

2. *The Enablers of Sound Public Governance*

At the same time as public-policy challenges have become more complex and multidimensional, they have become more interconnected through globalisation and greater interdependence among nations. Climate change, migration, inequality: challenges are now characterised by rising uncertainty, increasing complexity, divergent values and interdependent processes, structures and actors. In this unpredictable context, governments are facing pressure to design and deliver better policies and services, while simultaneously grappling with unprecedented fiscal-stabilisation challenges and trust levels below those that followed the 2008 financial crisis. Trust is difficult to rebuild when governments face the perception that reforms are ineffective and do not sufficiently take into account the needs of losers in the context of the gains of winners (OECD, 2017)⁹.

Lessons learned from OECD experience in supporting policy and public-governance reform efforts of Members and Partners suggest that governments are facing the general perception that reform is often seen as a means to save money rather than solve policy challenges. Moreover, as interdependence increases, outcomes, trade-offs, and the winners and losers of reform are more difficult to identify, generating considerable additional challenges for successful policy-making.

OECD lessons learned in the area of public governance suggests that traditional sector-based approaches to reform in a given policy area are increasingly less effective in improving results, as they tend not to take into account strategic considerations or spill-over effects from other policy sectors. Moreover, these sector-based approaches, historically vertical and not open to participation, are more likely to be captured by private interests or by the public administration itself. These vested interests can generate resistance to change.

Governments also face this degree of complexity when they pursue single-sector public-governance reforms. For example, such stand-alone initiatives as the creation of an anti-corruption agency, if not accompanied by the adoption of a broader framework of government-wide integrity policies, will hardly have a real impact on enhancing transparency and integrity in public governance let alone improve people's lives.

In order to promote clear, ethical, democratic principles and unanimous consent surrounding the value of, and respect for, the rule of law while enhancing the legitimacy, efficiency and effectiveness of public interventions, evidence suggests that public decisions need to be made in an **equitable and evidence-informed way**. In a context where governments are trying to regain the public's trust, institutional and decision-making methods need to move closer to the citizen, with government proactively seeking the views of stakeholders at all key points in the policy cycle, as highlighted in chapter 1, to optimise the state's accountability, responsiveness and integrity.

Evidence suggests that governance reforms, especially when they are ambitious and multidimensional, tend to be most successful and lasting when they are pursued based on a set of "operating principles" governing this process:

⁹ G@G 2017

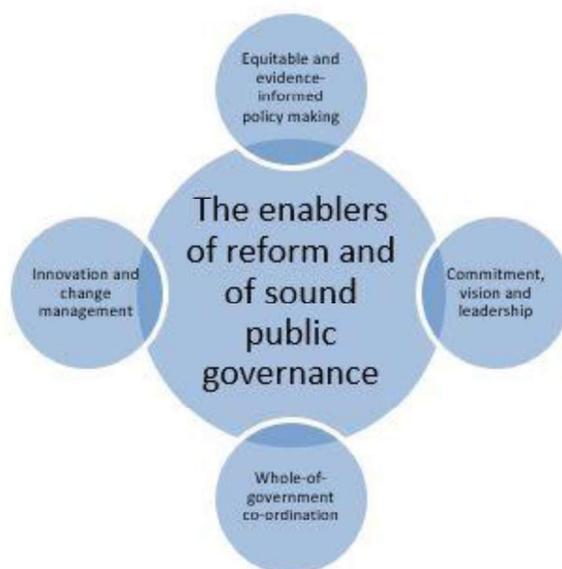
- Reforms first need **leadership**, politically and on the part of the civil service, to promote and drive change through all levels of the public administration and beyond. Moreover, reforms tend to be more effective when they contribute toward the realisation of a common **vision**, that they contribute to the common interest and do not constitute isolated efforts leading to perpetuating the same winners and losers¹⁰.
- Reforms tend to work best when they are the subject of sustained **commitment** from the highest political and management levels to ensure their effective implementation and sustainability.
- An integrated and innovative approach to reform requires overcoming traditional administrative barriers to designing, implementing and evaluating the performance of multidimensional policy responses through robust, sustained **whole-of-government coordination** across policy silos.
- Successful reforms also point to the assignment of high political and institutional priority to **innovation and experimentation to manage change successfully** over time.

Evidence from the OECD's work in this area thus suggests that taken together, leadership and sustained commitment to vision-based reforms, robust coordination across policy silos to design, implement and evaluate them, and priority assigned to innovation, experimentation and change-management, constitute the **strategic enablers of sound public governance**.

