

This report presents an overview of Public Sector Innovation (PSI) in the European Union as revealed by a pan-EU survey carried out in autumn 2012. The study sought to gather the perceptions of public officials and national experts alike as regards the development of public sector innovation across the EU. The report brings together the findings of 25 individual country reports prepared by the respective TrendChart country correspondents, which combine both qualitative material derived from interviews with selected public officials and academics and more objective data from national statistics offices and elsewhere.

The survey results reveal a consensus across countries and public administrations as to what is meant by PSI. Innovation is seen as a means to address growing budgetary pressures, through more efficient administration or service delivery, and new societal demands, through different and more effective service design. It applies across all areas of the public sector and it covers services and processes and is motivated by the need to do new things or existing things better, quicker, and cheaper. The only definitional issue identified is a blurring between politically determined governmental reforms (e.g. deregulation, 'agencification') and public sector innovation more narrowly understood (e.g. quality certifications for the provision of social services, e-prescriptions). There is also evidence of moving to the point where all EU member states will consider PSI to be a national requirement and a means by which to drive continuous improvement in public service design and delivery.

In a time of economic crisis, Public Sector Innovation is likely to be accepted as an imperative for governments in order to find radical solutions to protect services while cutting costs dramatically

The economic crisis is clearly pulling governments in two directions. On one hand, there is sustained political pressure for administrations to come forward with radical solutions to protecting services while cutting costs dramatically. On the other, the crisis has forced the removal of 'research and development' budgets that are needed to

design and pilot these radical undertakings. However, it seems highly likely we will look back on this period as a turning point and the point in time when all governments came to accept that PSI is an imperative for all.

The principal drivers of public sector innovation are threefold: political ambition, public demand, including business and third sector, and tightening resources. In the European Union, one should add a fourth driver, which is the collective articulation of some or all of these forces for change. There is very much less evidence of positive financial incentives being an important driver of innovation, in the way that the profit-motive works in the private sector. However, incentive schemes cannot necessarily only be financial incentives based on performance, but also other types of rewards in the form of 'recognition' given to the innovators. Moreover, in some cases evidence shows that internal incentive structures also play a pervasive role towards PSI. Making innovation work requires certain other qualities too: several contributors argued that leadership, culture and institutional capacities (including skills) were all important factors. All things being equal, when such qualities are in abundant supply, successful innovation is very much more likely.

Successful innovations can deliver substantial cost savings for service providers and service users. For example, Portugal's SIMPLEX Programme for administrative simplification and eGovernment is estimated to have generated savings of €51.6m for citizens and businesses. Similarly, the UK's Red Tape Challenge has delivered many economies including a package of employment tribunal reforms that is estimated to deliver over €45m a year in cost savings to employers, while planned reforms to environmental regulation are expected to save businesses at least €1.2b over 5 years. E-procurement initiatives in Lithuania, following reforms in 2008, have resulted in costs savings of at least €176 million in the 2-year period since 2010, following the introduction of a new full service system. Lastly, the National Revenue Agency of Bulgaria has estimated that citizens are expected to save approximately €2m per year from the use of a new twelve-digit Personal Identification Number (PIN).

The unsuccessful projects presented in this report point to the very real risks attendant on implementing large-scale innovations in complex and politically sensitive arenas. Perhaps more importantly, they reveal substantial obstacles in legislative systems, institutional autonomy and the skills and attitudes of civil servants.

There is a sharp divide between EU MS around PSI, with a smaller number of leading MS (longstanding commitment, widespread experience, demonstrable success) and a longer list of MS that might best be described as 'innovation followers.' The leading edge seems to comprise three things: (i) mega projects, that are concerned to transform the cost-performance of whole systems; (ii) many more inter-agency initiatives, to streamline individual agencies' processes but also to add new value / functionality to those processes; (iii) increased bottom-up input, whether that is from relatively junior staff or public consultation and even 'trendy' use of social media and crowd-sourcing techniques. EU MS 'followers' are continuing to focus on digitising aspects of their public administration in the main, and have yet to find a way to embed these principles across the public sector more generally.

Innovation leaders in the EU are more concerned about finding radical new approaches to define and deliver public services, whereas innovation followers are still concerned with fundamental reforms of public institutions

On the subject of learning, several of the more 'experienced' member states have created national institutions or programmes to promote PSI. These structures support individual administrations' PSI projects, and monitor and research past experiences (to underpin national and institutional learning). This may be an approach that the European Commission should encourage others to emulate. The Commission might be more proactive in its support for this kind of inter-agency and inter-regional learning process, perhaps looking to H2020 as a platform / source of funding for launching coordination activities, or EU co-financing through cohesion funds in order to stimulate Public-Private-Partnerships. For instance, the 'responsible research and innovation' concept of H2020

includes a commitment to support new governance arrangements, and as such it may be possible to create a major EU-level public sector innovation 'laboratory' within what was the former Science in Society programme. PSI could be also taken forward in the European Semester process as a strengthened surveillance framework, monitoring the economic situation and potential imbalances in member states, as well as their policy responses in terms of financial and economic governance.

Learning platforms should be open to the private sector and other users more broadly. Much of the learning - from successful and unsuccessful projects - is arguably being captured most completely by a small number of large users and their consultants, and in many cases knowledge within organisations is not fully exploited. Other possible actions might include the building up of a more comprehensive EU-level list of case studies. Crucially, these case studies should include a cost benefit analysis that observes convention as regards both cost models and analytical treatment of for example inflation and opportunity costs.

On the subject of measurement, while the 2012 European PSI Scoreboard (EPSIS) struggled with data limitations, the feedback from officials consulted as part of this study suggest that further efforts to develop the measurement and benchmarking of PSI would be of interest to most if not all member states, and as such this is an area where the Commission should continue to show leadership.

While the OECD has embarked on a major initiative (Observatory of Public Sector Innovation), there is a strong sense that enough is known about the issues for the Commission to launch a series of additional and substantive measurement (research) exercises in conjunction with the member states, perhaps using Article 185 as the instrument, and bringing together a cross-section of 'voluntary' EU MS. The opening projects may look to target two or three 'sectors,' perhaps including key aspects of public administration, healthcare provision and energy and environment (inasmuch as these address directly various grand challenges). We see a prima facie case for launching some transversal exercises too, to explore critical success factors in inter-agency work, managing political and legal interfaces or codifying the safe use of novel tools and techniques like crowd sourcing.

The full report is available here:
http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm

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