



Pacific Institute of Public Policy

Public Policy 101

Public policy is an inter-disciplinary field, which draws on elements of economics, sociology, and politics. There is no clear consensus on the definition of public policy, but some simple and useful definitions include: *public policy is basically how governments attempt to address public issues, or public policy is about identifying and solving society's problems.*

Public policy can be expressed and manifested through a variety of forms. Explicitly, it is communicated via legislation, regulations, rulings, orders, plans, strategies, policy statements, and other forms – or through a combination of these. But policy can just as easily be manifested in non-explicit terms, for example through non-decisions and inaction on a particular issue.

While definitions may vary, there are some commonly agreed-upon elements of public policy. It is typically: made or initiated by government; made in the name of the public; interpreted, implemented, enforced by public and private actors; what the government intends to do; promulgated, or expressed through written and officially adopted documents.

There are many conceptual models for studying public policy, but the simplest one, the stages model, provides an easy and useful framework. In this model, the overall policy system is made up of a series of distinct but interlinked stages or processes, including:

- » Problem or issue identification and agenda setting
- » Policy formulation and enactment
- » Implementation and delivery
- » Monitoring, oversight and enforcement
- » Review and evaluation.

There are clear limitations to this stages model. It implies a neat, sequenced chain of events, whereas in reality policy processes are not always neat and linear and can even be described as 'messy'. Nevertheless, it is reasonable to assume that all policies have a beginning, a middle, and an end. Moreover, each of the processes depicted in this model do take place in some shape or form in most countries.

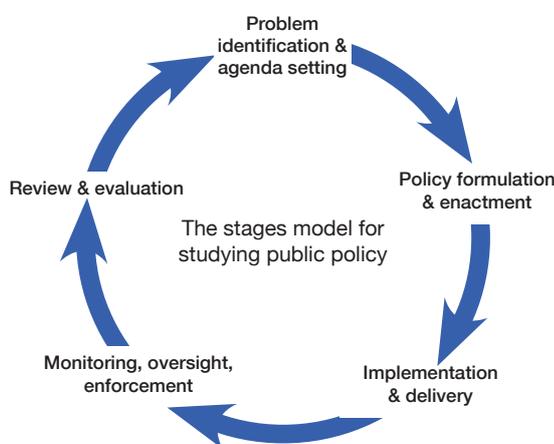
Improving public policy: A North Pacific case study¹

Policies, institutions and governance all matter greatly for development. In particular, policies that shape and influence how a country governs itself, how it promotes and pursues inclusive economic growth, and how it seeks to reduce poverty all play a critical role in determining ultimate development outcomes. While many factors are beyond the control of small developing states, these states can control the types of policies they adopt; how they design, implement, monitor, and review policies; and how policy makers engage with their citizens on important public policy issues.

Over time, much attention has been focused on the quality of development policies, the effectiveness with which these policies are managed, and the institutions that shape incentives and implementation of these policies.

This pilot study approached these issues through a public policy lens. If the quality of policies and the effectiveness with which they are implemented matter for a country, then it is worth closely examining that country's basic policy functions and processes and the broader policy systems that they make up. Carrying out such an assessment should help to identify strengths and weaknesses and point to ways by which these functions, processes and systems can be strengthened.

The study was based on a consultative assessment of public policy processes in the Republic of the Marshall Islands (RMI), Federated States of Micronesia (FSM), and the Republic of Palau (Palau) to: Better understand how policy processes and the policy systems currently work in these countries; identify some potential strategies for strengthening policy processes and systems; and select a final set of strategies that are deemed most feasible and in-demand. The study gathered knowledge through desk research, in-country consultations with key stakeholders and a final strategy session, which brought together leaders from the three countries.



The RMI faces many ongoing policy, governance and development challenges. Key indicators show some progress in some areas, but in the most part there is much room for improvement. RMI has an average Human Development Index (HDI) score in the Pacific region, but country performance scores (e.g. by the Asian Development Bank and World Bank) are below-average. Comprehensive reforms are still needed to improve development policies and prospects.

In FSM, while there is wide variation across the four states, in general the country continues to struggle to make real development progress. HDI and country performance scores are average to below-average. Stronger policy reform efforts are necessary at national and

1. This is a summary of findings of a pilot study led by Ben Graham for the Pacific Institute of Public Policy. Funding for the study was provided by the Asian Development Bank - the views expressed herein do not necessarily reflect the official position of the ADB. This is a summary of the five volume study report, *Assessing and Strengthening Policy Processes in RMI, FSM and Palau*. Printed with permission from the Asian Development Bank.

state levels to improve growth prospects. Improving policies on governance, growth, and poverty reduction are all recognised priorities.