These are the enablers that, when combined with key policy instruments and management tools, whether relating to budgeting and rule making or to digitalisation and the strategic management of the civil service, can best sustain sound public governance. These enablers, instruments and tools can support successful public policy-making at all points in the cycle, from problem identification and policy design/formulation (Chapter 3 of this Framework), through policy implementation (Chapter 4), to policy evaluation results (Chapter 5).

¹⁰ OECD (2014) Vision, leadership, innovation: driving public sector performance

Figure 6. The Enablers of Reform and of Sound Public Governance



Source: Author's own elaboration.

2.1. Equitable and evidence-informed policy-making

Policy-making is not the same as technical decision-making. The former typically involves trade-off between competing social values and different interests (Parkhurst, 2017)¹¹. Yet managing policy and technical decision-making effectively and efficiently in the general public interest lies at the core of sound public governance. How public decisions are made, which interests lie behind these decisions and what their goals are define the parameters within which reforms leading to sound public governance are designed and carried out. Despite the different features and dynamics of political systems, public decision-making should be framed at all times by the commitment to pursue the public interest – hence the notion of **equitable policy-making**.

The risk of asymmetric influence on governments undermines real progress toward addressing key policy challenges equitably, in the public interest. Preventing these risks requires fixing distorted decision-making. Powerful interests that have reason to maintain the status quo can put enormous pressure on government decision-making at the expense of the common good.

A pivotal element to guaranteeing equitable decision-making is preventing undue influence by specific interests. If governments make decisions favouring a specific interest group or individual at the expense of the public interest, the whole reform process is affected: policies will privilege the few; evidence will no longer be credible and people will lose trust in their institutions. Levelling the playing field can promote broader consensus and more legitimacy to decisions. This means allowing more interests to affect the design and

¹¹ Parkhurst, J. (2017) *The Politics of Evidence: From evidence-based policy to the good governance of evidence*, Abingdon: Routledge.

implementation of policy. Equitable decision-making is strengthened when a multiplicity of actors, through robust enabling mechanisms and institutional spaces, promote and work collectively and in a representative manner in the public interest. This includes the necessity of strong and representative institutions, for example political parties, trade unions or trade associations, which represent the different interests of the society. It also includes harnessing new media and channels of representation that can reduce the costs and enhance the impact of collective action.

No government is immune from attempts at influence. Given the economic and political interests that are at stake, the public arena is always vulnerable to possible hijacking by one or more special-interest groups. This potentially affects one of the basic tenets of democracy - political equality - and can lead to inequitable and vested-interest-based policy-making. Influence on the part of particular interests of individuals or groups may not be illegal; in fact, it is part of the democratic process. However, fundamental issues emerge when not everyone has the same opportunity to ensure that their interests are taken into account in the policy-making process. This can occur because of:

- Disproportionate pressure and privileged access through lobbying of public officials,
- Excessive financing of political parties and candidates' electoral campaigns,
- Provision of manipulated or fraudulent expertise or technical data,
- Use of personal connections that lead to conflicts of interests

Box 5. What is policy capture?

Policy capture is the process of directing public policy decisions away from the public interest towards the interests of a specific interest group or person. Capture is the opposite of equitable policy-making, and always undermines core democratic values, while usually also resulting in suboptimal public policies. The capture of public decisions can be achieved through a wide variety of illegal instruments, such as bribery, but also through legal channels, such as lobbying and financial support to political parties and election campaigns. Undue influence can also be exercised without the direct involvement or knowledge of public decision makers, by manipulating the information provided to them, or establishing close social or emotional ties with them.

Source: OECD (2017) Preventing Policy Capture, Integrity in Public Decision Making, <http://www.oecd.org/corruption/preventing-policy-capture-9789264065239-en.htm>.

Policy capture can happen at all stages of the policy cycle. Hence, over the past decades OECD countries have implemented different measures to avoid it. Governance structures should include the means to guarantee that policy and reform decisions are made in the most equitable way, including through the development of a culture of integrity, openness, inclusiveness and respect of the rule of law (see Chapter 1), such as by:

- Engaging stakeholders in the decision-making process as a key means to level the playing field and generate a broader consensus and more legitimacy regarding public-policy decisions;

- Strengthening the integrity frameworks governing representative institutions, including single-interest ones;
- Ensuring strategic communication, transparency and access to information to enable civil society and all stakeholders to the same information, data and evidence when engaging in policy discussions;
- Promoting accountability through competition authorities, regulatory agencies and supreme audit institutions;
- Identifying and mitigating policy-capture risk factors through integrity policies that are tailored to the specifics of different public institutions.

