



Powering European Public Sector Innovation:

Towards A New Architecture

*Report of the Expert Group on
Public Sector Innovation*

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Report of the Expert Group on
Public Sector Innovation

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EXECUTIVE SUMMARY

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issues such as ageing societies, mounting social security and healthcare costs, high youth unemployment and an outdated public service infrastructure that lags behind the needs of modern citizens and businesses.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; and 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:

- **Co-design and co-creation** of innovative solutions (with other Member States, other parts of government, businesses, the third sector and citizens);
- Adopting **new and collaborative service delivery models** (across public, private and non-governmental actors, both within and across national borders);
- Embracing **creative disruption from technology** (the pervasive use of social media, mobility, big data, cloud computing packaged in new digital government offerings);
- Adopting **an attitude of experimentation and entrepreneurship** (government itself needs to become bolder and more entrepreneurial).

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 Semester¹ 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.

¹ The European Commission has set up a yearly cycle of economic policy coordination called the European Semester, as all Member States have committed to achieving Europe 2020 targets and have translated them into national targets and growth-enhancing policies.

The first group of recommendations points the way to an improved management and ownership of innovation processes (**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.

The second group of recommendations addresses the practical empowerment of innovation actors (**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.

A third group of recommendations seek to increase the knowledge base and provide clear benchmarks that will incentivise further innovation (**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.

1. INTRODUCTION

The European Union faces an unprecedented crisis in economic growth, which has put public services under tremendous financial pressure. Many governments are also faced with long-term issues such as ageing societies, mounting social security and healthcare costs, high youth unemployment and a public service infrastructure that sometimes lags behind the needs of modern citizens and businesses. Under these conditions, innovation in public services is critical for the continued provision of such public services, in both quantity and quality.

Public sector innovation can be defined as the process of generating new ideas, and implementing them to create value for society either through new or improved processes or services. The available evidence indicates that innovation in the public sector mostly happens randomly, rather than as a result of deliberate, systematic and strategic efforts. Innovation in the public sector, through strategic change, needs to become more 'persistent' and 'cumulative', in pursuit of a new and more collaborative governance model. There is a need for a new architecture for public sector innovation.

Much can be done in individual Member States, regions and in local government to build capacity to innovate and to steer change processes. Innovation can emerge at all levels and innovation leadership can come from anyone. It is however the conviction of the Expert Group that the European institutions – including the Council of Ministers, the European Parliament, and the European Commission – can also play significant roles in fostering innovation both at European Union level and in individual Member States.

1.1 Scope of the report

This report mainly addresses innovation **IN** the public sector, i.e. innovation focusing on the internal (administrative) and external (policy) objectives. This is not to say that innovation **THROUGH** the public sector is not extremely important; indeed it is and will be very important to generating future economic growth in Europe. However, the focus of this report is on the particular role of innovation within the public sector.

The two objectives of innovating public administration and public policy are very closely intertwined since truly innovative policies will often have significant consequences for the governance, organisation and administration of public services. Conversely, innovations in public administration can sometimes only be realised if broader regulations and policy conditions are changed. In fact, the key to transforming government may very well be to re-think how to best achieve external policy outcomes first, before redesigning internal organisational structures and processes. However, it is not the role of the Expert Group to suggest how particular policy domains such as health or social care can be changed in practice. Our focus will be on key principles, approaches, policies, opportunities and barriers to public sector innovation at EU and Member State level.

1.2 Expert Group

The European Commission has created an Expert Group on Public Sector Innovation to provide a comprehensive and substantiated analysis of the key issues that hamper public sector innovation and to give clear recommendations for action at EU and at Member State level to foster more innovation in the public sector.

The Group has carried out a comprehensive series of activities in order to develop the present analysis and recommendations. A series of actions have been carried out, including:

- a review of existing data, literature and knowledge on public sector innovation;
- a series of five Expert Group meetings;
- a high-level seminar on public sector innovation, to receive expert input, hosted by the European Centre for Government Transformation;
- a presentation and discussion with top executives in the European Commission;
- the establishment of an online Idea Bank, which crowd sourced a total of 140 policy ideas from external stakeholders;
- prototyping and testing selected recommendations with policy makers at Member State level.

The Expert Group has co-ordinated closely with the European Commission's Directorate-General for Research and Innovation, as well as other Commission services, in order to ensure relevant links and synergies with existing measures and initiatives at EU level. The work of the Group is supported by article 197 of the Lisbon Treaty dealing with administrative cooperation in the European Union.

1.3 Structure of this report

This report is structured as follows. Chapter 2 discusses what we know about innovation in the public sector and the need for a new public sector innovation architecture. Chapter 3 briefly introduces some of the societal challenges Europe is facing and the need for the public sector to change requiring a new vision how the public sector will deliver services in general and personalized services in particular in the future. Chapter 4 presents the list of recommendations which the Expert Group believes will help build Europe's new public sector innovation architecture. Chapter 5 concludes with a call for action on the European Commission to implement these recommendations.

2. WHERE WE STAND

2.1 State-of-the-art on public sector innovation

Public sector innovation can be defined as the process of generating new ideas, and implementing them to create value for society, or as 'anything new that works'.² There is also a consensus across public officials among most Member States about its meaning: public sector innovation is about new or improved processes (internal focus) and services (external focus)³.

Three generic objectives of public sector innovation have been identified⁴: policies and initiatives with an internal focus on enhancing public sector efficiency, policies and initiatives with an external focus on improving services and outcomes for citizens and businesses and policies and initiatives with a focus on promoting innovation in other sectors. Overall, there is innovation **IN** the public sector (with internal or external focus), and innovation **THROUGH** the public sector (promoting innovation elsewhere).

These objectives are in line with the goal of public sector innovation as defined by the OECD in their Observatory of Public Sector Innovation: 'to use new approaches, from policy design to service delivery, for a high performing, more responsive public sector'. The OECD Observatory is an initiative which will collect, categorise, analyse and share innovative practices from across the public sector.

OECD Observatory of Public Sector Innovation⁵

The Observatory will collect information on public sector innovation via an online interactive database and is organised along three action lines:

- *Mapping innovative practices: collecting and analysing examples of innovations in the public sector;*
- *Assessing results: collecting, analysing and developing methodologies for cost-benefit analysis of innovative practices;*
- *Promoting innovative practices: collecting and analysing government tools to promote innovation.*

Since its inception in autumn 2011 the Observatory has already collected numerous examples of innovations that introduce novel approaches to service design and delivery, resulting in demonstrated improvements for service users. Countries will be able to access a database of innovative practices and analysis through an online interactive platform. A prototype was developed in 2012, based on a consultation with target users in public administrations.

2.1.1 Internal focus: Administrative and organisational innovation

There are a number of broad, common challenges to enhance the efficiency (or productivity) of the public sector. This internal focus addresses governance models, public administration, the organisation of public services, and general framework conditions for the operation of government. Here the solutions are often of a relatively general nature, as they have to do with tools and approaches that can generate higher performing and more efficient organisations.

Public sector organisations are in this respect not much different from organisations in the private and third sectors, and many of the cutting-edge management tools

² Mulgan, G. (2007), Ready or not? Taking innovation in the public sector seriously, London: NESTA Provocation 03.

³ Rivera León, L, L. Roman and P. Simmonds (2012), Trends and Challenges in Public Sector Innovation in Europe, published by DG Enterprise, Brussels, December 2012.

⁴ European Commission (2012), Policies supporting Innovation in Public Service Provision, INNO-Grips policy brief by ICEG European Center, Budapest.

⁵ <http://www.oecd.org/governance/oecdobservatoryofpublicsectorinnovation.htm>

used elsewhere are likely to be useful also in a public sector context. At the same time, public sector organizations are different from private sector organisations as they need to take a long-term perspective to find solutions (e.g. the societal challenge of an ageing population).

Results from a pan-EU survey among public officials⁶

A pan-EU survey among public officials and academics in 25 Member States has identified three types of drivers and barriers: internal factors, external factors and political factors. The two most important internal factors are human resources-related factors (education, training, incentives to innovation, management, and leadership) and bureaucracy, organisational structures and design (also including the internal innovation culture). The most important external factors are public-private collaboration, co-creation and involvement of service users, the existence of international good practices and rankings and national award schemes for public sector innovation. The most important political factors are budget reductions and/or restrictions, funding, EU policy decisions, political support and laws and regulations.

