Powering European Public Sector Innovation: Towards a New Architecture

Executive Summary

There is a call for a ‘New Public Movement’ in this report, one that can be ignited and sustained by the vision and the recommendations proposed here. The goal of such a movement would be to mobilise public managers and staff around the purpose of positive change and innovation, allowing them to join with business and citizens in creating a better Europe for the future.

The case for change

In the midst of a fragile economic recovery across the European continent and stressed public finances, many governments are faced with long-term issues such as ageing societies, mounting social security and healthcare costs, high youth unemployment and an outdated public service infrastructure that lags behind the needs of modern citizens and businesses. The ICT driven explosion of new business models, geographical dispersion of production and social media are also challenging the way governments operate and, above all, how they are perceived.

Research has shown that the public sector has been fostering innovation in the private sector, from smaller innovations to more radical ones like railroads and the Internet. The public sector provides both funding to private companies and develops key technologies itself, like nanotechnology, by investing in the early stages of these technologies when uncertainties are too high for private companies.

In addition to the public sector’s role in catalysing innovation in the wider economy, there is an urgent need to power innovation within the public sector itself in order to unlock radical productivity improvements and efficiency gains, to foster the creation of more public value and a better response to societal challenges. Innovation in the public sector, the focus of this report, can be defined as the process of generating new ideas and implementing them to create value for society, covering new or improved processes (internal focus) and services (external focus). It takes on a variety of forms, ranging from smarter procurement, mobilising new forms of innovation financing, creating digital platforms and citizen-centric services as well as driving a new entrepreneurial culture among public managers.

A new vision for the public sector is required, whereby public managers become public entrepreneurs. This can only happen through a pervasive change of mindset, with more experimentation, controlled risk taking, and an agile and personalised response to new constituent challenges. This will help unleash the potential of an innovative public sector, which can be transformed into a much needed growth engine for the economy.
Overcoming barriers and fostering public sector innovation

Evidence suggests that public sector innovation today mostly happens through uncoordinated initiatives rather than as a result of deliberate, strategic efforts. The quest for more and better public sector innovation is hindered by several barriers, which fall into four major categories:

- Weak enabling factors or unfavourable framework conditions
- Lack of innovation leadership at all levels
- Limited knowledge and application of innovation processes and methods
- Insufficiently precise and systematic use of measurement and data

Moreover, efforts to better understand and promote innovation in the public sector are hindered by an overall scarcity of quantitative evidence on innovation which points to the need for more and better data.

In order to overcome these barriers, Europe needs a new policy framework for its public sector, built on a pro-active and engaging narrative of institutional innovation and an ethos of stewardship in the use of public funds. Much can be done by the European institutions, the Member States and regional and local governments to leverage their own capacity to innovate and to drive concrete change processes. There are efforts under way to achieve this, both in the European Union (e.g. Joinup, the common portal for e-Government solutions) and globally (e.g. the OECD’s Observatory of Public Sector Innovation), and the Expert Group has reviewed an extensive amount of scientific literature and best practices. However, a paradigm shift is needed in order to embed and encourage an innovation culture within the public sector which will also improve its absorptive capacity.

A new innovation paradigm and design principles

In its search for developing concrete recommendations to overcome the barriers to innovation, the Expert Group has recognised the following four design principles that should be at the heart of the public sector:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1</strong></td>
<td><strong>Co-design and co-creation</strong> of innovative solutions (with other Member States, other parts of government, businesses, the third sector and citizens)</td>
</tr>
<tr>
<td><strong>2</strong></td>
<td>Adopting <strong>new and collaborative service delivery models</strong> (across public, private and non-governmental actors, both within and across national borders)</td>
</tr>
<tr>
<td><strong>3</strong></td>
<td>Embracing <strong>creative disruption from technology</strong> (the pervasive use of social media, mobility, big data, cloud computing packaged in new digital government offerings)</td>
</tr>
<tr>
<td><strong>4</strong></td>
<td>Adopting an <strong>attitude of experimentation and entrepreneurship</strong> (government itself needs to become bolder and more entrepreneurial)</td>
</tr>
</tbody>
</table>

These principles must be mainstreamed throughout the entire ecosystem of public sector actors for the greatest gains in quality, efficiency, fairness, transparency and accountability.