In addition, OECD evidence suggests that countries are adopting key tools to balance stakeholders' ability to influence policy makers against the public interest, including:

- Effective limitations to and oversight over political financing;
- Adequate scrutiny and analysis of government policy-making, making this available in an open, transparent and easily-accessible manner to all; and
- Implementing effective controls over lobbying.

The use of evidence in policy-making; in particular the governance of how evidence is collected, applied and integrated into decision-making on the broad social, political and economic policy challenges of the day, is a key – and complementary - element that can determine the nature and impact of reforms (Parkhurst, 2017¹²). Evidence-informed policy-making can play a critical role in improving the design, implementation and evaluation of all public policies, in ensuring good governance, notably equal access to quality, responsive and people-centred public services.

The collection of evidence can represent a particular challenge for policymakers, as evidence is not always easily available, especially in complex policy areas. Moreover, it is important to assess the credibility and reliability of information, data, and factual evidence (for example through replicability, a multiplicity of sources, independent validation, etc.) used to make decisions. Moreover, strong management of the stock of evidence, with robust knowledge-management processes and the full mobilisation of administrative data, will help prevent one-sided policy design, avoid duplication, ensure that scarce resources are directed toward areas of greatest need and that services are designed and delivered based on evidence that demonstrates this need. This provides the strongest opportunity for designing policies that will benefit citizens, overcome institutional bias and guard against vested interests maintaining the status quo.

While the need for evidence is generally widely accepted, evidence-informed approaches do not obviate the need for political discretion and commitment; they can ensure, however, that all policy choices and trade-offs are fully aired. And in a context of the growing role of social media, with direct access to a range of evidence through web-based channels whose sources are of uneven quality, and with increasing concern for fake news, the need for an evidence-informed approach to decision-making is taking on added importance.

This requires closing the implementation loop from the start, to ensure that the proposed reforms will and can be implemented. Implementation research (including performance

¹² Parkhurst, J. (2017) *The Politics of Evidence: From evidence-based policy to the good governance of evidence*, Abingdon: Routledge.

evidence) can make a difference between the successful implementation of an intervention and one that is ineffective or potentially even harmful, offering tools for researchers and government officials to monitor the implementation of policies, ensuring they achieve the impacts that policy-makers and citizens expect. This requires experimentation, the capacity for policy prototyping and piloting, and appetite, support and capacity for innovation in the public sector.

To close the implementation loop, policy evaluation (chapter 5) is critical to ensure that policies are actually improving outcomes. Robust evidence on the efficacy, policy-effectiveness and cost-effectiveness of initiatives ensures that we understand ‘what works why, for whom and under what circumstances’.

Yet experience confirms that reaching this state of affairs is challenging. Even in the most developed systems, challenges in connecting evidence and decision-making remain:

- First, the civil service needs the right skills to commission, understand and use evidence. This necessitates building capacity at the level of the individual, and supporting the adoption of procedures, incentives and resources to enhance use of evidence.
- Evidence-informed policy-making also requires a supportive institutional set-up and infrastructure with a clear and transparent framework for evidence-generation and use. This might include the existence of quality control and assurance mechanisms to check the reliability and robustness of the evidence collected, before they are actually used.
- Finally, there is a recognition that evidence, no matter how robust and relevant, can only ever constitute part of the policy-making process: evidence will always be mediated through a process that integrates intuition and judgement into the shaping of the final policy decision.

Box 6. Examples of evidence-informed policy making initiatives

- Capacity building for evidence generation and use – several countries and organisations have made valuable steps to build public sector capacity and use. In the United Kingdom (UK), NESTA with the Alliance for Useful Evidence has created ‘Evidence Masterclasses’, providing “an immersive learning experience” for senior decision-makers who want to become more skilled and confident users of research.
- Evidence Based Clearing Houses and What Works Centres – many OECD countries have clearing organisations which systematically review the evidence base underpinning policies and practices, assessing the strength of evidence and communicating this in an easy to understand format. Examples include the California Evidence-Based Clearing House for Child Welfare, the UK What Works Centres, and The Danish Clearinghouse for Educational Research, Kidsmatter Australia and the Swedish Institute for Educational Research..

