Policy Framework on Sound Public Governance

PRELIMINARY VERSION

HIGHLIGHTS

OECD

BETTER POLICIES FOR BETTER LIVES
Introduction
Toward Integrated Sound Public Governance

The Policy Framework on Sound Public Governance (hereafter the Framework) aims to provide governments at all levels with an integrated diagnostic, guidance and benchmarking tool to help:

- Design and implement public governance reforms that can lead to improvements in, and the sustainability of, prosperity for their country and the wellbeing of their citizens;
- Design and implement reforms in any policy area by taking public governance approaches for effective policy-making into account so that reforms can more effectively respond to complex, multidimensional challenges.
- Design and pursue a public-governance reform agenda that enables governments to move closer to OECD standards and practices in this area.

The primary target audiences of this Framework include centres of government, line ministries, government agencies and other public institutions in the executive branch at all levels of government. This Framework could also be useful for civil society to assess governments' participation, decision-making and policy-making arrangements as well as for legislative and judicial branches seeking to modernise their approaches to governance as a means to strengthen capacity to serve citizens and businesses better.

WHY A FRAMEWORK?

More than ten years after the 2008 financial crisis, governments are facing increasingly multidimensional policy challenges that require cross-cutting, multifaceted responses in a context of diminishing public resources and low trust levels in government. While the world faces systemic and interconnected challenges such as climate change and growing inequality, governments remain ill-equipped to deal effectively with these issues (OECD, 2017[2]).

This new scenario has raised multiple challenges for public administrations. Historical governance problems, such as corruption, excessive red tape, inefficient spending and lack of skills, are now exacerbated by bottlenecks that render more difficult or prevent effective co-ordination across different administrative units and policy areas, and the need to identify, attract and retain new sets of skills and capacities in the public sector to address new political and technological developments effectively.

The environmental, social, and economic challenges of our times call for a multidimensional and integrated approach to public policy and service delivery. Innovative approaches to public governance along with more holistic and integrated strategies are required to enable governments to respond effectively to the multidimensional challenges facing society.

Governments now strive to bolster capacity to tackle complexity and address systemic challenges while responding to immediate-term priorities generated by political imperatives. At the same time, citizens and civil society are demanding a more equitable, open and inclusive culture of governance, one in which decisions are taken in the public interest rather than under the undue influence of powerful interest groups.
THE ORIGINS OF THE FRAMEWORK

The Framework highlights different good-governance practices developed by OECD Members and Partners that reflect a values-based approach to governance, where resources are obtained and spent efficiently and in the public interest. This Framework builds on data, evidence and lessons learned on public governance practices gathered over the past decade through the OECD’s Public Governance Reviews (PGRs) and other country- and sector-specific assessments in public governance. It weaves together a narrative that links existing OECD legal instruments in public governance (Figure 1) and aims to highlight evidence of emerging good practice in areas of public governance in which no OECD instruments yet exist (for example whole-of-government coordination or evaluating policy performance).

Figure 1. OECD legal instruments under the responsibility of the OECD’s Regulatory Policy Committee and Public Governance Committee

The Framework builds on similar exercises developed by the OECD, such as the OECD / EU SIGMA Principles of Public Administration (SIGMA, 2017), and other international organisations such as the UN Economic and Social Council’s Principles of effective governance for sustainable development (2018) and the European Commission Quality of Public Administration Toolkit (2017). Most importantly, the Framework reflects a broad consultation process with international organisations and civil society organisations, with OECD Members, and with the general public.
WHAT IS SOUND PUBLIC GOVERNANCE FOR THE OECD?

Sound public governance consists of the formal and informal rules, procedures, practices and interactions within the State, and between the State, non-state institutions and citizens, that frame the exercise of public authority and decision-making in the public interest. Sound public governance constitutes a sine qua non condition for pluralist democracies to give effect to the respect for the rule of law and human rights. Efficient democratic institutions lie at the core of sound public governance.

Sound public governance is therefore the combination of three interconnected elements:

- **Values**: context-based principles of behaviour that guide public governance across all of its dimensions in a way that advances and upholds the public interest.

- **Enablers**: an integrated nexus of practices that support the effective definition and implementation of reforms.

- **Instruments and tools**: a set of public policies and management practices for efficient governance and policy implementation.

The values, enablers, instruments and tools that underpin sound public governance are to a large extent, mutually interdependent.
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HOW DOES THE FRAMEWORK WORK?

While the Framework’s main target audience is the executive branch of government, the content of the Framework can resonate beyond the executive and encourage collaboration across branches and jurisdictions from a whole-of-society perspective.