2.1.2 External focus: Policy and service innovation

There are numerous societal challenges of such a nature that they cannot be solved in isolation by private or non-governmental entities. Ranging from public health and safety to public transportation, research and education, the environment and to social care, citizens expect governments to provide accessible, affordable and meaningful interventions, programmes and services. Governments therefore set up the legal, financial and organisational framework for public sector organisations that take responsibility for providing these public goods.

These are distinct public domains which are often political and sometimes normative in nature; they have to do with social and human behaviour, and they are often so interdependent and complex that no single entity can tackle them. These are challenges where the contribution of public institutions is needed, and where public sector innovation is called for. Each of these public domains need their own types of solutions that match their unique policy context, and which are highly dependent on the particular character of the problems, professional expertise in the field, types of users, etc.

2.1.3 Pro-actively driving innovation in other sectors

The public sector as Schumpeterian innovator

At any given point in time there are a set of key future technologies where the private sector cannot be as active as would be desirable since the costs are too high. The public sector as a Schumpeterian innovator takes the lead in such technological developments via investment strategies, regulatory changes, public procurement and other initiatives that essentially create markets for the private sector. It is vital to note that government's activity in such sectors has inbuilt sunset clauses, meaning after a certain period of time government's involvement would diminish, and it would move on to the next generation of technological challenges.

A particular perspective on externally focused innovation is the role the public sector can play in stimulating and fostering innovation elsewhere, most notably in the private sector but potentially also in the non-governmental and civic spheres of society. With regard to the role of the public sector in fostering innovation in the private sector, research shows that many of the radical, revolutionary innovations that have fuelled the dynamics of capitalism – from railroads to the Internet, to

⁶ Rivera León, L, L. Roman and P. Simmonds (2012), Trends and Challenges in Public Sector Innovation in Europe, published by DG Enterprise, Brussels, December 2012.

modern day nanotechnology and biotechnology – trace the most courageous early and capital intensive 'entrepreneurial' investments back to the State. Not only in terms of upstream research, but also high risk early stage funding to companies is often provided by government funded programmes.⁷

Public sector organisations can play crucial roles in leading the way – taking on risk that the private sector fears. State interventions and programmes can thus do much more than 'fix markets' but lead them with 'mission-oriented' investments to generate new knowledge and technologies, or in order to tackle major societal challenges.

2.1.4 Public sector innovation is best based on internal and external perspectives

Public sector innovations achieve often best results when they combine both internal and external perspectives. On the macro level, it can be argued that constantly evolving the European Union is itself such a combination of political, institutional, administrative and market innovations. On the meso-level, changing European regulations that make innovations a key component in public procurement serve as an example of public sector innovation that combines institutional and administrative aspects (e.g. how bids are evaluated) and technological skills and innovations in the private sector.

On the smaller scale, we can think of electronic ID cards that change the way citizens connect with the public sector, but also lower costs for business and the government as well. Successful public sector innovations and their synergetic effects do not only create better services, they also increase trust and legitimacy in government that in turn enables governments to take on new challenges and initiatives.

2.1.5 The value of public sector innovation

Innovation in the private sector has historically been considered a key factor in creating competitive advantage and increasing profitability, market share, or both. The value of innovation in a business or a market can therefore, ultimately, be measured in economic terms. In the public sector, the value of innovation is more complex, because the key role of the state is not to create a profit. Building on the most recent literature in the field, one can point to at least four kinds of value of public sector innovation:⁸

- *Outcomes*: Better achievement of individual and societal outcomes such as increased health, learning, job creation, safety, sustainable environment, etc.
- *Services*: Production of more meaningful, attractive and useful services as experienced by end users (citizens, businesses), including personalized tailor-made services to individual citizens and businesses.
- *Productivity*: Enhancing the internal efficiency of how public organisations are managed.
- *Democracy*: Strengthening democratic citizen engagement and participation; ensuring accountability, transparency and equality in society.

Whereas the first two types of value relate to the externally focused objective of innovation, the third type relates to the internal focus. Democracy as a value is

⁷ Mazzucato, M. (2013), *The Entrepreneurial State: debunking private vs. public sector myths*, Anthem Press: London, UK.

⁸ Cole, M. and G. Parston (2006), *Unlocking Public Value: A New Model for Achieving High Performance in Public Service Organizations*, New Jersey: John Wiley & Sons. Bason, Ch. (2010), *Leading Public Sector Innovation: Co-creating for a Better Society*, Bristol: University of Bristol, Policy Press.

more cross-cutting and relates both to the external and internal focus. One might add additional types of value which are indirect or spillovers from the innovation process, such as increased resilience and innovation capability of public sector organisations over time, or such values as increased attractiveness of the public sector as a career opportunity, a better and more fulfilling work environment for public employees etc. However these types of value are not the main objectives of innovation in the public sector.

2.1.6 Empirical evidence on innovation in the public sector

Public sector organisations in Europe have always innovated, both at national, or system-wide level, and at a more local or institutional level. Examples at system level include the development of the modern welfare state in numerous European countries, the establishment of social insurance systems in countries like Germany and Austria, the development of universal health care services in the UK and the Nordic countries, and the introduction of innovative digital citizen services, for instance the Estonian citizen card or the Dutch e-citizen charter.

However, empirical study-based evidence on innovation in the public sector is scarce. One example is the 2010 NESTA pilot survey of health organizations and local government organizations in the UK, which obtained 175 responses including 64 Health (NHS) and 111 local government organizations.⁹ Over 90 per cent of interviewees reported introducing new or significantly improved services. The focus of public sector innovation has been on providing the same services more efficiently or better.

Another example is the Nordic project on measuring public innovation (MEPIN)¹⁰, which has developed a measurement framework for collecting internationally comparable data on innovation in the public sector. The survey was piloted in five Nordic countries involving more than 2,000 responding organizations from central, regional and local government.¹¹ Responses were obtained from 2,012 public sector organizations; the results show that 80-90 per cent of public sector organizations have introduced an innovation. The MEPIN results confirm the role of management as the most important driver of public sector innovation and a lack of funding as the most important barrier to innovation.

The European Commission's Innobarometer 2010¹² on innovation in public administration surveyed organizations active in public administration across 29 European countries.¹³ On average two-thirds of public administration organizations claimed that they had introduced a new or significantly improved service. The single most important driver of innovation was the introduction of new laws and regulations, followed by new policy priorities and mandated implementations of an online service provision. Major sources of information supporting innovation included ideas from staff, ideas from management and input from clients or users. Innovations had a positive effect by improving the work of public administrations and only rarely had negative effects. The positive effects of innovation included improved user access to information due to service innovations; improved user

⁹ Hughes, A., K. Moore and N. Kataria (2011), Innovation in Public Sector Organisations: A pilot survey for measuring innovation across the public sector, NESTA Index report.

¹⁰ <http://www.nordicinnovation.org/Publications/measuring-public-innovation-in-the-nordic-countries-mepin/>
¹¹ Bugge, M., PS. Mortensen and C. Bloch (2011), Measuring Public Innovation in Nordic Countries: Report on the Nordic Pilot Studies, Analyses of Methodology and Results, Oslo: NIFU.

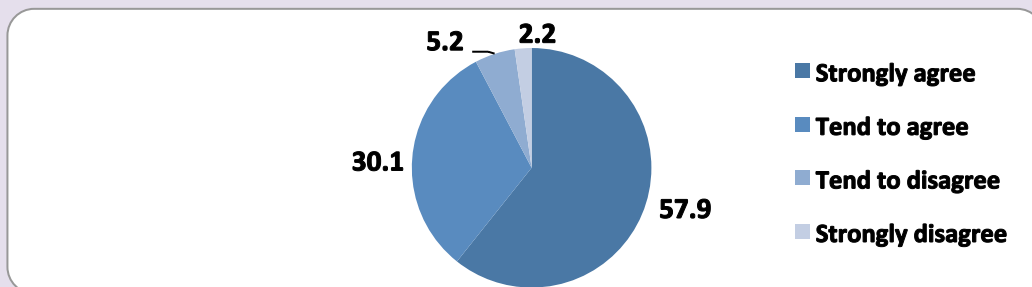
¹² European Commission (2011), Innobarometer 2010: Analytical Report on Innovation in Public Administration (Flash Eurobarometer 305), Brussels: DG Enterprise.

