

**PUBLIC GOVERNANCE DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE**

Proposal for a draft Declaration on Public Sector Innovation

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This document provides a proposal for a draft legal instrument on public sector innovation, and the next steps. Following a mandate by the OPSI National Contact Points (NCPs) and co-design session with NCPs in May 2018, the Secretariat has prepared a proposal outlining the rationale for, and preliminary draft of, an OECD Declaration on Public Sector Innovation, for discussion at the November session of the Public Governance Committee. An earlier version of this document has been circulated to PGC delegates in August 2018 and initial comments have been incorporated in this draft.

Delegates will be invited to discuss the text and declassify a revised draft for an open consultation.

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Table of contents

1. Proposal.....	3
2. Rationale for developing and scope	5
1. Governments should innovate in order to serve people, and to serve them better.....	5
2. Governments are already innovating, but there is more to be done.....	5
3. The characteristics of innovation make it difficult to embed as a practice.....	6
4. A more deliberate approach is required.....	7
5. A deliberate approach should reflect the challenges confronting Government	7
6. A multi-faceted approach to innovation.....	8
7. Supporting a portfolio approach involves maintaining diverse capabilities	9
8. Innovation readiness, to innovate for today and tomorrow, demonstrates system maturity and resilience	9
Annex A. Draft OECD Declaration on Public Sector Innovation.....	11
Embrace and enhance the innovation within the public sector	12
Acknowledge that innovation is a responsibility of every civil servant	12
Equip civil servants to innovate.....	12
Cultivate new partnerships and involve diverse voices	13
Generate multiple options through exploration, iteration and testing.....	13
Diffuse lessons and share experience and practice	13

1. Pursuant to the discussion at the meeting of the Network of Observatory of Public Sector Innovation (OPSI) National Contact Points (NCPs)¹ on 21 November 2017 agreeing to explore the possibility of a draft Declaration on public sector innovation, this document sets out a proposal and the next steps. It outlines the rationale for, and preliminary draft of, an OECD Declaration on Public Sector Innovation, to inform delegates' discussion at the November session of the Public Governance Committee. The document responds to a first round of comments to an initial draft provided by PGC delegates during August 2018.

2. PGC delegates are invited to provide substantive comments to the draft and advise on the overall proposal to develop an OECD Declaration on Public Sector Innovation (which is included as an output of the PGC PWB 2019-2020), including next steps and plans for public consultation on the draft Declaration.

1. Proposal

3. Through half a decade of OECD analysis and observation conducted by the Observatory, a set of general principles and shared views emerged around what features and supporting activities can assist a government to develop its public sector innovation system. These views and principles - emerging from individual country practice and exchanges within the Network of the OPSI NCPs led by France and Canada - are the core of the proposed OECD Declaration on Public Sector Innovation (the draft Declaration). They reflect some common foundational elements that drive innovation in the public sector while recognising that each country approach varies depending on different national goals and administrative setting.

4. The proposal to develop a Declaration² is the culmination of many conversations about innovation at different levels.

- The Ministerial panel discussion at the OPSI inaugural conference, “Innovating in the Public Sector: from Ideas to Impact” (November 2014, see also OECD 2015 – The Innovation Imperative in the Public Sector) canvassed the need for a political declaration on this issue. This was further developed through subsequent OECD analysis on the positive role government can play in creating the conditions for effective innovation (see OECD 2017 – Fostering Innovation in the Public Sector).
- The second OPSI conference (November 2017, “Innovation in Government: The New Normal”) saw further ministerial calls for such a declaration, propelling momentum to make innovation a truly horizontal, strategic and cross-cutting function of government as well as an intergovernmental priority.

¹ The Network is an informal expert group under the purview of the Public Governance Committee. It is currently composed of 28 Members and Partners.

² Declarations are OECD legal instruments, which are prepared within the Organisation, generally within a subsidiary body. They usually set general principles or long-term goals and have a solemn character. Unlike OECD Decision or Recommendations, Declarations are not adopted by the OECD Council but by individual governments acting together in the OECD framework. Accordingly, in the context of the development of the draft Declaration, the PGC is invited to discuss on the substantive and procedural steps towards a Declaration but will not be asked to formally approve it.