Core questions for consideration by governments

- Do policy makers regularly and proactively engage stakeholders with diverging interests in decision-making processes?

- Does your government have regulations to establish formal links between interest groups and decision-makers for public decision-making?
- For non-governmental institutions representing specific interests, such as political parties, trade union or trade associations, are there laws or regulations that frame their governance and representativeness from a public-integrity standpoint (as competitive elections for leaders, democratic decision-making; financial transparency and audit requirements; rules respecting electoral financing; etc)?
- Are there measures in place to ensure a balanced composition of advisory and expert groups?
- Does the civil service have the knowledge, skills and capacity to ensure a right uptake of quality evidence in policy-making?
- Does the senior civil service have a strategic understanding of the role of evidence-informed policy-making and to ensure that policy makers possess the right evidence at the right time in the right format?
- Does the public sector have the processes and institutional set-up for incorporating evidence in policy-making?
- Is the evidence used by policymakers subject to transparency and integrity requirements? Does the collection of evidence follow particular criteria/requirements to ensure its validity?

Key resources

OECD legal instruments:

- [OECD \(2017\) OECD Recommendation of the Council on Public Integrity](#)
- [OECD \(2010\) Recommendation of the Council on Principles for Transparency and Integrity in Lobbying](#)
- [OECD \(2017\) Recommendation of the Council on Open Government](#)

Other relevant OECD tools:

- OECD (2017) Preventing Policy Capture, Integrity in Public Decision Making, OECD Publishing, Paris.
- OECD (2017), Policy Advisory Systems: Supporting Good Governance and Sound Public Decision Making, OECD Public Governance Reviews, OECD Publishing, Paris.
- OECD (2017) Summary of OECD conference on Evidence-Informed Policy Making

2.2. Commitment, vision and leadership

Commitment at the highest political level is crucial to ensuring the success of reforms. Policy-makers face a broad range of day-to-day challenges that at times leaves little room for the effective planning of a reform agenda to pursue better governance. In this regard, without commitment to reform from the highest political level, it is difficult to find incentives for public service leadership to pursue medium-term reform initiatives as it goes about managing its day-to-day responsibilities while fixing short-term, urgent issues.

Governments can exercise leadership in this area by expressing a strong political commitment for better governance and demonstrating the political will to endorse and pursue a reform policy or strategy at the highest political level. The OECD explicitly recommends such an approach in such areas as regulation, gender equality in public life and digital government:

- *The Recommendation on Regulatory Policy and Governance* recommends that Adherents commit at the highest political level to an explicit whole-of-government policy for regulatory quality.
- *The Recommendation on Gender Equality in Public Life* suggests that Adherents secure leadership and commitment at the highest political level as well as at the appropriate level of government on order develop and implement a whole-of government strategy for effective gender equality and mainstreaming.
- *The Recommendation on Digital Government Strategies* recommends that Adherents secure leadership and political commitment for the strategy, through a combination of efforts aimed at promoting inter-ministerial co-ordination and collaboration, setting priorities and facilitate engagement and co-ordination of relevant agencies across levels of government in pursuing the digital government agenda.

The **Centre of Government** and the institutional leadership it can offer for the public sector (see Box 7) can play an important role in mainstreaming reform across the public administration. In OECD countries, the CoG is playing an increasingly important role in driving strategic priorities, closely linked with their increasing responsibilities on policy co-ordination (see next section). According to the OECD Survey on the Organisation and Functions of Centres of Government, the CoG tends to play a prominent role in temporarily driving sensitive and/or structural reforms of the public administration, in particular at their initial stage. This temporary assignment can send a strong message of political commitment both within the public sector and to the public. This has been the case in a number of OECD countries with e-government strategies and with red tape/administrative burden reduction initiatives (OECD, 2014).

Box 7. What is the Centre of Government?

The strategic role of Centre of Government (CoG) has been expanding over the course of the last decade due to the increasing complexity of policy-making and the emergence of whole-of-government strategy-setting and implementation, strategic monitoring of government performance over the medium term, and strategic issues management.

The CoG is “the body of group of bodies that provide direct support and advice to Heads of Government and the Council of Minister, or Cabinet”. The CoG is mandated “to ensure

the consistency and prudence of government decisions and to promote evidence-based, strategic and consistent policies” (OECD, 2013).