While Palau is considered one of the more progressive Pacific states in terms of overall development, it too faces some major challenges. Its country performance scores are above-average in the Pacific, it will achieve most of the Millennium Development Goals (MDGs) by 2015, and it outscores most other Pacific states on the HDI. But Palauans identify many areas where major improvements can be made. The economy remains highly dependent on grants and tourism, self-reliance remains a distant goal, and some significant social, economic and overall development challenges remain.

Key findings

Problem identification and agenda setting

Issues get onto the official policy agenda through a variety of means, including (for all three countries) being forced onto the agenda by crises. Recent events in all three countries (e.g. fraud in the RMI public sector, bank failure in Palau, and major backlogs in infrastructure projects in FSM) expose critical policy gaps and weaknesses that have had severe economic and social impacts. In all three countries, policy and planning linkages can be dramatically improved. More proactive reform and fiscal policies are needed in all three countries, but in FSM the fragmented political structure complicates this (and virtually all aspects of policy and governance). In RMI, Palau and in some FSM States, traditional leaders have significant policy and governance influence and across the region non-governmental organisations (NGOs) have become more active in the policy system, particularly in the areas of environment, conservation, and women's issues.

Policy formulation and enactment

In all three countries there is much room for improvement in legislative and executive policy design and formulation. Policy making is not always evidence-based and most policy makers have no access to quality research, analysis and advice. Necessary regulations (i.e. those required by law) are not always promulgated. There are many areas where major policy gaps remain, such as in the governance of state-owned enterprises. High quality and timely statistics are important inputs into policy making, but all three countries struggle to provide good data (with economic statistics in Palau especially limited). In these small and close-knit island societies, conflicts of interest are a pervasive issue. Stakeholders in some islands feel that policy processes need to be more inclusive and collaborative. Policy 'capture' by narrow interests is a common concern, but is not a pervasive issue.

Policy implementation and delivery

Official policy is enacted with the expectation that it will be effectively carried out and that its objectives will be met. The people, organisations and institutions charged with carrying out policies and plans often face challenges that lead to less-than-desired outcomes. In all three countries, some core functions of government and the delivery of basic public services need improvement. For instance, in the RMI, major increases in public budgets for health and education have delivered new facilities,

but major outcome indicators show sluggish progress. Stakeholders in all three countries are concerned about weak civil service management and performance, a critical factor in poor execution of policy. Many previously endorsed policies and plans have been poorly implemented.

Monitoring, oversight and enforcement

Monitoring and oversight functions remain generally weak. Legislative oversight of the executive is a critical weakness across the islands. Legislatures in Palau and FSM do not have Public Accounts Committees (PAC) or their equivalent, and this is considered by many stakeholders to be critical institutional gap. In the RMI, the PAC has recently become more active in its oversight functions. Lax enforcement of some laws is a major concern. Some government ministries and departments have adopted performance-based budgeting as a means to improving management and monitoring, but this remains a work-in-progress. Among the three countries, Palau's rule of law ratings are highest while the RMI's are lowest. Improved monitoring and oversight of public agencies and enterprises is a critical priority identified by stakeholders.

Review and evaluation

In all three countries, internal performance reviews, evaluations and audits are a rarity; this is considered a major weakness in the policy and governance systems. But at the same time, in some areas where there are active reviews, findings and lessons-learned are not always acted upon. For instance, while the timeliness and coverage of public financial audits have improved across the board, many audit findings are repeated from year to year. Civil servant performance evaluations are considered ineffective; weak individual and organisational performance feedback loops mask many areas of poor performance and ultimately weaken accountability. Some stakeholders propose public polling and independent performance reviews as potentially useful ways to gather input on government performance. All three countries can significantly improve the planning, expenditure, monitoring and evaluation linkages.

Public engagement processes

Consultative and participatory processes are important at every stage, from agenda setting to formulation, to implementation and evaluation. This is generally recognised and appreciated in all the countries. The policy systems are generally open to public critique and engagement, as reflected in high 'voice and accountability' ratings. Major economic summits in FSM, radio and television talk shows in Palau, and forums in the RMI are all examples of useful public engagement activities. However, while public consultations do occur, many stakeholders feel they should be more regularly recurring and better organised. Parliaments in all three countries are slowly improving their public hearing processes and solicitation of input from various stakeholders on proposed legislation.