¹³ The objective of the 2010 Innobarometer survey was to study the innovation strategies of the European public administration sector in response to changing constraints and opportunities. In total 3,963 public administration organisations in the EU27 Member States plus 100 organizations in Norway and Switzerland were surveyed in October 2010. Full results are available at: http://ec.europa.eu/public_opinion/flash/fl_305_en.pdf.

satisfaction; more targeted services; faster delivery of services; simplified administration; improved working conditions or employee satisfaction; and cost reductions resulting from innovations.

The Innobarometer 2011 survey among more than 10,000 European firms also provides evidence on the widespread use of innovation in the public sector.¹⁴ About 27 per cent of firms think that public services for businesses have improved, 50 per cent think that public services for business have stayed the same over the past three years, and less than a fifth (17 per cent) think they have deteriorated. Improvements in public services for businesses are seen by 70 per cent of firms to be the result of innovations in the public sector. But there is a clear need for more innovative public services: more than 90 per cent of firms say that the public sector should become more innovative to provide better services for businesses.

Figure 1 - Public services must increase their efforts to become more innovative in order to better match businesses' needs



Source: Innobarometer 2011

2.2 Barriers to public section innovation

There are numerous barriers and challenges to innovation in government that call for cross-cutting collaboration and for common solutions, so we avoid duplicating efforts to develop new solutions in all Member States and instead leverage and scale those solutions that already work.

The quest for more and better public sector innovation is severely limited by barriers to innovation. It is well documented both in the literature and from practical experience that there are multiple barriers to innovation in public sector organisations.^{15 16} It is the Expert Group's assessment that these barriers fall into four broad categories:

¹⁴ The objective of the 2011 Innobarometer survey was to provide insight into the way in which on-going public sector innovations are perceived by individuals who work for private sector companies. In total 8,901 firms in the EU28 Member States plus 1,211 firms in Iceland, Norway, Switzerland, Former Yugoslav Republic of Macedonia and Turkey were surveyed in February-March 2012. Full results are available at http://ec.europa.eu/public_opinion/flash/fl_343_en.pdf.

¹⁵ The Australian Government has identified the following list of barriers to public sector innovation: risk, short-term focus, failure of leadership, policies and procedures, efficiency and resources, external opposition, skills sets & mobility, failed innovations, procurement requirements, recognition and feedback, measurement and impact, divergent employment conditions, lack of champions, scrutiny, policy hierarchy silos, legislation, accountability, staff resistance, reluctance to let go, sustaining innovation, and identifying success factors (<http://innovation.govspace.gov.au/barriers/>).

¹⁶ The Innobarometer 2010 shows that for public administration lack of sufficient human or financial resources was perceived as the most important barrier to innovation (being of high importance for 52 per cent of respondents and of medium importance for 28 per cent of respondents), closely followed by regulatory requirement (37 per cent resp. 32 per cent), lack of management support (38 per cent resp. 25 per cent), lack of incentives for staff (24 per cent resp. 31 per cent), risk-averse culture (19 per cent resp.

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

However, these barriers also hold opportunities for positive change. Enabling factors can be strengthened; leadership and governance models can be transformed to focus on innovation; tools, skills and capacity can be developed; evidence can be generated and used more systematically. The European Union needs a unifying vision of how these barriers can be addressed, and concrete proposals for how to tackle them. In the following sections these categories of barriers will be discussed in more detail.

2.2.1 Weak enabling factors or unfavourable framework conditions

The 2013 Innovation Union Scoreboard shows that the process of convergence in the innovation performance of Member States has all but come to a standstill due to the on-going economic crisis.¹⁷ The public sector has not remained unaffected. This is a matter of serious concern. Public sector innovation is intrinsically different from innovation in the private sector.¹⁸ Whereas the public sector is, of course, exposed to the same difficult financial and economic conditions as the economy at large, public sector innovation is facing its own specific hurdles:

- **Structural obstacles:** scattered competences and ineffective innovation governance mechanisms make policy learning and the diffusion of innovative practices difficult. This is aggravated by the diversity of legal and administrative cultures, which result in regulatory frameworks that often hinder innovation.
- **Resource constraints:** there is a general consensus (within the Expert Group) that public sector staff and management are the single most important source of public sector innovation.¹⁹ Initiatives to develop, motivate and deploy internal talent are, however, still inadequate in many Member States. Moreover, there is a shortage of adequate funding.
- **Co-ordination issues:** while there is no shortage of well-intended, and often successful, initiatives to promote public sector innovation, both at EU and Member States levels, their impact is frequently diluted by a shortage of analysis and support for implementation and diffusion.

These challenges are, to a large extent, intrinsic to the very nature of the European Union's complex multi-level governance system and must therefore be addressed by the EU and the Member States at all levels and in close co-ordination. The key question is how to maximise the impact of action at different levels of government, i.e. what needs to, and can realistically be done by the Member States and what can the EU do to improve framework conditions and boost innovation in the public sector. As a first step, a review of the framework conditions for public sector innovation should be conducted to identify those areas where productivity gains can be realised and public value for Europe's citizens and businesses can be created.²⁰

35 per cent), uncertain acceptance by users of services (19 per cent resp. 33 per cent) and staff resistance (19 per cent resp. 29 per cent).

¹⁷ COM (2013) 149, 'State of the Innovation Union 2012 – Accelerating Change', p.3

¹⁸ European Commission (2013), European Public Sector Innovation Scoreboard 2013: A pilot exercise, Brussels: DG Enterprise, p.9

¹⁹ Ibid., p.13

²⁰ The High-level Economic Policy Expert Group 'Innovation for Growth – i4g' has also issued a series of policy briefs which include the following policy recommendations: design a new European Annual Growth Strategy, address Europe's early stage venture gap and shift the public role to financing innovative

The Expert Group has identified several weak enabling factors or unfavourable framework conditions that hinder innovation throughout Europe's public sector:

- Innovation governance and public sector reform: At present, there is no systematic, EU-wide governance mechanism in place to guide and co-ordinate public sector innovation; this is accompanied by the lack of a long-term view on public sector innovation and a proliferation of disparate reform strategies;
- Diffusion and scaling up of good practices: Whereas good practice exchange across Member States is now well established and vibrant, the diffusion and scaling of successful innovative practices at the regional, national and European level is not yet effective;
- Smart regulation and responsive administrations: Diverse and unresponsive regulatory frameworks hamper experimentation and variance;
- Technology adoption: There is still a lack of awareness of the impact of technology, e.g. e-Government, social media, etc. — as a result, the utilisation of technology is not optimal;
- Innovation procurement: The potential of public procurement as a driver of innovation in public services has not yet been sufficiently utilised;
- Funding issues: Funding for internal innovation continues to be tied to departmental budgets in many instances. In addition, there is still a shortage of risk capital for external, private-sector innovators to invest in the development of innovative public sector solutions;
- Organisational learning and institutional innovation: Unfavourable conditions for organisational learning and institutional innovation persist (including human resources laws, regulations and practices) limiting flexibility, diversity, mobility, and creativity — incentives to create and implement new ideas do not exist or are not sufficient.

2.2.1.1 Innovation governance and public sector reform

The European Public Sector Innovation Scoreboard 2013 shows a trend among Member States which points to a correlation between high quality public services and innovation performance.²¹ Hence the two sides of the coin: innovation is an important enabler for public sector modernisation and smart public administrations are a key asset to spur Europe's innovation potential.

Modernisation of the public sector has been identified by the Commission as one of five key priorities set out in its 2013 Annual Growth Survey.²² While public sector reform cannot be considered innovation per se and does not necessarily translate into innovation, any reform process should seek to at least adopt successful innovation practices to increase productivity and service quality and, at the same time, add public value for the common interest. This view is obviously supported by the European Semester report which emphasised that 'modern public administration is an essential factor to underpin the design and delivery of policies promoting jobs, growth and competitiveness'. Member States should also pay attention to reforms aiming at facilitating internal and external administrative processes, such as

companies to seed investment, seize the opportunities of service innovation, reform the risk-reward nexus in innovation, apply Smart Specialisation as a New Industrial Policy, enlarge the focus for socio-economic benefits of ERA, contend growth impeding innovation: the case of Greece, promote Public Procurement of Innovation, improve European universities' research excellence in international comparison by smart specialisation. The Expert Group considers these recommendations as highly relevant to boost externally focused and internally focused innovation within the EU and its public administrations.

