Executive Summary

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

- Part 1: The values and enablers of Sound Public Governance
- Part 2: Sound Public Governance for Policy Formulation, Implementation and Evaluation

Part I: The Values and Enablers of Sound Public Governance

The first part of this Framework presents, in chapter 1, the importance of key governance values to positively influence the manner in which governments select and prioritise policy problems, and structure relations internally, with external stakeholders, and with citizens. Chapter 2 then provides an overview of enablers of sound public governance that governments can adopt to pursue effective and equitable decision-making and successful reforms.

The Values of Sound Public Governance

Governance is about meeting the needs of, and improving outcomes for people. To this end, the OECD suggests building a values-based culture of public governance. Taking into consideration that the definition of governance values is intrinsic to context-based cultural traditions; the Framework highlights OECD practices in pursuing integrity, openness, inclusiveness and accountability. The values mirror, *inter alia*, the open government principles, defined in the *OECD Recommendation on Open Government* (2017) [OECD/LEGAL/0438] as transparency (including openness), integrity, accountability and stakeholder participation (including inclusiveness). These and the adoption of other related values aim to generate a new culture of governance, which can contribute *inter alia* to preventing corruption and policy capture by undue influence, and orienting public decision-making toward the common interest.

Building a values-based culture of sound public governance is a continuous and challenging process of shaping organisational and individual practices and behaviour. Even though there is no perfect (nor single) reform recipe, concrete steps can be taken to move the public sector, both culturally and institutionally, toward more values-based performance. In this connection, the OECD pays special attention to:

- **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) [OECD/LEGAL/0435] 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. In particular, the *Recommendation* provides guidance for developing a public integrity strategy based on three pillars: (1) building a coherent and comprehensive integrity system, (2) cultivating a culture of public integrity, and (3) enabling accountability and transparency. 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) [OECD/LEGAL/0316] and the OECD *Recommendation on Principles for Transparency and Integrity in Lobbying* (2010) [OECD/LEGAL/0379].
• **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. An open government refers to a culture of public governance that promotes transparency, integrity, accountability, and stakeholder participation in support of democracy and inclusive growth. It is important to see Open Government not only as an end in itself, but rather as a tool to achieve policy objectives. The **OECD Recommendation on Open Government** (2017) [OECD/LEGAL/0438] recommends that governments develop, adopt and implement open government strategies and initiatives through (1) ensuring the existence of an enabling environment, (2) developing an implementation framework, and (3) planning the way ahead by exploring the potential of moving from the concept of open government to that of open state, encompassing the legislative and judicial branches, independent public institutions and subnational governments.

• **Inclusiveness, based on gender equality and diversity**: can empower marginalised, disadvantaged and/or vulnerable groups as well as achieve gender equality. To make societies more cohesive and resilient and democracies more vibrant, governments can take active measures to design, apply, and monitor 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) [OECD/LEGAL/0418] identifies three drivers to ensure inclusiveness in public-governance approaches and decision-making processes: (1) Sustain strong institutional mechanisms, tools and accountability structures; (2) Enable effective stakeholder participation; (3) Ensure gender equality, diversity and inclusiveness in decision-making.

• **Accountability, and the respect for the Rule of Law**: Public accountability represents a key element for governments and public institutions to ensure their efficiency and effectiveness, and more generally to strengthen citizens’ trust. Nowadays, the widespread use of digital technologies coupled with the improved internet penetration worldwide, the increasing presence of politicians and public institutions on social media, the open government movement, and the diffusion of the principles and practices of transparency and stakeholders’ participation are all reshaping public governance. In this sense, accountability lines, which in their most simplistic form can be defined as “who does what and reports to whom”, become blurry and dynamic as they change from country to country as well as across political cycles. 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’s-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, and sound public governance, including the effectiveness of policy and regulatory performance. Independent institutions are critical to ensure that governments operate optimally and remain accountable to their citizens.
The Enablers of Sound Public Governance

An overview of lessons learned drawn from OECD work on public governance demonstrated that leaders have difficulty in building “the business case” for engaging different governance stakeholders in comprehensive reforms. It also shows that they grapple with the general perception that reform is often seen as a tool to reduce expenditures rather than a means to solve complex policy challenges.

In this regard, the existing OECD Recommendations relating to public governance and the OECD’s body of evidence 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, that increases policy coherence, underpins the rationale for better coordination, can legitimise policy-making and constitutes a tool to ensure reform sustainability. **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. How public decisions are made, which interests lie behind these decisions and what their goals are define all reform efforts. 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 and non-OECD Member States, mainly due to the emergence of crosscutting, multi-dimensional policy challenges and the multiplication (and subsequent atomisation) 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 across ministries, agencies, levels of government and policy areas, governments can strengthen the institutional and financial capacities of their centres of government to lead strategic coordination efforts, as well as their medium-term strategic planning capacity, notably to integrate key evidence from such areas as performance evaluation frameworks, strategic foresight and long-range horizon scanning into the planning process.
**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.

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

Public governance not only encompasses the values and enablers underpinning institutional and decision-making arrangements to manage governing in the public interest; it also refers to how governments formulate, implement, communicate and evaluate decisions against their impact on citizens’ lives. The second part of the Framework complements the aforementioned elements with an integrated overview of good practices and tools adopted by OECD Member countries, which can enhance the quality and impact of policy-making at the different stages of the policy cycle. This second part presents how governments can shape policy-making through the strategic use of policy instruments that can directly influence the content and effects of policy action; and management tools that can affect policy outcomes.

**Toward sound policy formulation and design**

First, a policy challenge needs to be correctly identified, defined and framed. Once this is achieved through a process which normally includes stakeholder and citizen engagement to confirm that the issue has been identified correctly, 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. Evidence suggests that 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. Data governance frameworks should be recognised as a key underlying layer of the policy making process. They can enable the purposeful application of data to identify and frame the policy challenges and to inform decisions on the course of action. 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 governments’ 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.

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 coordination, 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.

For the implementation phase of the policy cycle, 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 in enhancing the strategic agility and responsiveness of government institutions.

OECD experience in public employment and management underscores the importance of developing adequate frameworks to:

• *Strengthen the capacities and skills of public employees* in order to create a values-driven, trusted and capable, response and adaptive public service. The quality of public policy invariably depends on the capacities and motivation of the senior civil service to translate the decisions taken by the political leadership into manageable, actionable initiatives and to harness the necessary human and financial resources to implement them successfully;

• *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 system*, which allows to use procurement as a strategic lever to pursue policy objectives.

• *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.

• *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.
• **A strategic approach to the implementation of the SDGs**, to overcome the governance challenges posed by the implementation of the SDGs, through the use of policy instruments such as the budget, as well as whole-of-government coordination, and monitoring and evaluation.

**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.

**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 quality and levels 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 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 decisions-makers, notably to improve next-generation policy and service design and implementation through effective feedback loops; 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 (a) the legal basis, (b) macro-level guidance, and (c) 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 30 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.