The CoG concept does not make explicit reference to any particular organisational structure: institutions vary from one country to another, depending on the constitutional order, the political system, the administrative structure of the country, contextual and historical actors and even the personality of the chief executive. Therefore, expanded definitions of the CoG can include institutions or agencies which perform core cross-cutting governmental functions, such as finance or planning ministries, even if they are not reporting directly to, or supporting, the Head of Government/Head of State and Council of Ministers.

Sources: OECD (2014) Centre Stage, Driving Better Policies from the Centre of Government, <https://www.oecd.org/gov/Centre-Stage-Report.pdf>; Alessandro, M, et al. (2013) The Role of the Center of Government: a Literature Review, Institutions for Development, Technical Note, IDB-TN-581, IDB, Washington, DC, <https://publications.iadb.org/handle/11319/5988>.

A broad government commitment can usually find expression in a government vision. As shown in the Centre Stage report on driving better policies from the CoG, nearly all OECD countries have some sort of strategic vision document. In this regard, OECD experience garnered through its country reviews has shown that governments can give better coherence to the activities when they have the capacity to define, implement and communicate both internally and externally their strategic visions, a means to orient the state, civil society, the private sector and citizens toward a common goal (OECD, 2015b).

How this vision is formulated and translated into specific long or medium-term strategies and policy decisions is an important process as it contributes to defining priorities and objectives along with the nature and scope of reforms; it underpins the rationale for better coordination as a means to pursue it. A vision-building exercise and planning process that are open and include robust stakeholder engagement can legitimatise policymaking and can constitute an effective tool to ensure the sustainability of reforms (OECD, 2016).

In this connection, **public service leadership** is also fundamental to achieve successful reforms for sound public governance. Public service leadership refers to senior-level public servants, who are those public servants who take decisions and exert influence at the highest hierarchical levels of the permanent public service. In today’s complex political and policy environment, senior-level public servants are expected to work effectively across administrative and policy silos, responding diligently and ethically to support rapidly changing political agendas and reacting with agility to unpredictable developments. As senior-level public servants usually link strategy to policy execution, governments should invest in building a values-driven culture and leadership in the public service, centred on improving outcomes for society. Senior-management leadership can help ensure the effective policy design and implementation by drawing from institutional knowledge and experience to contribute to evidence-based decision making¹³. Investing in leadership is an important catalyzer for effective reform, regardless the area or policy theme.

Recognising the essential role of these key actors, the forthcoming OECD Recommendation on Public Service leadership and Capability specifically recommends adherents to build leadership capability in the public service. The guidance it provides encourages government to:

¹³ <http://www.oecd.org/gov/pem/performanceandleadership.htm>

- Clarify the expectations incumbent upon senior-level public servants to be politically impartial leaders of public organisations, trusted to deliver on the priorities of the government, and uphold and embody the highest standards of integrity without fear of politically-motivated retribution. This suggests the need to codify these expectations in law and ensure they are upheld and regularly monitored.
- Select and appoint the right people to these positions considering merit-based criteria and transparent procedures, and holding them accountable for performance through appropriate means. This suggests the need to look at performance management mechanisms for leaders and the integration of these mechanisms into the governance system.
- Ensure senior-level public servants have the mandate, competencies, and conditions necessary to provide impartial evidence-informed advice and speak truth to power.
- Develop the leadership capabilities of current and potential senior-level public servants.
- The OECD Recommendation on Public Integrity also suggests, for instance, investing in integrity leadership to demonstrate a public sector organisation's commitment to integrity.

Core questions for consideration by governments

- When identifying and pursuing a priority reform initiative, does the government demonstrate sustainable commitment at the highest political and management levels through an explicit institutional measure? How can the administration support the government in conveying this commitment towards sound public governance internally inwithin and outside the administration
- Has the government established a medium to long-term vision and goals, and clear institutional mandates and financial resources for their accomplishment?
- Is there an emphasis put on leadership to support the management of individual and collective performance? Does the government invest in skills to build leadership capability in the public service?