- At the annual meeting of the Network of the OPSI NCPs, which took place back to back with the second OPSI conference, delegates were informed of the different types of OECD Legal Instruments³. They gave the Secretariat a mandate to explore the feasibility of a non-legally binding instrument in the form of a Declaration and start developing the general principles that could be embodied in the draft Declaration. As the very nature of innovation is constantly changing, this approach would allow adhering governments to subscribe to its general principles, while leaving open how they actually innovate to meet their specific context and needs.
 - A co-design workshop on the draft Declaration with NCP delegates was organised in the context of the meeting of the Network of the OPSI NCPs that took place in Brussels on 3 May 2018. The workshop focused on brainstorming ideas about the different facets of public sector innovation that fed into the first draft of the declaration circulated to NCPs and PGC delegates in summer 2018.
5. Through the draft Declaration, adhering governments would affirm their political commitment to mobilise different activity to deliver on current agendas, anticipate future needs, and match external change and to support all of these with the appropriate approaches, capabilities and resourcing.
6. The initial proposal was for the Declaration to be adopted during the third OPSI Conference that is planned to take place on 19-20 November 2018 in Paris. The goal was to offer visibility to the Declaration and ensure its wide dissemination across all relevant stakeholders, considering the initial broad agreement on the content from OPSI NCPs. This proposal was developed in consultation with the French co-chair of the Network of the OPSI NCPs, which will be hosting the Conference.
7. However, the result of an initial circulation of a preliminary draft to PGC delegates over the summer indicated the need for an extensive consultation with countries on the draft Declaration including a public consultation. As a result, it is proposed to work toward the adoption of the instrument at the 2019 meeting of the Council at Ministerial level (MCM).
8. Below is a possible timeline towards adoption of the instrument at the MCM:

Second OPSI Conference and mandate from the NCP Network	NCP Network	20 – 21 November 2017
NCP Network meeting involving a co-creation process	NCP Network	2 – 4 May 2018
First draft for comments	NCP Network	11 July – 31 July 2018
Second revised draft for comments and request to the PGC for a public consultation on the fourth revised draft	NCP Network and PGC	13 August – 10 September 2018
Third revised draft discussed by the Public Governance Committee	PGC	12 - 14 November 2018
Fourth revised draft launched for public consultation, and in particular: - Consultation of NCP Network and PGC - Consultation of other relevant committees (e.g. CDEP) - Consultation of relevant stakeholders (e.g. TUAC)	Possibly at OPSI Conference (during French Innovation Week)	19 November 2018 – February 2019
Fifth revised draft for final comments with results of consultation to PGC; consultation of interested Members and non-Members to foster adherence	NCP Network and PGC	April 2019

³ See the online Compendium of OECD Legal Instruments at: <https://legalinstruments.oecd.org/en/>.

2. Rationale for developing and scope

1. Governments should innovate in order to serve people, and to serve them better

The public sector cannot be a stranger to innovation. As in the private sector it needs to be able to implement novel approaches to deliver on its core functions. Those core functions include attending to the day-to-day responsibilities of ensuring effective, efficient, and ethical delivery of policies and services for citizens. Yet today, governments operate in volatile, uncertain, complex and ambiguous contexts. There needs to be an eye to the issues of tomorrow, as well as a hand on the priorities of today. Citizens have changing expectations of what government can or should do, how government should do it and the extent to which they want to be involved in decision-making. Greater interconnection and mobility across the globe, with associated social divisions, changing aspirations and fluctuating populations create new pressures for governance and the management of changing demographics. Digital transformation, automation and exponential technological shifts are taking place, with hard-to-predict impacts on industry, productivity, housing, jobs and wellbeing. Climate change is generating long-term impacts as well as short term stressors that need to be grappled with today. There is need for government both to foster economic growth and to ensure such growth's sustainability and inclusiveness. If governments are to keep pace with and shape change, they must understand these challenges, their implications and find ways to innovate so that their ongoing responses to them are effective and adaptable.