Research, analysis and advisory capacity

Research, analysis and advisory capacity within and outside of governments remains weak in all three countries. Legislatures and cabinets have limited access to professional policy advice and analysis, especially on fiscal and economic matters. Recent

reports and stakeholder consultations suggest there is a real need for more independent analysis, evaluations and advice, especially in development policy, to be provided to legislative and executive policy makers as well as the community.

Some strategies to consider

Many development challenges facing these islands and their people are exogenous, or beyond anyone's control. Nevertheless, significant progress can still be made by focusing on and improving those things over which there is some degree of control. Improving the quality and effectiveness of policy functions, processes, and systems is one important way to ensure better development outcomes.

If island leaders possess the political vision and will, then many good ideas can immediately be pursued. The following are some of the ideas identified and proposed through the pilot study.

To strengthen problem identification, agenda setting, and policy formulation processes

- Legislatures can do several things to improve their ability to 'look over the horizon' and identify emerging challenges or opportunities. Options include: more consistent and better-organised public consultation processes and engagements; the development of forward-looking Annual Legislative Programs (in advance of every legislative session) to help pre-identify priorities and issues; and consideration of public polling and surveys as proactive means of gathering public input and opinion on issues that require policy attention.
- Development partners have provided relatively limited support towards strengthening legislatures in the North Pacific. Legislative needs assessments and other studies have identified many ideas for strengthening legislatures, but in most cases financial and technical resources are simply unavailable. More resources and support should go towards strengthening legislature capacity.
- Over time, NGOs have become increasingly effective in identifying major issues that require policy attention and in giving policy advice. Both governments and development partners should provide more support to enhancing NGO capacity in this regard, including serious consideration of the concept of establishing home-grown, independent policy 'think tank' entities as a potential strategy to strengthen local policy analysis, advice and debate.
- An independent and active media is a powerful force for focusing policy makers' attention on important issues; innovative options should be explored to strengthen media effectiveness, especially where there is very little or no local media (such as in FSM). Regional media associations should be approached to help address this challenge.
- Island governments should focus more closely on improving internal policy, planning and coordination processes (within the executive and between the executive and legislature). Policy coordination within governments remains a major weakness and this warrants closer attention from island leaders.

- Conflicts of interest are a common problem in policy making in the islands. Conflict of interest rules and guidelines should be strengthened and made more visible. Speakers' offices should publicise these rules and ensure that they are well understood by policy makers and the public. Improving complaint-handling mechanisms is also known to help detect and discourage conflicts of interest.
- The quality of policy formulation and design in both the legislatures and executives can improve significantly; in the legislatures, efforts are needed to strengthen support services such as research and policy analysis; capacity development for Committee Clerks and support staff is a recognised need; Cabinet-targeted capacity development (e.g. for Clerks of Cabinet) can also be considered.
- Statistics are an important input into policy making, but the availability and quality of data is often limited; this is a long-standing challenge in small island states and should warrant consideration of different approaches, such as outsourcing, cost-sharing and regional cooperation.
- Consideration may be given to some type of minimum qualification criteria for members of legislatures; some countries have adopted such criteria as a means to ensuring that all policy makers are capable and competent.
- Legislatures should continue to improve transparency and accessibility of information; for instance, voting records of all legislators should be made public, especially votes on important issues, and session records and committee reports should be easily accessible.

To strengthen policy implementation and public sector performance

- Many good policies and plans have failed due to poor public sector management and performance. Civil service management systems are in need of major improvements. Island leaders should prioritise civil service modernisation and reforms.
- In the North Pacific, the major constraints to individual and organisational performance in the public sector are already well known. These include: unclear and undefined expectations and goals (for organisations this includes lack of clear strategies and plans, for individuals this includes ineffective job descriptions and work plans); limited resources (financial and technical) and support systems; lack of individual capacity or skills (both managerial and technical); weak intrinsic motivation (you can 'up-skill' workers, but it is very difficult to 'up-will' them, which places importance on effective hiring processes); weak evaluation, monitoring and accountability functions (many individuals and organisations produce very little results but face no consequences). Improving performance in the public sector will require actions to identify and address these key constraints.
- Island leaders should focus far more attention on improving the performance of public agencies and state-owned enterprises; these entities absorb significant public resources but often return very poor results. Far more scrutiny from policy makers and development partners on the governance, management and performance of these

entities is necessary; reforming them will require both financial and technical expertise and (most importantly) political will.