At the conclusion of each chapter, the Framework poses a small number of questions that readers can use to assess their government’s institutional and decision-making capacity in key public governance areas. The Framework also provides, where possible, reform-implementation guidance based on the toolkits developed to support the implementation of existing Recommendations as well as evidence on trends and practices drawn from the OECD’s broader work with Member and Partner countries.

The Framework is intended to complement existing OECD legal instruments in the area of public governance; these instruments will remain the applicable legal standards on public governance at the OECD with their implementation monitored regularly by the relevant committee and reported on to the OECD Council. The Framework will support the implementation of these legal instruments by setting out an integrated vision of public governance that weaves together a coherent and integrated narrative that runs through the OECD’s acquis in this area.

The Policy Framework of Sound Public Governance is divided into two parts:

- Part 1: The values and enablers of Sound Public Governance,

Figure 3. The genesis of the draft Framework
WHAT IS THE FRAMEWORK NOT ABOUT?

This Framework is not seeking to impose a univocal vision of, or single recipe for, public governance; nor does it seek to gloss over the many context-based factors affecting the capacity of governments to integrate these practices into public management (e.g., size of country and government, homogeneity of the civil service, level of government, etc.).

As well, while it intends to provide a holistic approach to public governance, it is not exhaustive. And as it primarily presents OECD work in the area, it does not include important elements on which the OECD has gathered limited evidence, for instance on the internal organisation of specific ministries or administrative units, the governance of addressing major public security challenges or managing the emergence of societies from conflict, which are particularly context-based. That said the Framework’s key values, enablers and instruments and tools can potentially be adapted to assist governments in addressing these challenges as well.

THE FUTURE OF THE FRAMEWORK

The Framework as a tool is designed to be evergreen and easily updatable as practices evolve, new evidence is collected, and current OECD legal instruments are revised or new ones adopted. A short user-friendly version of the document will be launched over the course of 2020. Moreover, future editions of the Framework may include time-bound performance indicators to assess the maturity of governance systems. The objective of embedding possible “maturity models” related to governance practice, notably linked to the assessment questions presented at the end of the chapter sections, would be to provide practical, indicator-based tools for governments to monitor and evaluate their progress in moving closer to the frontier of OECD standards in the areas of public governance highlighted in the Framework.

With this Framework, the OECD seeks to bear witness to the different practices that countries have developed – and continue to develop – to ensure that their institutional and decision-making arrangements lead to improving results for people: better policies – through better governance – for better lives.
The Values & Enablers of Sound Public Governance

**Integrity**: building an integrity system in the public sector is a critical component for preventing corruption, to safeguard democratic institutions and the rule of law. The OECD Recommendation on Public Integrity (2017) shifts the focus from ad hoc integrity policies to a context-dependent, evidence and risk-based approach with an emphasis on promoting a cultural change and examining integrity policy-making through a behavioural lens. Other instruments also provide specific guidance in the area, such as the OECD Recommendation on Guidelines for Managing Conflict of Interest in the Public Service (2003) and the OECD Recommendation on Principles for Transparency and Integrity in Lobbying (2010).

**Openness and transparency**: Openness and transparency policies include the accessibility of information as well as other public resources and the proactive disclosure of information and data. They are key ingredients to build accountability and trust and crucial for the proper functioning of democracies and market economies. The OECD Recommendation on Open Government (2017) refers to open government as a culture of public governance that promotes transparency, integrity, accountability, and stakeholder participation in support of democracy and inclusive growth.

**Inclusiveness, participation, gender equality and diversity**: to make societies more cohesive and resilient and democracies more vibrant, governments can take active measures to design, apply, and monitor participation and equality in governance and decision-making. To this end, governments should mainstream inclusiveness as an integral dimension of policy-making. The application of a gender-equality and inclusiveness lens helps governments better understand the needs of all societal groups and how to respond to them effectively. The OECD Recommendation on Gender Equality in Public Life (2015) identifies drivers to ensure inclusiveness in public-governance approaches and decision-making processes.

