What does the center of government do?

**Policy management**

In many countries, particularly those that come from a European or Commonwealth tradition, the cabinet or Council of Ministers plays the central role in policy formulation and coordination. There are several distinguishing features of cabinet systems. The cabinet is the highest decision-making body of government, and all major government policy matters go to this group for final approval. The principle of collective responsibility typically applies, in which all government ministers are pledged to support a decision, collectively arrived at, or to resign their posts. The work of the cabinet has typically been supported by a cabinet office or chancellery, operating either as a separate, stand-alone entity or in conjunction with the prime minister’s office.

Presidential systems exhibit greater variety in form. Typically, in countries such as the United States, cabinet is a fairly weak body and most decision making is done either bilaterally between the President and his secretaries or in trilateral arrangements between the president, concerned secretary and senior congressional figures. The United States has found it necessary to evolve cabinet-like arrangements to coordinate policy in the area of national security and, more recently, economic policy.

Authoritarian and revolutionary regimes have typically relied upon a range of collective mechanisms, such as politburos, juntas and supreme councils, to formulate, coordinate and implement policy decisions. Their work has in turn often been supported by secretariats, such as the Central Committee of the Communist Party and its apparatus.

Deliberative bodies at the apex of political life have existed for centuries if not millennia; indeed their roots could arguably be traced back to the council of elders often found in traditional hunter-gatherer societies. However, the modern cabinet form of government emerged from Europe in the 19th century from the wish to reconcile monarchial rule with emerging pressures for popular sovereignty. It was then exported by European colonial powers—Great Britain in particular—to Africa, South Asia, and East Asia and the Pacific.

The current geographic distribution of cabinet systems reflects this historical legacy. One survey of 182 countries noted that approximately 68% could be characterized as having cabinet-like forms of government, and 44% of the sample had governments that were strongly cabinet-like. The highest concentration of cabinet-like forms of government exists in South Asia (100%) and the OECD (90%). The lowest concentration can be found in the Middle East and North Africa (21%), followed by Latin America (48%). In the middle are Sub-Saharan Africa with (78%), East Asia and the Pacific (70%) and Europe and Central Asia (70)

**Internal regulation of the public sector**

Hood et al at the London School of Economics have identified that there are between 130-200 separate organizations ‘regulating’ public bureaucracies in the U.K., employing over 13,000 staff and costing between $1.1 and $1.6 billion annually (Hood, Scott et al. 1999). Adding in the costs of compliance, for example costs incurred in responding to
regulators’ requests for information, brings the total intra-public sector regulatory costs within the UK public sector to around $3 billion annually. This contrasts with some $53 million spent on the privatized utility regulators. The number of organizations is growing in parallel with the budgets, from 110 to 134 between 1976 and 1995.

Public management has always been a highly regulated domain and, despite the accompanying rhetoric of deregulation, the institutional reforms currently popular in OECD settings have highlighted the extent of regulatory control. The reduction of personnel manuals from thousands of pages to small booklets is a frequently cited worthy goal, but only focuses on one aspect of the issue. Audit bodies set and enforce accounting rules, inspectorates oversee specialist sectoral functions, ombudsman offices set guidelines on good practice based on individual complaints, central agency regulators set, monitor and enforce rules on the use of staff and expenditure, sector Ministries set and enforce rules for the behavior of operating agencies. As large uniform bureaucracies are unbundled into distinct entities focusing on narrower missions, and as ‘purchasers’ and ‘providers’ are separated, regulatory activities once embedded in bureaucratic organization become more distinct and explicit.

Hood et al usefully describe intra-public sector regulation as the way in which "public organizations are subject to influence from other public agencies operating at arms-length from the direct line of command… [and comprising] one bureaucracy aiming to shape the activities of another; organizational separation between the ‘regulating’ bureaucracy and the ‘regulatee’; some official ‘mandate’ for the ‘regulator’ organization to scrutinize the behaviour of the ‘regulatee’ and some authoritative basis for changing it.” (Hood, Scott et al. 1999). The operational responsibilities of government require a legitimate system of delegation from the legislature to government and then within the government from cabinet or the president to ministries and from ministries to departments and agencies. Delegation brings with it inherent agency problems and, in such complex organizational territory, a particularly delicate array of internal regulations designed to mitigate them.