²¹ European Commission (2013), European Public Sector Innovation Scoreboard 2013: A pilot exercise, Brussels: DG Enterprise, p.9

²² COM (2012) 750, p.12 ff (http://ec.europa.eu/europe2020/pdf/ags2013_en.pdf)

strengthening the capacity for strategic and budgetary planning; and encouraging innovation, by introducing new organisational and communication models, and by supporting public procurement of innovative solutions.²³

Modernisation of public administration requires innovation at institutional, process and service level. It is clear that public administration systems in the Member States are very diverse and reflective of each State's specific historical, cultural and political development and circumstances. Co-operation among Member States including good practice exchanges and knowledge sharing on innovative practices, could and should be intensified in order to maximise the impact of innovation in public sector reform strategies. At present, the Union lacks a systematic governance mechanism to link up and monitor innovation policies and streamline activities at the EU and Member States level. This mechanism should identify and, in regular intervals update, the most pressing issues of common concern to the EU and Member States and develop strategies and tools to concentrate EU and Member States' efforts and resources on the development and deployment of innovative solutions. Due to the lack of such a governance framework the effective diffusion and scaling of successful innovative solutions at regional, national and European level is difficult.

2.2.1.2 Diffusion and scaling up of good practices

Benchmarking and learning from good practice are widely recognised as having a positive impact on peers. In particular, good practice serves as a source of inspiration for decision makers in the public sector for their own plans to innovate. Good practice awards have undoubtedly great potential to drive innovation through the recognition of achievements and the fact that they provide role models for imitation and replication. The ultimate goal must be to become part of a continuous learning process within and outside public administration. This implies inspiring and empowering people to take part in that process. It further implies sharing and transferring knowledge and know-how thereby influencing the learning curve of a given organisation saving time and money.

The following examples of good practice awards have a European wide scope:

- During almost a decade (2001-2010), the **European e-Government Awards** aimed to promote technology-enabled innovation in government and the health sector.²⁴ The purpose of these Awards was to encourage community-building and knowledge exchange on e-Government across the EU. A strong policy link was established to the Ministerial Declarations and the European Commission Action Plans on e-government under the umbrella of the Lisbon Strategy. The projects and lessons learned were utilised in a number of EU funded studies and the epractice.eu portal.²⁵
- Another example is the **European Public Sector Award (EPSA)** launched in 2007. Since 2009 this biannual award scheme is being organised and managed by the European Institute of Public Administration (EIPA), Maastricht, NL, with the support of several EU Member States, the European Commission, the City of Maastricht and the Dutch Province of Limburg. EPSA aims to support national modernisation processes by awarding projects which have proven their success by tangible results and impact. EPSA wants to make this experience transparent, available and usable. It targets all public administrations at the different levels of government, with an emphasis on specific themes. EPSA focuses on recognition and dissemination of good practices by means of the awards, knowledge-transfer

²³ COM (2013) 350 (http://ec.europa.eu/europe2020/pdf/nd/2013eccomm_en.pdf)

²⁴ Funded by DG CONNECT.

²⁵ Leitner, C. (ed.) (2010), Beyond Good Practice: The Case for the eGovernment Awards 2.0, European eGovernment Awards 2009, Research Report, Vilnius. For the cases see <http://www.epractice.eu>.

activities and publications. As a result of the three schemes run by EIPA, more than 800 fully structured and thoroughly assessed cases from 36 European countries and EU Institutions are now available in its database. The EPSA 2013 edition under the theme 'Weathering the Storm – Creative Solutions in a Time of Crisis' received 230 entries from 26 European countries and three European Institutions.²⁶

- In 2012 the European Commission launched the **Prize for Innovation in Public Administrations (PIPA)**.²⁷ PIPA aims to highlight excellence and vision in public administrations. The prize gives visibility to the most innovative public administrations and their initiatives, which should serve as best practices to inspire other public administrations in Europe to innovate. Furthermore PIPA intends to challenge the negative stereotypes of public administration in the perception of the people.²⁸ PIPA celebrates the most innovative, public initiatives which benefit citizens, firms, or the education and research sector. In 2013 there were 203 entries to the competition coming from all corners of the European Union. The nine winners were selected by an independent jury on the basis of four criteria: the economic impact of their initiative; its relevance to challenges facing society; how original and easy to replicate the idea is; and how they plan to use the prize money (EUR 100,000 each to scale up). Winning initiatives included integrated healthcare information accessible on a phone, a web-based platform for funding opportunities for firms, and a nationwide plagiarism detection system for higher education institutions.

Numerous award schemes exist at various levels of government to support policy learning. A certain degree of 'award inflation' has been observed (accompanied by the so-called 'usual suspects' effect) which poses a certain risk to such instruments. When exploiting award schemes at the European level, one also has to be aware of the limiting factors of such an exercise (e.g. the lack in details regarding the contextual factors of a given case, the different speeds of innovation/change in the Member States, the tension between innovation on the one hand, and sustainability and the requirement to provide evidence of impact on the other). Differences in evaluation criteria and processes also limit the comparability between schemes. The results are not systematically and widely utilised for research, education and training, and policy making or to identify future research areas from the point of view of practitioners.

It is the Expert Group's view that the wealth of knowledge and practical experience that is made accessible through the various awards schemes is not yet being mobilised in an optimal manner.

2.2.1.3 Smart regulation and responsive administrations

Better regulation has been on the agenda of the EU and national governments for some years now. The European Commission's Action Programme for Reducing Administrative Burdens in the EU aimed at reducing the administrative burden on businesses by abolishing unnecessary reporting and information requirements. The Regulatory Fitness and Performance Programme (REFIT) was launched in 2010 as a further step towards smarter regulation. REFIT aims to identify inconsistencies, gaps and ineffective measures, including regulatory burdens related to how EU legislation is implemented at the national and sub-national level.²⁹

Concerns have emerged that such initiatives might – as a side effect – lead to an increase in administration, e.g. in terms of staff requirements and reporting tasks in

²⁶ More info can be found on <http://epsa2013.eu/>.

²⁷ PIPA is funded by DG Research and Innovation and was launched in 2013.

²⁸ http://ec.europa.eu/research/innovation-union/pdf/admin-innovators/work_program_text.pdf.

²⁹ http://ec.europa.eu/governance/better_regulation/index_en.htm

national administrations. Their impact on innovation should therefore be monitored. In addition, innovation is not considered in the EU (and many national) regulatory impact assessment methodologies. At EU level the so-called delegated acts and implementing acts ('comitology') are not assessed either.³⁰ Many of these acts directly impact on administrative procedures at EU and Member States level and should therefore be concerned with innovation.

Whether driving public sector innovation top down by law or rather bottom-up is more effective remains another question to address. Recent reform strategies, for example in Denmark and in the UK, aim to make government 'digital by default'. Portugal has made e-procurement compulsory by law. Austria claims its e-government success is partly due to a legal framework introduced in 2004.

2.2.1.4 Technology adoption

The European eGovernment strategy³¹ promotes public sector innovation through the use of technology. It has aimed to increase competitiveness by simplifying administrative procedures for service providers and recipients, making services more user-centric, efficient, (cost-)effective and personalized, and by increasing transparency and participation, and supporting policy and decision making processes. The European eGovernment Action Plan 2011-2015 includes 'Innovative eGovernment' as priority under *preconditions* for further developing eGovernment.³² It also includes several actions aimed at empowering citizens, thanks to the innovative use of new technologies, placing the citizen on a more equal footing, allowing them to become co-designers and co-creators of new eGovernment services. This is also an integral part of the recently published "Vision for Public Services".³³ The EU has played a crucial role in developing interoperable infrastructure building blocks for cross-border e-services.