**Accountability, and the respect for the Rule of Law**: The responsibilities of politicians, public officials and citizens are undergoing a profound transformation which requires a rethinking of the ways in which formal traditional accountability (state, administrative and financial) should be integrated, with more citizen-centred accountability (i.e. citizen journalism or open data initiatives). Furthermore, accountability needs to be based on respect for the rule of law: effective and efficient justice systems are crucial to sustaining the rule of law, accountability before the law.
Governments need to adapt to the new public sector challenges. This might require transforming bureaucracies, institutional arrangements and governance cultures that have been in place for decades (in some cases centuries). The existing OECD Recommendations relating to public governance show that despite sector-specific differences across Recommendations, each advocates for a key set of common enablers that can contribute to a better definition and implementation of reforms across government. These enablers aim to prepare governments to deal with complex policy and governance reforms:

- **Commitment, vision and leadership**: For reforms to be successful, it is crucial to ensure commitment and demonstrate leadership to endorse (and pursue) a policy or strategy at the highest political level. Moreover, nearly all OECD Member countries present some sort of strategic vision, codified in strategic plans or government programmes. Leadership from the civil service can be fundamental for the success of reforms as senior civil servants usually play a key role in linking strategy to policy execution and are crucial for the effective design and implementation of policies. Governments should therefore invest in a values-driven, result-oriented and citizens-centred culture of leadership at the senior level management.

- **Equitable and evidence-informed policy-making**: Managing decision-making effectively and efficiently in the public interest and preventing unbalanced influence lies at the core of sound public governance. Equitable decision-making can be strengthened when a multiplicity of actors, through enabling mechanisms and institutional spaces, promote and work collectively and in a representative manner in the public interest. The use of evidence, in particular the governance of how evidence is collected, applied and integrated into decision-making, is another key element of sound policy-making.

- **Whole-of-government co-ordination**: In recent decades, policy co-ordination to achieve greater policy coherence has become particularly relevant in many OECD Member and Partner countries, mainly due to the emergence of crosscutting policy challenges and the multiplication of administrative structures created to address them. Co-ordination and policy coherence, both across administrative units within a government and between levels of government, is key to ensuring an integrated approach to national strategy design and implementation, including the implementation of the Sustainable Development Goals (SDGs). To promote coherence and improve policy co-ordination, governments can strengthen the institutional and financial capacities of their centres of government to lead strategic planning and coordination efforts.

- **Innovation and change management**: Public-sector innovation focuses on introducing and implementing new ideas by reinforcing the strategic agility and forward-looking nature of the state. OECD evidence shows that the main innovation enablers in government are linked to how people are managed, whether internal regulations work, the role of budgets in creating space for innovation and learning from failure, how project management practices can be designed to deal with risks, and how to create safe spaces to experiment. Change management is generally about transitioning to a known desired state or outcome, whereas innovation is an exploratory process of learning in a complex and uncertain context. Both play an essential role in effective government, though both require differing types of support and preconditions to be undertaken successfully.
TOWARD SOUND POLICY FORMULATION AND DESIGN

Public governance also refers to how governments formulate, implement and evaluate decisions against their impact on citizens’ lives. Toward sound policy formulation and design: First, a policy challenge needs to be correctly identified, defined and framed. Once this is achieved, policymakers can determine adequate courses of action. The policy formulation stage is the process by which governments translate long, medium and short-term policy goals into concrete courses of action.

Management tools for policy formulation and design

Throughout all stages of the policy process policymakers use tools to pursue desired outcomes. Moreover, those tools can serve as direct channels for policy implementation.

The following management tools can improve the quality of policy formulation and design:

- **Strategic planning**
  - to define and translating political commitments and ambitions into both long/medium-term strategies and operational action plans, as way to articulate and guide the work of government around a small number of integrated policy priorities;

- **Skills for developing policy**
  - that are the combination of traditional aptitudes, such as the capacities for providing evidence-based, balanced and objective advice, with a new set of skills in digital, open and innovative government to allow meaningful, participatory and innovative stakeholder engagement;

- **Digital capacities**
  - used in all areas and at all levels of the administration to cut silos through across the administration enabling collaboration and joint approaches to policy formulation and enhancing government transparency and access to information;

- **The use of data as a tool**
  - to identify or anticipate societal needs and inform policy design accordingly, facilitating data sharing within the public sector as well as enhanced access to, sharing of, and re-use of government data with external actors, when appropriate.
The strategic use of policy instruments

Governments must decide which combination of policy instruments can best be deployed to influence the content and effect of policy action to address a problem and implement a solution. They usually have three main instruments at their disposal to achieve their objectives, namely spending, taxation and regulation. Governments may use both direct and indirect government instruments, such as tax expenditures, contingent liabilities, and loans, in an effort to realise their goals.

Moreover, digital tools and public procurement provide very powerful avenues to give effect to policy measures. For instance, the establishment of clear and solid data governance frameworks can support a strategic use of data for improved design, delivery and monitoring of the impact of public policies and services. In this light, good data governance considers the deployment of strategic, tactical and delivery elements (e.g. data stewardship, guidelines, standards, and data sharing infrastructures) that respond to the specific needs of those actors involved in the policy making process.

