### **Foreword**

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. As technologies, circumstances and needs change it means that it cannot be assumed that existing structures, processes and interventions remain the most appropriate or most effective. New options must be developed and assessed on a continual, consistent and reliable basis in order to be ready for both expected and unexpected challenges. This is true for both the private and public sectors. The process of innovation must therefore take a more central role if government is to remain effective, relevant and suitable.

A systematic approach is required for innovation to become a resource that governments can rely on to help address the priorities of both today and tomorrow. While innovation has always occurred in the public sector, it has often been a somewhat reactive, opportunistic or serendipitous process. Innovation efforts have frequently been piecemeal attempts, delivering isolated projects and building dispersed or disconnected pockets of capability. If the increasing expectations of the public sector from citizens and their governments are to be met, this must change. However, despite a developing practice of public sector innovation in a number of governments around the world, it is still not clear what a mature public sector innovation system looks like.

The Government of Canada has sought to develop a culture and practice of measurement, evaluation, and innovation in programme and policy design and delivery. Ministers have been mandated to ensure there is experimentation to achieve government goals, senior-level bureaucrats have been directed to explore and engage with innovation, and there is co-ordinated support for the development of innovative approaches to deliver on government priorities. As part of this agenda of experimentation and learning, the Impact and Innovation Unit (IIU) within the Privy Council Office (PCO) collaborated with the OECD's Observatory of Public Sector Innovation (OPSI) to explore and understand how a systemic approach to innovation can be supported in the Government of Canada.

This report puts forward a new framework for understanding and appreciating public sector innovation systems. This model is built from the progressive development of an evidence base gathered by OPSI about what is required for an effective innovation system. The report begins by looking at the experience of Canada over the last 30 years to showcase what has been achieved so far and to gain insight into why previous efforts may have been insufficient. It then examines the case for a new, more sophisticated approach to supporting public sector innovation. The report reviews what is known about the characteristics of public sector innovation in the Government of Canada. It then introduces the model, building on the experience of innovation within the Public Service of Canada.

The current state of the innovation system of the federal Canadian civil service is appraised to identify areas for attention. The functioning of a system can only be truly understood over a longer time frame rather than from a static snapshot. Therefore, the report considers the dynamics of the system through the use of three different scenarios, to consider what

issues may evolve over time. Finally, the report draws on these different components to outline interventions likely to best assist the Public Service of Canada in its ongoing innovation journey.

Given that much is still being learnt about public sector innovation, and that each country will have different contexts, the report avoids a prescriptive approach as to what should be done. It identifies potential areas of intervention, but recognises that the context will continue to evolve, and that the specific actions taken should be matched to the ambitions and intent of the actors involved. A further aim of the report is to empower the different actors of the system to see their role in it, and to consider how they might best play a part in its functioning. While the IIU and the PCO clearly play a central role, the success of the innovation system – i.e. its ability to consistently and reliably develop and deliver innovative solutions to meet the goals and priorities of the government – will depend on a collective effort, involving action from many different actors at the individual, organisational, and system levels.

It is intended that this initial public sector innovation system review will provide a contribution to the understanding of such systems, and help other countries as they navigate their own innovation journeys.

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