In short, effective government increasingly requires and involves public sector innovation (i.e. the process of implementing novel approaches to achieve impact). While innovation may not be the only, or even the best, option, increasingly it must be an option if governments are to respond to a changing world. Yet in order to be so, innovation capability should be developed so that it is available for when and where it is appropriate.

2. Governments are already innovating, but there is more to be done

Most governments already innovate and have been doing so for some time. Yet, proficiency in innovation activity across and within governments is uneven. To ensure that innovative options can be accessed when, and as needed, more attention is warranted. If governments are serious about wanting to better meet today's priorities, stay abreast of tomorrow's priorities and continuously match the world's ever changing pace, then they need to deepen their understanding of what innovation is and cultivate a more considered, deliberate approach toward it.

The proposed draft Declaration aims at providing general principles on how to do so. It also identifies and suggests some supporting activities that would assist a government to mature its public sector innovation system. In concert, these proposed activities can help take innovation out of the margins and place it firmly at the core of the governing function, where it belongs.

The following elements provides the rationale for developing the Declaration and an introduction to the OECD's thinking on public sector innovation.

3. The characteristics of innovation make it difficult to embed as a practice

There are a number of characteristics to public sector innovation that make it a difficult capability and activity for governments to master.

A. Innovation involves novelty

Public sector innovation is about the application of something new to the context: either applying something entirely new, or something existing but new to that setting. It can reveal itself as doing things in different ways or doing different things (including stopping doing something).

Public sector innovation has three broad characteristics:

9. **Novelty:** innovation introduces entirely new approaches or existing approaches in entirely new ways or contexts.

10. **Implementation:** is about practice. Innovation must be implemented in some form or have tangible influence; it cannot remain a theoretical idea, a policy on paper or an invention that is not applied.

11. **Impact:** innovation must result in some degree of change, such as concrete public results, which can include efficiency, effectiveness, outcomes and increased satisfaction (though of course there is no guarantee that innovation will only result in beneficial changes).

This element of novelty means that innovation is inherently contextual, and thus not something amenable to a one-size-fits-all approach.

B. Innovation is not the same as continuous improvement

If innovation is about novelty, then it is about change, and not all change is the same. Innovation involves doing something that is new or significantly different, a form of discontinuous change. While both innovation and continuous improvement may, both involve “How can this be done better?” the answers can look very different from each other, as innovation also involves asking, “What else is possible? Should we be doing this differently, or doing a different thing?” Discontinuous changes will, to some extent, exist in tension with current values, processes or shared notions of what is ‘acceptable’ or ‘best’ practice, whereas more continuous changes will not.

This tension with business-as-usual work is what makes innovation require different forms of support and management than existing, established operations and approaches, including continuous improvement.

C. Innovation can strike (or be required) anywhere, so everyone has a potential role

It is not possible to know with confidence where innovation will or should happen, or how it will unfold.

If the need for innovation may occur anywhere (e.g. because of a new priority, a crisis, a changed operating environment or new technologies) then the ability to respond to that need must, to some extent, be available or accessible everywhere. While not everyone will ‘innovate’, everyone has a potential role in the innovation process – as a participant, as a recipient, or as someone affected by the changes it brings.

D. Governments have an inbuilt bias towards inconsistent innovation

In the private sector there are generally competitive pressures that continually ensure that new options come to the fore and have to be seriously engaged with. In the public sector there exists a range of pressures (existing structures and processes, vested interests, the simple default of the status quo) that often have an inherent bias against innovation. While there are counterbalances (e.g. political priorities, social unrest, fiscal challenges, technological change), these structural drivers for innovation in the public sector are, on a day-to-day basis, often weaker than those occurring in other sectors. Yet, when these drivers do manifest themselves (e.g. a change of government, citizen demands, a crisis) they can sometimes do so very abruptly and powerfully.

The sometimes erratic nature of these forces means that the public sector can be prone to a ‘fits and starts’ approach to innovation. This can be problematic when there are some types of innovation which require longer-term engagement if they are to be successful. Successful innovative initiatives do not arise serendipitously, given they are the result of ongoing learning processes.