This chapter highlights the importance of:

- **Regulatory policy and governance** to ensure that regulations meet the desired objectives and new challenges as efficiently as possible. To help governments implement and advance regulatory practice that meets stated public policy objectives, the OECD Recommendation on Regulatory Policy and Governance (2012):
  - Provides governments with clear and timely guidance on the principles, mechanisms and institutions required to improve their regulatory framework to the highest standards;
  - Advises governments on the effective use of regulation to achieve better social, environmental and economic outcomes; and
  - Calls for a “whole-of-government” approach to regulatory reform, with emphasis on the importance of consultation, co-ordination, communication and co-operation.

- **Budgetary governance**: A second substantial policy instrument is the budget, which reflects government’s policy priorities and translates political commitment, goals and objectives into decisions on what policies receive financing and how these resources are generated. The OECD Recommendation on Budgetary Governance (2015) serve as guidance for policymakers to make use of the budget system to achieve policy objectives and meet the challenges of the future, inter alia to:
  - Use budget as a substantial policy instrument to achieve medium-term strategic priorities of the government;
  - Design the capital budgeting framework in a way that it supports meeting national development needs in a cost-effective and coherent manner, inter alia, to ensure that infrastructure projects meet their timeframe, budget, and service delivery objectives;
  - Ensuring that budget documents and data are open, transparent and accessible. Ensuring an inclusive, participative and realistic debate on budgetary choices that need to be made in the general public interest.
Part II.

Sound Public Governance for Policy Formulation, Implementation and Evaluation

TOWARD SOUND POLICY IMPLEMENTATION

Managing implementation

As policy challenges become more complex and multi-dimensional, governments need to build and reshape capacities to ensure that policy responses actually address people’s needs successfully. For policy formulation and design, this implies financial, human and digital resources to enhance the strategic agility of the administration and tools to ensure co-ordination, along with capacity to guarantee effective oversight and monitoring to enable the government to make corrections when needed. Sound policy implementation also implies openness, inclusiveness and integrity during the process.

The Framework assesses key determinants of successful policy implementation. It explores, for instance, the role and importance of civil-service capabilities and skills along with digital tools and innovation methods to enhancing the strategic agility and responsiveness of government institutions.

OECD experience underscores the importance of developing adequate frameworks to:

- **Strengthen Capacities & Skills of Public Employees**
  - Strengthen the capacities and skills of public employees in order to create a values-driven, trusted and capable, response and adaptive public service, as highlighted in the OECD Recommendation on Public Service Leadership and Capability (2019).

- **Strengthen Digital Government**
  - Strengthen digital government strategies that also aim to enable a more strategic use of government data as highlighted in the OECD Recommendation on Digital Government Strategies (2014), is pivotal for the improvement of policy-making in all its stages, as it can be strategically used to rethink and redesign government processes in a way that contributes to shaping public governance outcomes.

- **Well-designed public procurement systems**
  - Well-designed public procurement systems, which allows to use procurement as a strategic lever to pursue policy objectives, as recommended in the OECD Recommendation on Public Procurement (2015).

- **Agile & Innovative Approaches**
  - Agile and innovative approaches, to create, inter alia, feedback loops during the implementation and service delivery process, to find new solutions to deal with complexity. The OECD Declaration on Public Sector Innovation (2019) help governments and public organisations improve innovation to address a variety of challenges and leverage opportunities.

- **Public-Private (PPPs) & Public-Civil Partnerships**
  - Public-private (PPPs) and public-civil partnerships, to allow sharing policy implementation functions and service delivery with other levels of governments and with actors such as the private sector, civil society and other civil actors. In this regard, OECD Recommendation on Principles for Public Governance of Public-Private Partnerships (2012) provides guidance on such partnerships.
Monitoring performance

Monitoring policy and governance performance is essential to ensure the proper implementation of a public policy. Monitoring helps policymakers track progress and make adjustments when necessary during the implementation phase to make sure a policy is on track to achieve the objectives for which it was adopted. Parallel to internal mechanisms, civil society and citizens also have a key role to play in monitoring public services. Governments therefore can enable and strengthen civil society participation and raise awareness of its potential leverage. Information and data collected during the monitoring process can feed into planning, decision-making and improve performance.