Key resources

- OECD (2017) Core Skills for Public Sector Innovation.
- OECD (2017) The Principles of Public Administration, OECD Publishing, Paris.
- OECD (2014) Centre Stage, Driving Better Policies from the Centre of Government
- Draft OECD Recommendation on Public Service Leadership and Capability (forthcoming)

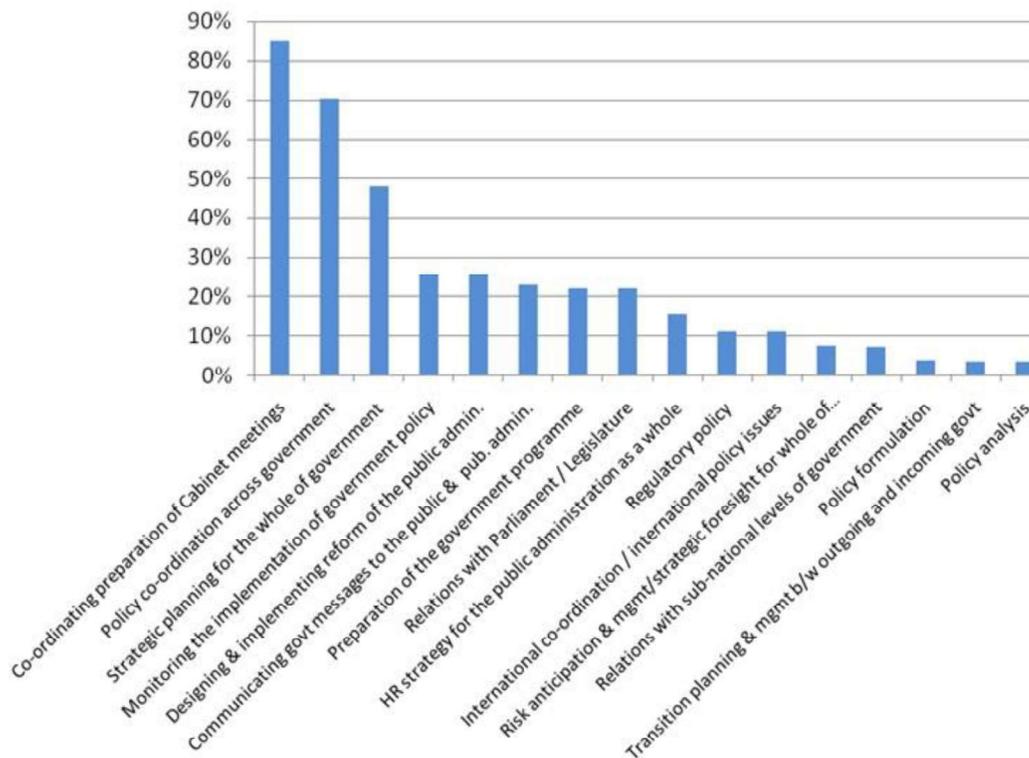
2.3. Whole-of-government co-ordination

In recent decades **policy co-ordination** to achieve greater policy coherence has become particularly relevant for many OECD Members and Partners, mainly due to the emergence of cross-cutting, multi-dimensional policy challenges and the subsequent atomisation of administrative structures illustrated by the exponential growth of agencies and other autonomous bodies (Beuselinck, 2008; Alessandro et al., 2013). According to the 2014 OECD Survey on Centre of Governments, most of the countries surveyed (59%) reported that the number of cross-ministerial policy initiatives has grown since 2008 (OECD, 2013).

To promote coherence in the way the government works across ministries, agencies and other administrative units, the majority (67%) of OECD countries surveyed in the 2017 update to the 2014 survey has strengthened the institutional and financial capacities of their Centres of Government, whose mandates have progressively shifted from administrative support to policy coordination (see Box 7) (OECD, forthcoming).

Figure 7. Top responsibilities delegated to the Centre of Government across OECD countries

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Source: OECD (forthcoming) 2017 Survey on the Organisation and Functions of the Centre of Government, OECD, Paris

Despite the wide range of institutional CoG structures across OECD countries, the 2014 and 2017 OECD surveys on Centre of Government (OECD, 2014, 2018 –forthcoming)

show several commonalities in their functions and responsibilities for leading whole-of-government co-ordination (Figure 1). These can be clustered in the following key areas:

