costa Rica could benefit from other countries' experiences in detailing a framework of how to deal with agencies. Interesting examples include the United Kingdom's "It takes two: How to create effective relationships between government and arm's-length bodies" (Rutter et al., 2012) or New Zealand's "Statutory Crown Entities – It Takes Three: Operating Expectations Framework" (Ministry for Culture and Heritage of New Zealand, 2014).

The government has made substantial efforts to strengthen the participatory dimension of the development of the NDP and is reflecting upon ways to make use of the NDP as a strategic policy document throughout the government's term. Next to strengthening the sector co-ordination through MIDEPLAN as one of the government's initiatives to achieve this goal, Costa Rica could also explore how to strengthen the ownership of the NDP and its 2030 strategy throughout its implementation. An interesting example in this respect is the case of Lithuania and its State Progress Council, which consists of 28 members, including government representatives, representatives of the parliament, the directors of 4 leading universities, business associations, the Head of the National Museum, non-governmental organisations (NGOs), academics, youth

organisations, businesspeople and members of the business media. Each year, the State Progress Council assesses the relevance of the strategy initiatives, monitors the results and reports to the government. The monitoring occurs across three lines. First, a set of ten annual progress actions has been defined, the so-called “quick wins”. Second, the consistent implementation of the strategy is ensured by means of strategic and planning documents, such as the National Progress Programme, which brings together national and EU funds. Furthermore, the “Progress report Lithuania” is part of the annual government report, and includes an assessment of the implementation of the annual progress actions, the 31 progress indicators and the results of progress forums. The direct involvement of communities and NGOs is the third line. The “Open Progress Forum” is a tool for thematically focused dialogue with society.

On the dialogue with citizens, and to make sure that citizen participation goes beyond the initial development of the NDP, Costa Rica could consider the development of consultation principles to be shared throughout the public sector. The United Kingdom’s consultation principles³ provide an interesting example in this respect. A guidance note sets out the principles that government departments and other public bodies should adopt for engaging stakeholders when developing policy and legislation. It is not a “how to” guide but aims to help policy makers make the right judgments about when, with whom and how to consult.

Notes

1. Multi-level governance co-ordination is addressed in Chapter 7.
2. For the Budget of the Republic Act see: www.gaceta.go.cr/pub/2014/12/15/ALCA80A_15_12_2014.pdf.
3. The consultation principles are available at: www.gov.uk/government/uploads/system/uploads/attachment_data/file/255180/Consultation-Principles-Oct-2013.pdf.

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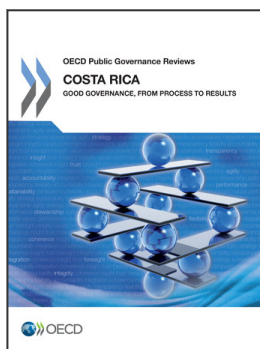
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