Internal public sector regulators include:

- **autonomous regulatory bodies**: regulators that oversee the government on behalf of the constitution or the crown. In a parliamentary democracy, government oversight is primarily the task of the legislature. But entities such as the constitutional court, supreme audit institution, merit protection/public service commission, office of ombudsman, etc. are constitutionally independent of the government and frequently have reporting rights and requirements to the legislature. These are referred to here as autonomous regulatory bodies to emphasize the degree to which their operation is entrenched in constitutional arrangements that are deliberately hard to change.

- **executive regulatory bodies**: broad domain regulators that oversee operational agencies on behalf of the government. Government decisions are implemented by individual ministries and agencies whose responsibilities lie within ministerial portfolios. The executive regulatory bodies such as the budget office, procurement office, planning office, treasury, accountant general, and central personnel office provide general sets of rules which prescribe cross-cutting operating procedures affecting the operations of implementing agencies.

- **specialist regulatory bodies and inspectorates**: narrow domain or sectoral regulators that oversee specific operational agencies or professional groups on behalf of the sector minister or professional bodies. These include, for example, school inspectorates and police complaints bodies.
There are also a large number of economy-wide regulators that have an impact on public sector activity. These can be issue-based (i.e., advertising standards or health and safety agencies) or industry specific, such as those for nuclear safety or mines.

**The organizations at the center of government**

**Central agencies as a group**

Governing involves bringing together two major groups of players: the permanent, career public service or the administration, and the partisan political institutions charged with making policy decisions. Key to linking these two groups are central agencies; organizations which tend to have one foot in the administrative world and the other in the political world. These organizations are the "buckles" that link the political and administrative, and as such are crucial elements in any process of governance. This crucial linkage function needs to be understood better.

It can be posited that there are six fundamental activities for central agencies. These functions are:

1. **advising** - speaking truth to power; allocating – determining the fiscal framework, including revenues, expenditures, advice to Cabinet and Department of Finance, etc;
2. **appointing** – with varying limits on the scope of power and approaches for managing the public sector as a corporate entity;
3. **coordinating** – policy and media responses;
4. **monitoring**;
5. **regulating** – ultimately all internal functions are regulated.

For each of these functions the role of linking the political and the administrative in government is important. The organizations must simultaneously manage up to ministers and manage down to public service departments and their managers. Increasingly central agencies must also "manage out" by relating the work of government to private sector organizations and NGOs.

It is important for public executives and managers to understand the nature of central agencies. Comparing the alternative forms of organizing to meet the functional requirements of these organizations which exist in different countries could assist us in refining our ideas about the role of central agencies and their place in democratic political systems. For example, countries such as Canada, the United States, the United Kingdom and France share some common political traditions and concepts, but also present a range of structural (federal and unitary), political (presidential, semi-presidential and parliamentary) and administrative variables. They also have a range of different central agencies, like Canada and France which have a large number of organizations, and the United Kingdom which tends to have a very limited number of organizations. The United States is distinctive in that it has some central organizations in the executive branch (OMB, Treasury) and some in the legislative branch (CBO, GAO). For its part, the Bundeskanzlersamt in Germany is particularly well organized to provide legislative clearance and coordination.
Despite their centrality in governance, there has been relatively little comparative analysis of central agencies (see Canadian Centre for Management Development, 1995. "Central Agencies: The Fourteen Country Reports.").

Further, the literature concerning these organizations that does exist is by now quite dated, and does not take into account the numerous reforms that have been taking place in most industrialized democracies, especially in their public administration. Many administrative reforms have had decentralization as one of their goals but the overall effect has been to centralize control in these organizations. This is in part because coordination is crucial when so much else in government has been decentralized, and in part because of the need to drive reforms through from the center (see Arthur Kroeger, The Central Agencies and Program Review, in Peter Aucoin and Donald J. Savoie, Editors, Managing Strategic Change: Program Review and Critical Management Issues, CCMD, July 1998, and Savoie, Donald, Governing from the Centre, University of Toronto Press, 1999).