- **Driving evidence-based, inclusive and timely decision-making** by the Head of Government;
 - In most countries, the chief executive is supported by a private office that structures daily business and provides political intelligence and advisory support on an ad hoc basis. Regular Cabinet meetings remain the principal channel for policy discussion.
 - Legal conformity, regulatory quality and adequate costing are three important technical functions that support decision-making and can be co-ordinated by the CoG.
- **Policy co-ordination across government**, which increasingly includes leading cross-cutting, multidimensional priority strategies;
 - One test of the effectiveness of the Centre of Government is its ability to play a mediator role between ministries' disagreements.
 - The Centre is playing more of a leadership role with respect to strategic priorities – also in sensitive policy issues –, designing action plans in cooperation with relevant departments and leading in project management.
 - Several CoGs provide technical and advisory support to line ministries to help them adjust and meet the extra demands of horizontal projects. The main incentives used by the Centre to promote horizontal work are individual or collective performance targets as well as evaluation.
- **Medium-term strategic planning** for the whole-of-government;
 - A majority of OECD countries adopt strategic documents with a relatively short time horizon, similar to a single electoral term.
 - Three planning models are common in OECD countries: (i) a high-level cluster located close to and reporting directly the Head of Government; (ii) a system of strategy meetings including multiple departments and co-ordinated by the CoG; (iii) a specific unit dedicated to horizon scanning.
- **Monitoring the implementation of government policy** for impact and results;
 - Monitoring can take different forms: regular reports delivered to the CoG, cabinet meetings to discuss on the achievement of particular targets, and more specific performance management mechanisms, which could include planning expenditure, input and outcome indicators.
- **Strategic communications**: the Centre of Government is also playing an increasing role in strategic communications both internally and with the public, including managing the government's social media strategies.

Core questions for consideration by governments

- Has your government developed civil-service capacities within the public administration to organise and lead high-level strategic policy discussion and planning?

- Are there instruments at your government for the coordination and oversight of cross-governmental policy initiatives, such as policy co-ordination groups or committees?
- Does your government generate incentives to promote co-ordination across ministries and agencies, such as financial, or individual or collective performance targets?
- Has your government established clear mechanisms such as clear work plans for the implementation of the government programme, performance targets or monitoring instruments to ensure that the government's policy priorities are implemented?

Key resources

- OECD (forthcoming) 2017 Survey on the Organisation and Functions of the Centre of Government.
- OECD (2017) The Principles of Public Administration, OECD Publishing, Paris.
- OECD (2014) Centre Stage, Driving Better Policies from the Centre of Government

2.4. Change Management and Innovation

Public-sector change-management and innovation is about introducing and implementing new ideas whose impact helps promote and improve sound public governance by reinforcing the strategic agility and forward-looking nature of the state. It is about how to introduce, and how to respond to, discontinuous change while promoting citizen-centred approaches in the design and implementation of public services.

- This change can range from the more incremental (significantly altering or introducing an entirely new process), to the radical (a whole new way of understanding the world).
- The change can be about disruption (i.e. new technology and associated operating models), about transformation (e.g. moving from analogue processes to digital interactions), or about defining and pursuing strategic priorities and ambitions when there were none before.

Evidence suggests that promoting public-sector innovation is a key priority in promoting sound public governance in many OECD countries. While market forces, notably competition, shape private-sector performance, the public sector needs to implement a range of mechanisms that supports, or at least establishes the conditions for, dynamic and disruptive capacity to change in ways that improve the government's performance in serving citizens and businesses successfully in a fast-changing world. Governments now have to grapple with a number of drivers that requires a more structured and consistent approach to managing change and encouraging innovation:

- *Changing functions* – in an environment of change, governments must also change how they operate;
- *Running to stay in place* – in an evolving economy, governments have to change policy settings just in order to maintain results;

- *No room for spectators* – in order to remain effective decision-makers, governments have to have actual knowledge of innovation; they cannot wait for the answers to be given to them;
- *People expect more* – many politicians, citizens and public servants want and expect things to change;
- *Risk of a mismatch* – a government that does not innovate is one that is at risk of always being behind, always reacting yet forever disappointing;
- *Innovation as a core competency* – the need for innovation can strike anywhere, therefore everyone must be ready to play a part.

Much is still being learned about how best to create the conditions for innovation, and the skills, capabilities, tools and resources needed to undertake it successfully. Experience from across OECD countries indicates that innovation takes place across all levels of government. There is a role for the central government to create the conditions for it to emerge (see Box 8). Research has found that the main innovation enablers in government are linked to factors related to how people are managed, whether internal regulations work, the role of budgets in creating space for innovation, how project management practices can be designed to deal with risks, and how to create safe spaces to experiment (innovation labs and units). However considering these factors in isolation only provides a partial view of where innovation is most required or wanted, and may result in shifting blockages from one part of the system to another.