It can moreover serve as a follow-up tool, improving the implementation processes and the inner-workings of organisations; with a view to further enhance efficiency or the use of organisational capacity, among others. Eventually, it provides accountability to stakeholders, on issues such as resource use, internal processes, outputs and outcomes of a policy. Finally, policy monitoring can inform formulation and decision-making of other policy interventions, for instance as part of performance-informed budgeting. The Framework discusses the monitoring of government-wide policy priorities, financial performance and budget execution as well as regulatory policy:

• OECD countries are focusing increasingly on monitoring the alignment of policies as well as their impact: they are gradually turning away from tracking line-item public expenditures in isolation from evaluating policy and spending decisions for impact and results, in order to improve co-ordination across policy areas and highlight progress and achievements publically against desired outcomes. This is increasingly relevant as countries seek to translate and implement Agenda 2030 by aligning the SDGs with their own national strategic objectives and with result-areas in their national budget.

• The monitoring of the administration’s financial performance and budget execution, and understanding the extent, nature, causes and consequences of deviations from planned budgets, can help governments assess the effectiveness of public spending against strategic objectives and adjust the allocation of financial resources in case of unforeseen implementation challenges or misspending.

• In many OECD countries, measuring regulatory performance and ensuring regulatory compliance works for instance through inspections, which are common implementation tools to improve policy-making and service delivery. These can help governments identify specific barriers, improve regulations to reduce compliance costs, maximize net benefits, and ensure that regulations are transparent and accessible for citizens.
Part II.

Sound Public Governance for Policy Formulation, Implementation and Evaluation

TOWARD ROBUST POLICY EVALUATION

In addition to monitoring, evaluating performance and policy results helps policymakers understand why some policies work and others do not. By producing evidence through a structured and objective assessment of a future, ongoing or completed policy or reform initiative, policy evaluation can enhance the quality of decision-making and provide tailored advice to improve policy formulation and implementation.

If performance data and the evidence explaining performance are fed into the policy cycle and used to improve future policy initiatives, policy evaluation can optimise policies’ value for money, accountability and transparency of the policy-making process, and provide legitimacy for the use of public funds and resources. The OECD Recommendation on Budgetary Governance (2015) recommends that governments ensure that “performance, evaluation & value for money are integral to the budget process”.

Robust policy-evaluation systems imply that evaluations are part and parcel of the policy cycle; that evaluations are carried out rigorously and systematically; that the results are used by decision-makers; and that information is readily available to the public. For many countries developing and/or implementing a strategy for promoting a whole-of-government approach on policy evaluation is a key challenge.

Such a strategy would ideally address three main issues and provide guidance on how to:

- **Build an institutional framework for policy evaluation**, which inter alia provides:
  - the legal basis,
  - macro-level guidance, and
  - the identification of mandated institutional actors with allocated resources to oversee or carry out evaluations;

- **Promote the quality and use of policy evaluations** across government, including efforts related to building human resources capacity, ensuring appropriate stakeholder engagement, as well as fostering a data-driven public sector culture to promote innovative performance assessment and evaluation of policies.

Moreover, actors such as Supreme Audit Institutions can play a critical role in the evaluation process through their audits, evaluations and advice, thus holding the government to account for the use of public resources (see Box 29 for an example of Chile’s Supreme Audit Institution’s role in strengthening good governance). In addition to evaluating policies and programmes on a performance or value-for-money basis, SAIs can act as an “evaluator of evaluators” in government by auditing the effectiveness of an evaluation system and those responsible for it.

Finally, evaluating regulations through **ex-post regulatory reviews** is primordial to ensure regulations in place are both relevant and adapted to their aims. When ex-post regulatory reviews are not carried out, regulatory costs and red tape tend to incrementally increase, at the expense of businesses and citizens. Ex-post reviews can therefore shed light on potential areas of improvement and therefore become a tool for regulatory planning.
Scan the QR code to read the Recommendations of the Council in the area of public governance.
Scan the QR code to read the Recommendations of the Council in the area of public governance


Recommendation of the Council on Gender Equality in Public Life (2013)


Should you have any questions on the Policy Framework or the consultation process, please do not hesitate to contact us at governanceframework@oecd.org.

For more information and an overview of the Policy Framework’s content, please visit: oe.cd/governanceframework
References

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EXECUTIVE SUMMARY

OECD Recommendation on Public Integrity (2017)

OECD Recommendation on Open Government (2017)

OECD Recommendation on Budgetary Governance (2015)

OECD Recommendation on Gender Equality in Public Life (2015)


OECD Recommendation on Regulatory Policy and Governance (2012)

OECD Recommendation on Principles for Transparency and Integrity in Lobbying (2010)
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