We hope that this page can serve as a catalyst for further discussion. Please feel free to make further suggestions to Guy Peters, Maurice Falk Professor, University of Pittsburgh and Senior Research Fellow, Canadian Centre for Management Development.

**The Design Of Cabinet Offices and State Chancelleries**

There seems to be no general organizational principle that applies internationally for distinguishing between the office that supports government (cabinet) as a collective body and the office of the head of government. In principle, the tasks are quite different; the filtering and gatekeeper functions of the cabinet office are distinct from the political and policy planning issues of the head of government’s office. In practice, the arrangements are varied and somewhat fluid. In Australia, Canada, and the United Kingdom, the central administration is divided between those who serve the prime minister and those who work for the government, although in practice the separation can be more theoretical than real. In Canada cabinet support staff keep track of departmental initiatives, ensure full interdepartmental consultation, prepare agendas for cabinet and cabinet committee meetings, brief cabinet and committee chairpersons on agenda items, take minutes, and record committee decisions. Staff in the office of the prime minister provides advice from the perspective of the political party.

In France, both president and prime minister have a cabinet (staffed by friends, political allies, and politically sympathetic civil servants) that deals largely with the political dimensions of the post, as well as administrative services. In Germany and the United States, distinctions are not made between staff who serve the government and staff who serve the head of government.

In Slovenia the office of the prime minister also supports the cabinet. In Lithuania the government secretary advises the prime minister and government on nonpolitical issues, while the chancellor advises the prime minister on more sensitive policy issues and on implementation and coordination of government programs. In Latvia the prime minister’s office consists of politically appointed staff that provide confidential assistance to the prime minister and draft speeches and articles. The state chancellery provides the cabinet with support and coordination services, including legal and administrative services. There are 5 advisors to the cabinet who work on legislative affairs and 10 cabinet advisors who work on sectoral issues under the director of the state chancellery.
In Macedonia the secretary of the government provides support to the prime minister and to the cabinet as a collective body. The secretary is also responsible for assisting in the preparation and organization of government sessions (including the submission of documents required by the government and its working bodies), submitting the conclusions of the government sessions to the responsible ministries and other bodies, and ensuring that the government fulfills its obligations to parliament and to the president.

While committees of cabinet have become increasingly significant in cabinet governments, cabinet offices do not generally mirror the committees of the cabinet. The Australian cabinet office is typical of the organization of cabinet offices in three of its four divisions: policy analysis and coordination, management development division (responsible for the implementation of the public service reform program), and the administration division (daily operations). The fourth division, for ensuring that women’s issues are adequately addressed in policy, is less typical. In Latvia the key cabinet office divisions are concerned with the media, project management, finance, personnel, correspondence, and document management.

Some staffs are small, however. In Denmark the prime minister’s office, which covers the cabinet office functions, has 3 permanent secretaries with responsibility for cabinet arrangements, economic policy, and foreign policy in addition to a very small administrative support unit. The U.K. prime minister can count on the support of only 100 people at 10 Downing Street, which includes policing and secretarial staff, although another 100 indirectly serve the prime minister in the cabinet secretariat. Small prime ministerial staffs elsewhere in Europe include those of Ireland (with 3 or 4 advisors who are politically appointed and a handful of professional civil servants), and Norway (with 9 civil servants and 5 political advisors). Medium-size staffs are found in Australia (30 in the prime minister’s office and 343 in the Department of the Prime Minister and the Cabinet), Canada (85 in the prime minister’s office and 600 in the Privy Council office), and Germany (453 people in the chancellor’s office).

Interestingly the demise of collective cabinet decision-making in the United States has been paralleled by the growth of the executive office staff. Herbert Hoover’s White House staff in 1930 had three confidential secretaries, a stenographer, and a handful of clerks. The White House staff expanded under Roosevelt after his 1932 victory, but it was not until 1939 that the Reorganization Act created the Executive Office of the Presidency. Sixty years later the requirements of the Presidency have generated a staff that is the size of a large village.

**The special case of central agencies responsible for macroeconomic policy-making**

Not all policies are equal and arrangements for macroeconomic policymaking tend to be distinctively different. Macroeconomic policy includes monetary policy (setting exchange and interest rates, and determining the rules of the game for the financial sector), fiscal policy (aggregate expenditure limits, tax policy, intergovernmental fiscal relations and the rules for treasury management), and trade policy (tariff and quota setting, determination of subsidies and economic regulation).