4. A more deliberate approach is required

These characteristics of innovation mean that the right level and mix of innovation – i.e. activity sufficient to generate, develop, assess and sustain options that aid governments in being prepared and able to deliver on changing expectations, needs and ambitions – is unlikely to occur by chance or default.

Innovation needs a deliberate approach, including support, resources, and leadership. It needs to be something that all public servants are empowered to do, not just a special few or those who work beyond their daily duties, innovating in their ‘spare time’ on the margins. Innovation of this kind, undertaken by already-stretched individuals, can only ever be short-term, a triaging of symptoms rather than deeply comprehending and addressing complex issues. Such an approach leaves government reactive to, rather than shapers of change.

Instead, governments should promote and use structures, processes, instruments and practices which encourage innovation to happen systemically (throughout the whole public sector system) and systematically (intentionally and regularly). A more systemic approach to innovation will best equip government to contend with current and future challenges sensitise actors at all levels to signals of change and empower them to engage with it, persistently and with intention, to continue to deliver value reliably for people, now and into the future.

5. A deliberate approach should reflect the challenges confronting Government

Government face a multitude of challenges. These can be characterised thus:

- **Existing operational activity**, for which a problem has been identified and government is prompted to act (for example, it becomes apparent that there needs to be a better way of managing government property records and so new technological approaches to record management are trialled)
- **Societal priorities**, for which societal issues have been identified and government is prompted to orchestrate action to ensure a comprehensive approach to it (for example, government prioritise making cities carbon neutral and launch cross-

disciplinary, cross-sectoral and cross-actor projects to leverage multiple solutions to bring about a desired outcome)

- **Known possibilities**, for which an issue looms on the proximate horizon and government is prompted to act so that it can be understood better or be influenced (for example, Artificial Intelligence exists but its benefits and risks are not fully yet known and government is only beginning to explore how it leverage or respond to it)
- **Unknown possibilities**, for which government accepts that issues will always arise and will always require some kind of action (for example, these are the ‘unknown unknowns’, government expects these to arise and finds ways of proactively attuning itself to their nascent signals as well as preparing to act)

These categories are broad and, naturally, there will be some overlap but they are useful for illustrating the spectrum of challenges government face and demonstrating that awareness, conceptualisation, framing or understanding the implication of each kind will differ.

6. A multi-faceted approach to innovation

As there is no single kind of challenge, there can be no single kind of innovative response. Public sector innovation must be multi-faceted in order to contend with the multitude of challenges. Through OPSI’s inductive research on countries’ innovation systems, it has identified four facets of public sector innovation:

- **Enhancement-oriented innovation**: this facet is the one government are typically most familiar with, and is about leveraging existing knowledge and investments. Innovation here focuses on upgrading practices, achieving efficiencies and better results, and building on existing structures, rather than challenging the status quo. An example of such innovation might be the use of behavioural insights to improve the response or compliance rates for matters such as on-time payments.
- **Mission-oriented public sector innovation**: this facet is about ensuring that innovation is occurring in order to meet current priorities and ambitions where something new is needed; that government has the ability to innovate in order to reach its goals. An example of such a mission might be working to become carbon neutral by a set date.
- **Adaptive innovation**: this facet is about responding to background changes in the environment. This innovation will often be more decentralised and driven from the bottom-up by people identifying the need for changes in what is being done and innovating in response. An example of adaptive innovation might be the use of social media to engage with the changing preferences of clients.
- **Anticipatory innovation**: this facet is about ensuring that there is exploration and engagement with the emergent issues that will shape future priorities and future commitments. It is likely that this innovation will be more radical in nature, and will be harder to embed in existing structures. An example of such innovation might be funding exploratory work on artificial intelligence.

In an uncertain environment governments need to recognise that there can be no surety about which facet will be most relevant. With no guarantee about what will work, governments need to take a portfolio approach with investment across the facets.

7. Supporting a portfolio approach involves maintaining diverse capabilities

Innovation is not a tap that can be turned ‘on’ and ‘off’ when needed. As with any other core practice, innovation requires ongoing investment, skills, capabilities, processes and structures that support it. Innovation is curiosity-driven and readiness for it relies on awareness, practice and values within the organisation.