A number of ICT related initiatives have been co-funded to reinforce the mobility of citizens and business and to connect e-government systems across borders based joint interoperability solutions developed in the Large Scale Pilots (LSPs).³⁴ E-procurement and e-health, in particular, are expected to enhance administrative efficiency and at the same time generate significant savings for European citizens. The LSPs are very good examples of providing innovative, value added services through the smart use of ICT in key areas of the Digital Single Market such as e-procurement, eID, business mobility, e-justice and e-health. In addition, open data strategies are considered the basis for innovation in the public sector.³⁵

Technology has become increasingly important in governments' endeavours to increase transparency to re-establish citizens' confidence. On the other hand, citizens are afraid of abuse of their privacy. A broader discussion has also started on participation in EU policy making, in which technology will play an unprecedented role (in the context of the implementation of article 11 of the Lisbon Treaty, which includes the European Citizens Initiative). Against this background, in part, ignorance regarding the impact of technology innovation and how to deal with the attendant opportunities and risks persists. In their daily operations governments still have difficulties in adapting administrative practices and hierarchical silo thinking to technology progress and changing work patterns.

³⁰ Art 290 and 291 TFEU

³¹ The European e-Government strategy was developed under the eEurope, i2010 and Digital Agenda umbrellas.

³² <http://ec.europa.eu/digital-agenda/en/european-egovernment-action-plan-2011-2015>

³³ <http://ec.europa.eu/digital-agenda/en/news/vision-public-services>

³⁴ <http://www.buildconnectgrow.net/>

³⁵ The European Public Sector Information (EPSI) platform - an EU funded project - provides information on initiatives at <http://epsiplatform.eu/>

2.2.1.5 Innovation Procurement

The use of Public Procurement for Innovation (PPI) in the context of public sector innovation requires a fine balance to be struck as it tends to involve a deliberate trade-off between several competing objectives. Firstly, the commercial interests of the private-sector participant(s) must be balanced against the requirements and objectives of the public sector entity. A conscious decision needs to be made as to what kind of PPI the public sector procurer is ready to adopt. In the case of developmental or pre-procurement PPI the procurer is taking on material risk to support a pioneering innovation.

The potential gains, both in terms of improving public sector efficiency and service quality and in terms of fostering competitive innovation in the private sector, are considerable. In addition, such projects are often high-profile and enjoy strong political support locally but are also fraught with risk and complexity. Managing such high-risk projects requires specific skills, which are often in short supply in public administrations, in particular in Member States that are not innovation leaders. Adaptive or diffusion-oriented PPI tends to be less risky as it builds on an already tried and tested product or system. The innovative content being much more limited, the public-sector procurer needs to evaluate carefully whether any adaptations that are needed for his purposes are in fact innovation – and hence deserve specific support under that title – or simply pertain to the continuous development of an established commercial product, which is entirely the supplier's responsibility as part of his day-to-day business.

The Expert Group believes that there are still shortcomings to be addressed in many Member States in respect of the preparation and management of PPI projects. Whereas progress is being made in improving the accuracy and neutrality of tender specifications and the transparency of tendering processes there is still room for improvement in the preparatory planning stages of public sector procurement processes.

2.2.1.6 Funding Issues

The adequacy of funding for public sector innovation needs to be examined at different levels. Internal innovation, the most prevalent kind³⁶, tends to be funded predominantly from government (departmental) budgets. External innovation, which involves private-sector participants – usually firms, sometimes also civil society or academic institutions – often depends on the availability of funding support, in particular risk capital for SMEs. Lastly, these sources of funding are supplemented by financial support from the EU.

The availability of internal government funding for public sector innovation differs markedly across Member States. Whereas this is certainly due, in part, to Member States' different financial and budgetary circumstances, we have also observed differences in attitude towards funding innovation and organisational barriers within national administrations that complicate the efficient deployment of budgets for innovation projects. The former issue is discussed in the next section; the latter is, effectively, a symptom of what was discussed earlier under Innovation governance and public sector reform, namely, the difficulty for innovation projects within national governments to gain support and access to budgets across departments.

³⁶ European Public Sector Innovation Scoreboard 2013, pg. 14; Borins, S. (2000), Loose cannons and rule breakers, or enterprising leaders? Some evidence about innovative public managers, *Public Administration Review* 60: 498-507.

2.2.1.7 Organisational learning and institutional innovation

Many times the EU has demonstrated its ability for creative problem-solving. Tapping into Europe's creative potential for innovation in the public sector requires, however, an innovation-friendly environment and culture - not only for businesses and citizens - but in particular for the public sector workforce. This implies the need for approaches which embrace diversity (including age, gender, flexibility, and mobility), and which recognise commitment and accommodate failure. The fear of making mistakes is very rooted in the public sector and can act as a barrier to innovation. The leaders at all levels in the public sector need to recognize that experimenting with new solutions (prototyping) and sometimes making mistakes are opportunities to learn. To have the right incentives and rewarding leaders' and employees' innovation efforts is also important. One way to do this is to re-think the role of human resources departments to make them more strategic and integrate innovation and human resources efforts.

Even though there is some evidence of use of these 'ingredients', there is still a lot to be done in many of Europe's public administrations. A recent survey among Austrian public sector employees confirms, for example, that 80 per cent support change in the organisation but 50 per cent feel that the communication is not satisfactory.³⁷ Adequate remuneration and certainty of funding of projects over a longer time span are additional critical success factors according to stakeholder surveys undertaken among European eGovernment Awards finalists. Moreover, to be motivated people need to be empowered to use their creativity. It also means that they need to be equipped with the right skills and tools (such as technology). While this is a responsibility of the Member States and/or regional governments, a systematic (joint) approach does not exist, even though exchanges are taking place, e.g. on human resources, education and training in the European Public Administration Network (EUPAN).

Best case example: Political management based on economic stringency and strategic budgets – Bilbao City Council

This project addresses public concerns on pressing key topical issues across Europe, and especially in major urban areas that face the impact of global economic changes. Managing a budget without debt (moreover - repaying debts) is probably the number one topic on the agenda of European public organisations.

Bilbao City Council designed a strategy based on economic austerity and stringency for its political management, enabling it to respond to the commitments required by citizens, through on-going monitoring of the actions developed with as much transparency as possible, fostering citizen participation and seeking 'zero' public borrowing. The strategic planning was based on two tools which allowed for progress, not only in efficiency and good political management, but also in ensuring transparency and the trust of citizens: Governance Plan 2007-2011 and Strategic Budgets. The Bilbao City Council implemented different initiatives of a permanent nature to improve transparency for citizens and promoted and developed its participation model for the citizens of Bilbao through District Councils.

The project's objectives have been attained: municipal debts were erased by March 2011 and recreational areas increased from 27 to 134 hectares. The project has a unique value as it combined the establishment of a governance plan and a strategic budget.

For more information: www.epsa-projects.eu

³⁷ <http://www.republik-online.at/wir-sind-viel-flexibler-als-unser-ruf-127611.html>

Best case example: Housing First – Effectively tackling homelessness across Europe

Housing First Europe (HFE) was funded from August 2011 to July 2013 under the PROGRESS programme of the European Commission (DG for Employment, Social Affairs and Inclusion) as a Social Experimentation Project. The project's aims were to evaluate and support mutual learning about local projects in ten European cities that were testing a model called Housing First. The model provides homeless people with complex needs with immediate access to long-term, self-contained housing and intensive support. The lead partner of the project was the Danish National Board of Social Services. The project's Coordinator was Volker Busch-Geertsema, senior research fellow of GISS in Bremen, Germany, and coordinator of the European Observatory on Homelessness.

Housing First is a highly innovative model to tackle homelessness. It was originally developed in the US and has been used predominantly to tackle long term homelessness, especially amongst people with serious mental health problems and co-occurring substance abuse. Housing First is a significant departure from traditional "staircase" services, which predominate in many European countries and which require homeless persons to demonstrate "housing readiness" before being offered long-term stable accommodation. Housing First, pioneered by the organization Pathways to Housing in New York, provides homeless people with rapid access to long-term, self-contained housing with no requirement that they progress through transitional programmes. A substantial and multidisciplinary support package is provided to re-housed people, but their tenancies are not conditional on engagement. The model has proved highly effective and received international attention.