By contrast, social and sectoral policy comprises determination of budget composition (recurrent vs. capital spending and setting of public sector pay levels), allocation of sectoral spending totals (including funding of key social policies
and defense allocations), and labor market and industrial policy (including government wage policy, and
determination of social security and labor standards).

These two broad categories of policy differ in terms of the criteria against which their quality can be judged, and the
center of government arrangements for their management.

Macroeconomic policy questions require a largely technical response – and are closely interrelated. The technical
connections between exchange rate policy, interest rate policy and tax policy, for example, are clear. They are less
clear between tariff policy and intersectoral allocations. In fact, social and sectoral policies are largely characterized
by the absence of a single first best technical response.

The arrangements at the center of government that are responsible for managing these two policy areas are distinctly
different because the problem of achieving compliance is so different between them. Macroeconomic policy can be
enforced by fiat in a way that social and sectoral policies cannot. Setting interest rate policy can, in principle, be
undertaken at the stroke of a pen. Allocating funds for complex health priorities requires that very many actors agree
to these changes. By contrast with the macro and structural changes, the challenges in social and sectoral policy
issues are in some ways more intensely political because of the need to balance competing interests and the visible
tradeoffs necessary. Additionally, in sector policy few changes can be introduced by top down instructions unmatched
by winning the hearts and minds of the staff that must implement them. Social and sectoral policy requires an
inclusive approach, in which line Ministry staffs contribute in some degree to the development of policy.

In summary, the quality of macro policy can be largely judged against neutral, technical standards. However,
measuring the quality of social and sectoral policy must be against both technical standards and a requirement that
they carry the credibility that derives from an inclusive and authoritative process.

This distinction in the technical aspects of policy, and in the nature of the compliance problems, leads to different sets
of institutional arrangements for policy-making. The dominant principle in sustainable macroeconomic policy is the
exclusion of domestic politics, while the principle of sustainable social and sectoral policy is the inclusion of key
political interests. Consequently, strong institutional arrangements for the first are built around an insulated
technocratic elite, and for the second are designed to ensure an arena of well-informed political bargaining between
competing domestic interests.

In practice, exclusion in macro policy management translates into the design of central Bank independence,
establishment of technocratic planning enclaves within the Ministry of Finance, and in the use of international
agreements to establish external agencies of restraint. The latter includes common currency arrangements, IFI
conditionalities, trade agreements, and investment insurance (Collier and Pattillo 2000). This is of course partly to
resolve the problem of time inconsistency. In macro policies, political actors have a particular opportunity to gain in
the future from reneging on promises they have made today. When politicians have no disincentive to deviate from
the announced policy at some point in the future, those affected by the policies will respond slowly (if at all) to policy
changes, fearing that if they do, for example by locking themselves into long-term fixed price contracts, they will lose
while other political actors benefit by reneging (Keefer and Stasavage 2000).
This translates into the concern to delegate policy to an independent Central Bank, the establishment of technocratic planning enclaves within the Ministry of Finance, and the institution of fixed policy rules, and binding international agreements as ways to overcome problems of time-inconsistency. There is a substantial literature on the potential gains from the delegation of monetary policy to a central banker with full discretionary power and who places a higher priority than the median voter on stabilizing prices, and this is increasingly extended to other areas in which politicians willingly limit their own discretion (Maxfield 1997).

In social and sectoral policies, inclusion translates (in many jurisdictions) into cabinet systems in which between 5 and 40 senior policy makers are widely perceived to be at the highest decision making level in government, to whom all major government policy matters go for final approval and who are held collectively accountable. There are also other forms of institutionalized inclusion, such as government-business consultative mechanisms. In Mexico, the existence of institutional mechanisms for communication between government and civil society, in conjunction with signaling of its intentions by government through irrevocable measures, led to commitments to the policy among both policy makers and constituents (Stone, Biddle et al. 1998).
Recommended readings

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- Government Reform of Roles and Functions of Government and Public Administration New Zealand - Country Paper

The Design Of Cabinet Offices and State Chancelleries


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