The ever-ready capacity to innovate requires government to create processes, build capabilities and foster curiosity throughout their systems to generate and sensitise it to signals. It also requires them to have ways of making sense of signals so that appropriate approaches can be determined. Further, sensitivity to signals and the capacity to act appropriately on them should be shared among a broad range of empowered actors. Being ready for innovation means that there is acceptance that change is inevitable, unpredictable, and demands some degree of preparation and involvement by everyone.

Becoming ‘innovation ready’ may threaten traditional hierarchies where control is centralised, as innovation readiness relies on empowerment throughout the system.

To achieve its ends, innovation readiness should involve:

- Fostering curiosity, openness and trust
- Distributed functions of innovation capacity and capability
- Established processes to question the status quo, interpret change signals and respond with systemic adjustments throughout the public sector as well as for the public sector, as a whole
- Flexible, experimental and iterative approaches and ways of working to devise appropriate responses to change signals and emergent problems.

8. Innovation readiness, to innovate for today and tomorrow, demonstrates system maturity and resilience

Innovating for today and tomorrow, always being curious and ready to do so and always reflecting on how and how well it is doing so, simultaneously is the true hallmark of a mature and resilient public sector innovation system.

Sufficient and effective activity across the four facets requires specific ‘portfolios’ of supporting activity and concomitant resourcing. Any public sector reform to aid innovation system maturation should attend carefully to institutional arrangements, ways of working and the empowerment of various kinds of actors across the system.

It should be noted, however, that some kinds of arrangements, ways of working or the empowerment and mobilisation of certain actors may be easier or quicker than others. This means that activity across facets or activity to bring about a state of readiness may be uneven. This will have implications for any kind of evaluation of performance and measurement of innovation systems government may seek to use.

The choice of strategies and/ or activities government initiate, and then continuously support, will depend on their individual contexts. There can be no single ‘turn-key’ solution for an effective systems approach to public sector innovation. There is no single path to innovation system maturation or simple check-box to ensure that system, once matured, is always resilient.

However, declaring support for and attention to innovation in all that government does is an important first step. It is crucial for strengthening government' capacity to respond to current and possible future challenges for the benefit of the people they serve.

Annex A. Draft OECD Declaration on Public Sector Innovation

WE, MINISTERS AND REPRESENTATIVES OF:

[list of Adherents]

RECOGNISING THAT:

1. Governments operate in increasingly uncertain and changeable contexts, and need to deal with a range of complex and routine problems;
2. In an uncertain and changing context, it cannot be assumed that existing structures, processes and interventions remain the most appropriate or effective in all circumstances;
3. Governments need multiple strategies to address diverse challenges, of which innovation must be one;
4. Innovative options must be developed and assessed on a continual, consistent and reliable basis in order to be ready for both expected and unexpected challenges;
5. To develop innovative options governments should take a portfolio approach to innovation;
6. An effective portfolio approach to innovation recognises and appreciates that innovation is multi-faceted, with each facet representing a different kind of innovation. The different facets are:
 - Enhancement-oriented innovation, which upgrades practices, achieves efficiencies and better results, and builds on existing structures;
 - Mission-oriented innovation, which achieves clear ambitions and priorities, developing new methods and approaches as needed;
 - Adaptive innovation, which responds to a changing environment and encourages curiosity to interpret and respond to changes in society;
 - Anticipatory innovation, which explores and engages with the emergent issues that will shape future priorities and future commitments;
7. While activity in any one facet may yield positive results or suitable ad hoc solutions, over-reliance or sole reliance on one facet will not prepare government to deliver effectively;
8. The level of innovation activity that will happen by default is unlikely to be sufficient or sustained without confronting the public sector's systemic biases towards maintaining and replicating the status quo;
9. Innovation is best served by a deliberate, systemic and multi-faceted approach, including support, resources, and political and civil servant leadership.

RECOGNISING that the OECD has developed a strong evidence base on open government, public integrity, digital government, resulting in international standards;

DECLARE that we affirm our strong commitment to:

Embrace and enhance the innovation within the public sector

Innovation is already occurring, however without a whole-of-system view, it is impossible to know whether this activity is necessary or sufficient. A systemic view is required, and stewardship is required to guide the development of the system.