- Reforming and improving public agencies and enterprises should start with the removal of all elected officials from Boards of Directors and by strengthening and clarifying board policies and procedures.
- It should be a requirement that every major public sector organisation (ministry, department, agency, enterprise, commission, etc.) develop and publicise some sort of medium-term, forward-looking strategy that clearly articulates its major strategic goals and objectives and which supports broader national development policies and objectives.
- A core set of key performance indicators (KPIs) should be identified for every major public agency and enterprise; these entities must report annually (e.g. during the financial audit process) on these KPIs to facilitate better performance monitoring. Public Auditors can identify the KPIs for each entity and mandate that they are provided every year.
- Oversight of executive performance is a primary function of legislatures, but this remains a major weakness in the islands. Genuine efforts should be made to improve legislative oversight, including strengthening Public Accounts Committees or establishing such committees where they do not exist (e.g. Palau and FSM).
- Performance budgeting and management systems are necessary in the public sector; a more simplified and user-friendly performance budgeting system needs to be adopted, improving on the current system that has been introduced.
- Comprehensive reviews of the institutional structures of governments are needed; the Constitutions of the various governments, which set the underlying institutional architecture of the states, were designed and adopted several decades ago. Many stakeholders feel the need to revisit the institutional architecture and to assess whether and how it can be made more effective, efficient and relevant in today's context.

To strengthen monitoring, oversight, review and evaluation functions

- Significant improvements can be made in oversight and accountability institutions; in particular, governments and development partners should continue to strengthen Public Auditor offices, including support for expanded performance audit and complaint-handling functions of these offices.
- Public Accounts Committees (or their equivalent) are absent in the legislatures of Palau and FSM; serious consideration should be given to establishing this sort of committee as a means to strengthening legislative oversight of the executive; in the case of RMI, continued efforts are required to strengthen the Nitijela Public Accounts Committee and its key oversight partner in the executive, the Office of the Auditor General.
- Legislatures and Public Auditors should establish a program of consistent, high-profile, well-publicised hearings that focus sharply on the performance and effectiveness of public organisations, including state-owned enterprises and public agencies.

- NGOs and the media can play an important role in ongoing monitoring of public sector performance; NGOs and the media should take it upon themselves to strengthen their capacities to monitor and report on government policy and performance.
- It is well known that better dissemination and disaggregation of government information can greatly facilitate ongoing monitoring and public demand for better performance, but improvements in this area have been limited; Freedom of Information and Protection of Media Freedom legislation are possible strategies to consider, including continued improvements to public accessibility to information (e.g. through government websites).
- Again, polls and surveys can be used to canvass public opinion and perceptions on public sector performance.
- 'Real time' reporting is necessary; reports and information should be more readily available to facilitate public monitoring and evaluation. For instance, government financial reports should be presented every quarter or every six months, given that annual audit reports are not released until well after the end of each financial year.
- Ongoing monitoring, evaluation and accountability functions are generally weak throughout governments in the North Pacific; island leaders should strive to develop and foster a 'culture' of accountability, monitoring, and maintenance.
- Law reform is needed; a comprehensive and ongoing review of all laws is necessary (e.g. through a Law Reform Commission). Many laws need review and updating.
- Ombudsman offices should be considered as another option for strengthening oversight and accountability.

Next steps

Stakeholders in the study recognised the importance of continuing the regional dialogue on strengthening public policy processes and agreed to the establishment of an informal 'Micronesian Policy Network' to be facilitated through the Pacific Institute of Public Policy (PiPP). Through this network, and with support from PiPP and other partners, it is hoped that policy makers, implementers and influencers in RMI, FSM and Palau can pursue some of the ideas and strategies identified in the pilot study.

Again, if the political vision and will exists to make real change, significant progress can be made.

References

Graham, B. (2011) *Assessing and Strengthening Policy Processes in RMI, FSM and Palau: Parts 1-5*, Pacific Institute of Public Policy, Port Vila.

Part 1: Introduction to the Pilot Study and Some Public Policy Guiding Points.

Part 2: Desk Research Report Republic of Palau.

Part 3: Desk Research Report Federated States of Micronesia.

Part 4: Desk Research Report Republic of the Marshall Islands.

Part 5: Final Outcomes Report - Strategies for Strengthening Policy Processes in Palau, FSM and RMI.

NOTE: A complete list of study reference material is contained in the main reports.