In this context, HFE sought to generate evidence about the model's effectiveness and applicability in European contexts. Five European cities were "test sites" in the project: Amsterdam, Budapest, Copenhagen, Glasgow and Lisbon. Housing First projects in each of the cities were tested and evaluated from a European perspective, with a view to providing greater clarity about the potential and limits of the approach and its impact on homeless people's lives. HFE also facilitated mutual learning with additional partners in five "peer sites" - Dublin, Gent, Gothenburg, Helsinki and Vienna. In these cities, further Housing First projects were also being planned or implemented. The overall partnership approach of HFE involved a wide range of stakeholders including NGOs, service providers, local authorities, universities and public authorities. The final conference of the project mobilised more than 200 stakeholders in the fight against homelessness. HFE has contributed to growing consensus about the value of the Housing First model in combatting long-term homelessness amongst people with complex support needs. Housing First is increasingly recognised as a high-impact and smart social investment, and the European Commission has included it as a key element in its policy guidance on homelessness in the Social Investment Package.

For more information: www.housingfirsteurope.eu.

Best case example: Ökokauf Wien - Ecobuy Vienna

"Ökokauf Wien" is a cross-departmental programme attached to the Executive Group for Construction and Technology of the City of Vienna. The aim of the 'Ökokauf Wien' is to enhance the environmental compatibility of the city's procurement system in line with the principles of climate protection and the EU procurement regulations. The programme is one of the forerunners in green procurement. It has developed about 100 product catalogues for supply, construction and other services regularly procured in the City of Vienna.

An important factor for the success of the programme is its broad structure which involves more than 200 experts from all spheres of the Vienna City Administration as well as a number of external experts who develop product categories and product groups with green criteria. Ökokauf does not employ a top-down process, which is a key factor in its success and has led to widespread acceptance. The programme is organised across different municipal departments and uses the existing structure and resources of the City of Vienna, thereby avoiding separate personnel expenses and related costs for offices, etc. Most of the staff members involved in the programme are employees of the City of Vienna and perform their programme tasks in addition to their usual functions.

The programme has significant financial and environmental impact: it was estimated that the programme saved about EUR 17 million and 30,000t of CO₂ emissions per year. In addition to the contribution towards a greener environment, the results of this programme demonstrate that green products do not need to cost more and educating suppliers is important. A number of initiatives may be transferable to other administrations: organic food, the use of micro-fibre cloths, the use of waste paper, ecological construction.

For more information: <http://www.epsa-projects.eu>.

Best case example: INNAP Innova

'INNAP Innova' is an integral project to enhance public sector innovation promoted by INAP (National Institute of Public Administration), an autonomous body attached to Spain's Ministry of Finance and Public Administration. INAP is the leading government Civil Service training school in Spain.

This project aims at bringing innovation to executives and, in general, to all the public administration staff, interested in knowing the where and why of innovation. Its goals are:

- To encourage organizational learning in human teams;
- To create transformative knowledge and innovative awareness in public administrations;
- To promote good administration aimed at the common good.

"INNAP Innova" comprises several initiatives, whose implementation mobilizes and impacts staff of organisations at all levels of the Spanish administration, as well as those from the Ibero-American countries:

1. 'INNAP Innova' comprises several initiatives, whose implementation mobilizes and impacts staff of organisations at all levels of The training scheme INNAP Innova, training modules to provide public employees with the essential skills and competencies in innovation;
2. The publishing series INNOVA. This series aims to be a reference in the matter by creating a doctrinal body on public innovation, to train and generate innovation in Spanish and Ibero-American administrations;
3. INNAP Innova, the Ibero-American Forum on innovation in public administration, seeks to share innovative ideas that contribute to improve the Administration and quality of life. The first event was on 29 April 2013.

'INNAP Innova' originated in INAP and developed thanks to several partners, as universities, companies, public employees, a publisher and a NGO involved in innovation. The project is still in its start-up phase, so results on its achievements are not yet available. However, the interest generated has exceeded initial expectations: INAP has been contacted by several Ibero-American countries (Mexico, Brazil, Colombia, Peru, and Chile), IDB (Inter-American Development Bank), several Spanish regional governments (Extremadura, Valencia, Aragon) and some of the major Spanish cities (Madrid, Valladolid, La Coruña).

For more information: <http://www.inap.es/innovacion>

2.2.2 Lack of innovation leadership at all levels

People, not organisations, drive innovation. Public sector innovation must therefore become a responsibility at all levels: from politicians and top administrators to mid-level managers and front line staff. They must increase their ability to drive change by collaborating more and differently with each other and with end-users such as citizens, businesses and the third sector. Public sector innovation activities must become more embedded organisationally, more strategic and more systematic.

We already know much about the archetypical functions of leaders and managers: leaders inspire and managers execute. Leadership and management are two distinctive and complementary systems of action. Both are necessary for success: management is coping with complexity; leadership is coping with change.

Managers do planning, budgeting, set targets, establish detailed steps for achieving those targets and allocate resources to accomplish plans. They do organizing and staffing, creating an organisational structure, job descriptions, staff the jobs, communicate the plan, delegate responsibilities, and devise systems to monitor implementation. They ensure plan accomplishment by controlling and problem solving, monitor results versus the plan, identify deviations and solve the problems.

Leaders set a direction, develop a vision along with strategies for producing the changes needed to achieve that vision, align people by communicating the new

direction and inspire and motivate them to achieve it, despite major obstacles to change, by appealing to basic human needs, values and emotions.³⁸ It is obvious that public managers who are both inspired and good at execution can add value and produce change within their organisation.³⁹ Effective leadership requires a balance between developing a vision and motivating people and improving one's own capabilities, depending upon the situation.⁴⁰

However, the challenge is that we do not know so much about what characterises innovative public leaders and managers. What are the kinds of roles which decision-makers – from the political level to the heads of departments, agencies and institutions and to mid-level and frontline managers – need to play to drive innovation?

The Expert Group has identified the following barriers to innovation leadership:

- Mindset and awareness of public sector innovation

It is an everyday personal requirement that managers need to be tuned to do better today than yesterday and justify the money and trust endowed by politicians and tax payers. It is about personal responsibility and about testing the perceived boundaries of current practice and thinking. This is a new leadership role.⁴¹

- Lack of staff with innovation skills and high innovation capacity

Public employees may be highly skilled economists, doctors, schoolteachers but few of them have formal skills in creativity or innovation⁴², giving rise to incomplete or biased perception of innovation possibilities. Very often the potential is there, waiting for support and opportunities to flourish.

- Restrictive organisational environment and bureaucratic processes

Public managers' ability to test new ideas, experiment innovative approaches and develop new procedures can be discouraged by rigid organisational rules. If, for example, too much time is spent on doing projects on time and on budget then the ideas generated often aren't as good.⁴³ Equally, paper chasing processes undermine judgments and make the decision making process weaker.⁴⁴ Public managers need not spend too much time and resources in understanding the past but rather in exploring the future and looking forward.

- Discouragement by superiors or staff

Public managers can be de-motivated in launching new ideas due to poor response by their superiors or their staff, especially when the expected outcomes are intangible or difficult to measure.

- Lack of dissemination of innovative ideas

Successful innovators are not automatically good communicators of their innovations; they are not always aware of how distinctive their own practices are. It is important to let others learn from a success. At the same time, it is important to let others learn from mistakes and failures (innovation cemeteries).

³⁸ Kotter, J. (2001), *What leaders really do*, Boston: Harvard Business School Press.

³⁹ Bason, Ch. (2010), *Leading Public Sector Innovation, Co-creating for a better society*, Policy Press, p. 241

⁴⁰ Beinecke, R. (2009), *Introduction: Leadership for Wicked Problems*, *The Innovation Journal*, Vol.1.

⁴¹ Bason, Ch. (2010), *Leading Public Sector Innovation, Co-creating for a better society*, Policy Press.

⁴² Osborne, SP. and K. Brown (2005), *Managing Change and Innovation in Public Service*, New York: Routledge.

⁴³ *The McKinsey Quarterly* (2008), *Lessons from innovators' front lines: An interview with IDEO's CEO*.

⁴⁴ Patterson, F., M. Kerrin, G. Gatto-Roissard and Ph. Coan (2009), *Everyday Innovation: How to enhance innovative working in employees and organisations*, London: NESTA.