We will endeavour to:

- Recognise and draw attention to the innovation that is already occurring.
- Appreciate the different components of the system and their aggregate impacts, positive and negative, on the innovation process.
- Support a multi-faceted approach that appreciates, supports and resources the different facets of innovation appropriately.
- Provide stewardship of the system, including designated public sector leadership with a responsibility for a whole-of-system view, the system functioning, and the strengths and weaknesses of the current innovation portfolio.

Acknowledge that innovation is a responsibility of every civil servant

In an uncertain world, the need or opportunity for innovation may occur anywhere, and therefore everywhere needs to be somewhat prepared for innovation. Where innovation is needed or occurring, everyone plays some role within the innovation process, even if they do not identify as an “innovator”, whether it be as participant (or recipient) or supporter (or resister).

We will endeavour to:

- Develop a clear mandate for innovation across the public sector, and support it and resource it sufficiently and effectively with the people, partnerships, infrastructure, technologies, time, space and permission to try new ways of thinking and doing.
- Support civil servants to explore new ideas, ways of working and technology to improve policy, governance and service design and delivery.

Equip civil servants to innovate

Civil servants need to be supported with the skills and capabilities to innovate, as well as the structures and processes that allow them to innovate.

We will endeavour to:

- Ensure that civil servants have the skills and capabilities required for innovating, recognising that these may look different depending upon the type of innovation activity being undertaken.
- Create and support structures and processes that allow civil servants to innovate, including both exploratory and discovery-based efforts, and directed and goal-oriented based efforts.

Cultivate new partnerships and involve diverse voices

Innovation involves the collision of different ideas and perspectives, and successful public sector innovation requires an appreciation of differing lived realities and experiences. Innovation also involves different groups working together, whether it be to achieve a shared goal, to address a shared problem, or to explore new opportunities or possibilities.

We will endeavour to:

- Explore different ways of connecting different actors (public, private, not-for-profit, academic and citizen) in society to enhance common understanding and to create new approaches or solutions to problems.
- Create, or link into existing, networks of exchange in, out and across government to increase capacity to deploy tools processes, practices and approaches.
- Develop a spectrum of engagement and co-creation practices, so as to ensure that innovation efforts are informed by lived experience and necessary expertise.
- Cultivate relationships that aid government in picking up on weak signals and that can help inform emergent policy issues.

Generate multiple options through exploration, iteration and testing

Innovation involves developing options for both problems that are known and those that are yet to emerge but that will still require prompt reaction by government when they do. Innovation, as an engagement with uncertainty, is essentially about learning, which involves exploration, iteration, and testing.

We will endeavour to:

- Allow, as appropriate, for innovation that is about clear and known priorities and problems, and for exploratory innovation where it may not be clear what the end result will be.
- Ensure ongoing innovation is occurring across a portfolio, at both the level of the public sector as a whole, and at the level of individual ministries and organisations.
- Encourage ongoing iteration and testing to help understand and recognise the different possibilities allowed (or discontinued) by different innovative options.
- Recognise and capture the learning that comes from innovation, and appreciate that often experimenting and innovating may not be about solving, but learning.

Diffuse lessons and share experience and practice

Innovation lessons, experiences and outcomes should be diffused to build awareness and to support a culture of continuous learning and sharing. Practices can be developed by seeing what works, what does not and why.

We will endeavour to:

- Ensure that the knowledge produced and lessons and practices learnt by civil servants are accessible to all.

- Develop and participate in communities of practice to share lessons and to develop new process and method expertise.
- Develop feedback loops (e.g. capturing citizen feedback) and sustain knowledge bases to aid continuous learning about emergent information, and assess the efficacy of practices and the impact of innovation.

INVITE the OECD to support this Declaration and continue its work towards furthering and promoting public sector innovation by providing a platform for dialogue and exchange of knowledge on public sector innovation; continuing to systematically collect and analyse examples of innovative practices, and supporting countries in their efforts towards promoting innovation including through countries reviews and capacity building activities.