A systems perspective can bolster the capacity and ability of the civil service to identify, develop and apply new approaches as needed, both to meet current mandates and respond to new threats and opportunities¹⁴. The OECD has identified four areas that administrations should concentrate on if innovation is to be a consistent and reliable resource for governments:

- *Clarity* – is there a clear signal being sent to actors in the public service about innovation and how it fits with other priorities?
- *Parity* – does innovation have equal footing with other considerations for proposed courses of action?
- *Suitability* – are the capabilities, systems, and infrastructure suitable for the options that are available?
- *Normality* – is innovation seen as integral rather than as an occasionally accepted deviation from the norm?

¹⁴ A systems approach “analyse the different elements of the system underlying a policy problem, as well as the dynamics and interactions of these elements that produce a particular outcome. The term “systems approaches” denotes a set of processes, methods and practices that aim to affect systems change” (OECD (2017) “Working with change. systems approaches to public sector challenges”, www.oecd.org/media/oecdorg/satellitesites/opsi/contents/files/SystemsApproachesDraft.pdf; in G@G 2017).

Box 8. Canada Experimentation Direction

In 2015 the Prime Minister of Canada set out the Government's commitment for agencies to devote a fixed percentage of program funds. This had the aim to encourage experimenting with new approaches and measuring impact to instil a culture of measurement, evaluation and innovation in program and policy design and delivery. This initiative has acted as a powerful structural driver for innovation, by ensuring that there is an ongoing push for looking at new (and hopefully better) ways of doing things. This has helped spur further investigation and use of new methods and techniques (such as behavioural insights, impact investing and challenge approaches).

Core questions for consideration by governments

- Does the public sector have the capacity to absorb new trends, address underlying shifts, and track potential changes in citizen expectations and needs?
- How does your government learn from emerging practices, and mainstream the lessons into core practices?
- Does your government support (advising, guiding, resourcing) agencies, public servants, and actors at the local level to enable them to test and apply new ways of doing things in order to deliver public value?

Key resources

- The OECD Observatory of Public Sector Innovation (OPSI)
- OECD (2018) Embracing Innovation in Government: Global Trends 2018 Report
- OECD (2017) Fostering innovation in the public sector

Part II: Sound Public Governance for Policy Formulation, Implementation and Evaluation

Sound public governance is not only about the values and enablers underpinning institutional and decision-making arrangements to manage governing in the public interest; it is about how governments pursue formulating, implementing and evaluating decisions against their impact on citizens' lives.

The first part of this Framework presented elements related to public-sector values and ethics that can positively influence the manner in which governments select and prioritise policy problems (chapter 1), and presented operating principles and practices that OECD countries have developed and adopted to enable sound decision-making and pursue reform effectively and efficiently (chapter 2).

This second part will complement these values and enablers with an integrated overview of instruments and tools adopted through trial and error by OECD countries to improve various areas of public governance. These good practices, in many cases embodied in OECD legal instruments in the form of policy recommendations, can enhance the quality and impact of policy-making on improving outcomes for citizens and businesses. This second part presents how governments can shape the policymaking process through the strategic use of:

- **Management tools**, such as strategic planning, human resources, digital capacities, public procurement, performance monitoring and policy evaluation that can affect policy outcomes indirectly by informing policy-making processes (Howlett et al., 2009).
- **Policy instruments**, understood as the interventions made by government to directly influence the content and effects of policy action, such as regulations, fiscal allocations and public expenditures (Turnpenny et al., 2015).

Policy-making usually does not follow a linear path. Governments face multiple and urgent issues; they have to make daily decisions while sustaining pressure from different stakeholders without necessarily having the proper time to embark on a thorough planning process. Policy-making might evolve over electoral cycles or because of international and domestic developments; often, political urgencies can push decision-makers to act with incomplete policy advice outside of a comprehensive policy-design framework to guide decision-making.

The different stages of the policy cycle – usually categorised as policy formulation, implementation and evaluation – are thus interdependent and pursued simultaneously. In this regard, one of the goals of this Framework is to share evidence with governments on OECD standards and practice on how OECD Members tend to use specific instruments and tools to engage in the policy-making process strategically and in tackling long-term complex challenges correctly while meeting immediate and urgent demands from citizens and stakeholders. This includes, inter alia, specific guidance and self-assessment questions based on OECD legal instruments and evidence of practice on:

- Problem identification, and policy formulation and design (chapter 3);
- Policy implementation, (chapter 4); and

- Policy evaluation (chapter 5).