While the former is addressed by various award schemes^{45 46 47}, the latter is barely a subject of any attention.

- Fear

Fear of failure or of losing their job, further strengthened by scepticism of public opinion and negative media coverage is a common inhibitor to innovation.

2.2.3 Limited knowledge and application of innovation processes and methods

Innovation is practice, not theory. The challenge for public sector organisations in Europe is to build the ability to do innovation or, in other words, to master the innovation process. The past decade has seen the rise of a body of knowledge about how innovation can be conducted by public organisations. A wide range of organisations inside and outside the public sector have developed tools, methods and approaches, and to some extent also disseminated them. However, only relatively few public sector organisations at EU, Member State, regional or local level have truly embedded innovation processes as part of their on-going organisational practices, or indeed in their culture. Innovation efforts are still largely random, unsystematic and not particularly conscious.

Innovation in the public sector does not happen by magic. Even though it is often said that coincidence and chance is inherent to the innovation process, there are ways which are better and more useful than others when searching systematically for new ideas that can be implemented to create value. The cutting edge of public sector innovation is characterized by a number of readily identifiable principles, components and methods, which today are being embraced by leading governments around the world. A key prefix here is 'co': Public sector innovations must be co-designed and co-created together with other parts and levels of government, external stakeholders, businesses, the third sector and, importantly, with citizens themselves. The European public sector needs to accelerate the strategic use of innovation processes, and to build the necessary organisational environments which can authorize innovation in practice.

Among the key barriers to the art and practice of making innovation work in public sector organisations the Expert Group has pinpointed the following, which fall in two major categories:

- Lack of methods and tools:
 - A lack of tools, methods, experience and skills for running innovation processes, from problem identification to ideation and implementation;
 - Limited knowledge about the type, nature and effectiveness of public policy and service tools available today;
 - Ineffective use of evidence and benchmarking as drivers of innovation;
 - Unavailability or inaccessibility of information systems for the identification of potential local, national or international partners in innovation projects across the EU;
 - Difficulties in the establishment of criteria for the launch, implementation and evaluation of new solutions, governance structures or systems.
- Lack of collaboration:

⁴⁵ European Commission (2012), FP7 - Contest Rules for European Prize for Innovation in Public Administration.

⁴⁶ <http://www.epsa2013.eu/>

⁴⁷ <http://www.act.ipaa.org.au/Prime-Ministers-Awards/pm-s-excellence-awards-att-a.html>

- A significant lack of citizen focus and involvement during the innovation phases (design, implementation, evaluation);
- No systematic approach to the involvement of citizens in the co-creation of public value;
- A lack of policies and criteria for the establishment, management, evaluation or dissolution of partnerships orientated to the implementation of innovative projects;
- Inadequate and insufficient inter-administrative collaboration between Member States with a focus on creating innovative new solutions for mutual benefit;
- Frequently, a limited and select circle of usual and regular partners in innovation projects, very similar to the lead organization and mainly from the public sector;
- Strong technical, administrative and political boundaries between different sectors and administration levels;
- Cultural differences and difficulties in combining different objectives in public-private innovation partnerships.

For these reasons there is a huge risk that in spite of the existing knowledge and experience, public organisations will not be able to execute the innovation processes they need, when they need them, and thus not identify and implement the new solutions and models that could provide value for European society. The Expert Group therefore believes that in the coming years the European Commission and the Member States must dramatically accelerate the development and proliferation of collaborative innovation practices in European public sector organisations.

2.2.4 Insufficiently precise and systematic use of measurement and data

Data on innovation investments, activities and results in the public sector are scarce. Although public sector innovation has been studied for a long time, most of these studies have been analysing individual case studies to collect insights on how the public sector innovates. Studies using large amounts of survey data are a more recent phenomenon and there are only a few of them.

There is clearly a challenge for providing more data on public sector innovation and its impacts. Scarce data and the random use of the available data act as a barrier to help drive innovation efforts. Whereas there is a long-standing tradition in collecting innovation data using innovation surveys for the business sector⁴⁸, such data is only sporadically collected for the public sector.⁴⁹

As a response to the lack of data on public sector innovation and following the Europe 2020 Innovation Union flagship initiative (commitment 27), the European Commission has been piloting the European Public Sector Innovation Scoreboard (EPSIS) as a basis for further work to benchmark public sector innovation. The pilot EPSIS 2013 report was published in March 2013.⁵⁰ Two special Innobarometer

⁴⁸ The Community Innovation Survey (CIS) is a survey of innovation activity in enterprises. The first CIS was launched in 1993. Since 2004 the survey has been carried out every two years across EU Member States and other European countries. The CIS is designed to provide information on e different types of innovation and on various aspects of the development of an innovation, such as the objectives, the sources of information, the public funding or the expenditures. The CIS provides statistics broken down by countries, type of innovators, economic activities and size classes
http://epp.eurostat.ec.europa.eu/cache/ITY_SDDS/en/inn_esms.htm.

⁴⁹ The UK and NESTA surveys are examples of studies that have collected such data (cf. section 2.1).

⁵⁰ European Commission (2013), European Public Sector Innovation Scoreboard 2013: A pilot exercise, Brussels: DG Enterprise (http://ec.europa.eu/enterprise/policies/innovation/policy/public-sector-innovation/index_en.htm).

surveys have been launched to obtain more information on public sector innovation: the Innobarometer 2010 on innovation in public administration and the Innobarometer 2011 on the perceived impact of improved public services and public sector innovation on business performance.

The EPSIS 2013 report concludes that '[d]espite the usefulness of the information obtained, these surveys provide a snapshot view only and they are not replicated on a regular basis. In order to obtain more insights and to monitor the innovation performance of the public sector, it is necessary to agree on a limited number of key indicators and start collecting them in the EU Member States ... [I]t will require increased efforts at the European Commission and Member State level to collect data to further improve the measurement framework and to extend the current EPSIS ...' The Expert Group supports the view that more efforts are needed to measure and monitor innovation in the public sector at different organizational levels.⁵¹

⁵¹ E.g. similar to the annual benchmarking activities on the development of e-Government, which were started in 2001 and are used in the Digital Agenda Scoreboard (<http://ec.europa.eu/digital-agenda/en/scoreboard>).

3. A NEW VISION OF THE PUBLIC SECTOR

3.1 The challenge: the European public sector in a turbulent context

The public sector plays a key economic and social role as regulator, service provider and employer. The Expert Group holds the view that **the public sector has a significant role to play in society in its own right**. It plays this role through direct service provision to users, but also through framework regulation, collaboration and engagement with stakeholders and suppliers, public procurement of services, etc. A high performing, value-creating public sector is a key determinant of the European Union's institutional competitiveness.⁵²

Europe is facing rising unemployment levels, in particular for those below 25 years of age. The EU28 unemployment rate has increased from 7 per cent early 2008 to 11 per cent in the second quarter of 2013. In Greece and Spain unemployment is even above 25 per cent. Youth unemployment has exploded from 15 per cent to 23.5 per cent in the same time period putting 1 out of 4 Europeans below 25 years of age without a job and even 1 out of 2 in Croatia, Greece and Spain.

Expenditures on healthcare and public pensions are also expected to increase. The 2012 Ageing Report⁵³ shows that spending on health care, long-term care and public pensions, as a result of an ageing population, are expected to increase from 20.3 per cent of GDP in 2010 to almost 24.5 per cent of GDP in 2060. This 4.2 per cent-point increase in spending amounts to an additional spending in 2060 of almost 1100 billion Euros or almost the size of the Spanish economy in 2010.

Governments have always faced pressures for increasing the productivity of the public sector while developing more citizen-centric services, better outcomes and enhanced democratic participation. However, the current and future environment is likely to more fundamentally challenge the role of the public sector in European societies. Trends such as increased globalisation and mobility of people, goods and services, new technologies, ageing, demographic change, changing lifestyle patterns, chronic disease and rising costs of health care all contribute to a turbulent and complex environment for public sector organisations, their managers and staff.