Recommendations for a new public sector innovation architecture in Europe

The report identifies several actions that should be taken rapidly (either at EU level or in the Member States, depending on political and financial considerations) in order to address the barriers to innovation in the public sector. Some would have immediate results in the coming months, especially in the frame of the European Semester of policy coordination; others would take longer to come to fruition but their impact will also be stronger. All recommendations would involve investments (carefully considered by the Expert Group), but would also lead to significant gains. These gains will come from efficiency improvements in delivering existing services and from new and better ones.

The report first recommends the establishment of a high-level governance structure, which will be crucial for making the new European public sector innovation architecture a reality, including three cross-cutting recommendations.

Firstly, there should be a **Public Sector Innovation Platform** to act as a coordinating body, ensuring maximum leverage of the resources and activities applied across the EU in order to drive strategic and systematic innovation within Member States and the EU institutions. There should also be a **three-year Public Sector Innovation Mainstreaming Programme** to carry out a comprehensive review process of major EU initiatives, leading to proposals for concrete changes that will help catalyse innovation as an integral part of existing processes across the Member States and EU institutions. A **New Public Sector Innovation Movement** should be incited, starting with the launch of a series of small-scale, highly networked activities that build on how social movements form and scale-up.
These cross-cutting recommendations underpin a further set of nine specific recommendations. The recommended actions have been grouped according to the particular institutional challenge they address and the innovation principles they emerge from.

**Leading innovation**

1. Establish a programme to empower and network innovative public leaders through ‘deep-dive innovation’ workshops. These would initially focus on around 50,000 key actors in European public services improving their understanding of different innovation approaches, techniques and tools.

2. Establish a ‘Right to Challenge’ mechanism, whereby public organizations, local governments and even Member States could apply for an exemption from an existing rule or regulation. To be granted this right, applicants have to show how they would be better able to innovate to deliver improved public outcomes with this ‘Right to Challenge’.

3. Establish an EU Innovation Lab inside the European Commission to support, facilitate and foster more innovation in the work of the Commission Services. It will also provide legitimacy and coordination to the initiatives proposed by this report and will directly support the cross-cutting Innovation Mainstreaming Programme recommendation.

**Enabling innovation**

4. Establish a network of Innovation Single Contact Points (iSCP) in all Member States, which will provide public sector organisations with fast, practical and low-cost assistance in the development of new solutions through a peer-led process.

5. Establish an instrument to coordinate the offer of technical assistance to particular Member States in replicating existing innovations. This will support the creation of ad-hoc EU Innovation Delivery Teams run by external mid-management officials who have overseen similar solutions in their home environment.

6. Establish an Accelerator for Digital Innovation in public services by identifying agencies across Member States that have a radical transformative potential to act as pilots and supporting their full digitisation through technology investments.

7. Establish a Public Sector Angel Fund to enable and encourage more experimentation and innovation activities in the public sector by providing easy and fast access to small-scale funding for trying out more risky solutions to problems.

**Informing innovation**

8. Establish a Dynamic Innovation Toolbox targeted at public managers, which will include a coherent set of tools focusing on collaborative innovation processes, building on a diagnostic of needs and including methodologies in human centred design and co-creation; and a comprehensive repository of innovative public policy and service approaches.

9. Establish a European Citizens’ Scoreboard for public services, thereby providing benchmarks which would allow performance measurements and comparisons, with the objective to generate information for evidence-based decision-making.
There are obvious synergies between several of the recommendations; however, while in an ideal world they would all be rapidly enacted for maximum impact, they could function well even independently.

Implementing these recommendations will bring Europe closer to the new innovation architecture proposed in this report and set a global standard for the public sector. In order to be effectively deployed, they require political and financial commitments from all stakeholders, at European, Member States and local levels. The report roughly estimates the collective investment at EUR 5 billion over five years, but the Members of the Expert Group are confident that such an investment will pay off in light of the expected benefits: the quantifiable benefits could reach EUR 50 billion by 2020.

The full report can be downloaded here: ec.europa.eu/research/innovation-union/pdf/PSI_EG.pdf