Public sector organisations must become much better equipped to deal with this more rapidly changing environment. Citizens and elected officials alike expect our public sector to be part of the solution to the current challenges by ensuring well-functioning public services combined with high employment levels with both better and higher paid jobs. Only then can we expect to achieve the European Union's 2020 objective of smart and inclusive growth.⁵⁴

At a fundamental level, the role of government is changing from one that is expected to ensure stability, resilience and continuity to one which *also* must embrace a strategic and systematic effort to manage emergence and create positive change.⁵⁵ Government departments, agencies and organisations are cast into roles where they must not just react to crisis, but be pro-active problem solvers and seek new opportunities for value creation. In that capacity, public sector organisations must collaborate more closely and effectively to create outcomes together with a wide variety of stakeholders in the public sector, in business and with citizens themselves. In short, public sector organizations are increasingly expected to

⁵² Pedersen, Ove Kaj (2008), Institutional Competitiveness: How Nations came to Compete, Copenhagen Business School: Working Paper no 47.

⁵³ European Commission (2012), The 2012 Ageing Report: Economic and budgetary projections for the 27 EU Member States (2010-2060)

http://ec.europa.eu/economy_finance/publications/european_economy/2012/2012-ageing-report_en.htm.

⁵⁴ http://ec.europa.eu/europe2020/index_en.htm

⁵⁵ Bourgon, J. (2011), A New Synthesis of Public Administration: Serving in the 21st Century, School of Policy Studies, Montreal: McGill-Queen's University Press.

change and improve, i.e. to innovate. Current models for public administration and the provision of public services are thus coming under significant pressure.

3.2 Enhancing public entrepreneurship: In search of more radical innovation

Public and private sectors are fundamentally different, and so is the respective role of entrepreneurship in the two sectors. For the public sector it is often as important not to fail as it is to succeed, and this puts limitations to what degree the public sector can innovate. The private manager's enabling resources – structure, finances, and people – become the public manager's constraints. Second, when talking about public sector innovation, we do not talk about continuous incremental improvements of services (e.g. adding a Facebook page to a service) but about discontinuous, systematic and relevant change (e.g. offering a service only via a Facebook page); the former indicates incremental improvement, the latter radical innovation. These are highly different tasks and outcomes.

Given the public sector context, which is often constraining, and the need for more systematic and strategic innovation, which is potentially liberating, we envision the public manager of the future as an entrepreneur. The role of the public manager and, indeed, of public staff, will be to strike a very different balance between administration, stability and predictability on the one hand, and leadership, change and innovation on the other hand. As a *public entrepreneur*, one's emphasis must shift to a more pro-active stance in pursuit of collaborative problem-solving and unleashing new opportunities.

The possible emerging 'social', digital and co-productive governance models of the future are still taking shape. For that reason, we cannot solely rely on 'best practices' to get us there, since no such practices necessarily exist. Instead, each public organisation must discover the model that best fits with its national, organisational and administrative heritage and context – and then draw in useful evidence and best practices, to the extent they are available.

The role of the innovative public manager is therefore, in short, to lead the exploration of the next public governance model.

Some of the characteristics of an entrepreneurial approach, or attitude, to management include:

- Challenging assumptions: being prepared to question the current paradigms and ways of governing;
- Starting with outcomes: insisting on the core mission of providing value to citizens and society, and co-designing new solutions together with end-users such as citizens and businesses;
- Leading the unknown: taking responsibility for pro-actively disrupting the organisation and launching iterative waves of small-scale experiments in order to involve everyone – from front-line staff to senior managers and stakeholders – in the innovation process;
- Envisioning a concrete future: taking steps to making new innovative solutions and operating models highly tangible, for instance through design methods, so they can guide the implementation process.⁵⁶

The search for new and better governance models needs to be supported by new innovation processes at all levels of government. The vision of more 'social',

⁵⁶ These characteristics may also be labelled 'design attitude'. See Bason, Christian (2014), Design attitude as an innovation catalyst, in: Ansell, Chris and Jacob Torfing: 'Public Innovation through Collaboration and Design', Routledge (forthcoming).

collaborative and co-productive delivery models must be powered by entrepreneurial public managers and staff, who embrace co-design and extensive involvement of end-users and other stakeholders to drive systematic and strategic innovation.

3.3 The need for a new vision

The economic crisis has brought us a new form of European paradox: while we can observe high levels of intra-European integration in some areas (in finance and trade, for instance) there is growing divergence in public outcomes across the Member States. As the recession continues, some countries experience extremely negative developments in outcomes in the form of rising unemployment and deterioration of public services, while others enjoy relatively stable growth; while stock markets climb again, the public sector is often required to cut its expenditures; while real interest rates continue to be negative, investments are not increasing. In sum, the European Union offers a conflicting picture of the public sector; this is a function of underlying unresolved institutional and political issues. Europe thus needs another political and policy narrative, one that goes beyond simplistic juxtaposition of government versus the market, to one where governments and markets complement each other. The European Union accordingly does not need simply more public expenditure – as this would not alleviate the underlying problems but rather a set of institutional innovations that would allow governments to better navigate the external constraints, and to find new ways of creating more value for citizens, businesses and society at less cost.

Such institutional innovations should aim at complementarities between the private, public and non-governmental sectors. It lies in the nature of changing technological, economic and social narratives that the relations between these sectors are changing. The ICT driven explosion of new business models, geographical dispersion of production, and the emergence of social media, new products and services are also challenging the way governments operate and, above all, how they are perceived.

The Expert Group believes that more collaborative production of public services should and will become much more widespread than is the norm now. Public services will have a strong cooperative and networked basis to them. However, the path towards the next public governance model is not straightforward: First, we do not know precisely what forms the new model will take, given vastly different national, economic and social contexts. Second, we do not know exactly what it will take to get there. The first is a question of what a 'social' model of governance entails in practice; the second is a question of how to orchestrate the innovation process itself. In sum there are two huge challenges that European governments face in redefining how they can complement the private sector and the market in order to create public value and enhance employment and incomes: how to integrate 'the social' and how to enhance public entrepreneurship.

3.4 In search of a new governance model

In this section we highlight some of the core principles of a more social, pro-active, engaging and collaborative public sector, as well as some of the associated challenges.

3.4.1 Digital government

In this age of big data and emergent information flows and networks, it is frequently asserted that public services will be increasingly co-produced by public servants together with their respective counterparts (citizens, businesses, other public

organisations, non-governmental organisations, etc.).⁵⁷ This will entail much more individual and tailored services.

Yet, herein lies a fundamental challenge for the public sector: how to combine the legal obligation of governments to provide equal service standards to all citizens with diverging needs of citizens. This challenge is made all the more complex by the increasing use of social media and big data that will be key in enabling the public sector to create more customized services. The challenge goes beyond simply instituting e-feedback mechanisms; rather much wider issues of peer production arise from the availability of different sets of data (e.g. crime statistics, Twitter feeds, demographic composition, etc.). For instance, the London Data Store provides a 'London Dashboard' where citizens can track a wide range of such city metrics.

This means that the so-called screen level bureaucracy, in which the decision-making process by government officials has been routinized and where contacts with citizens are done by using computer screens⁵⁸, becomes one of the most difficult challenges for the public sector: managing this opportunity well will lead to significantly better public outcomes (e.g. from lowering transaction costs for business to preventing crime and diseases). However, when increased digitisation is managed poorly, it can give rise to significant trust and legitimacy issues (from concerns over privacy to abuse of power and increased corruption). In essence, co-production of public services presupposes high levels of policy and administrative capacities from public sector organizations, and political trust and legitimacy of governments.

More digital provision of services may also well entail that some tasks which have previously been outsourced to the private sector will be insourced as they are considered core public sector capacities. For instance, the UK Government Digital Services team has transformed how citizens interact digitally with public services, and the BBC has innovated from within, such the highly successful iPlayer. By keeping governments dynamic, internally investing in programmers and software designers increases their 'absorptive capacity' i.e. their ability to understand and capture the big opportunities for future citizen services and investments in growth-generating initiatives.

3.4.2 New hybrid delivery models

Governments are faced with the gap in the affordability of delivering public services at existing levels, the need to tailor traditional service models more closely around the citizen, and the need to improve efficiency while contributing to economic growth and quality. Managing such complexity will depend on innovative models of service provision. New delivery models will be intrinsic to the public sector and to citizens to the extent that they allow better services to citizens. Collaboration is at the heart of these new delivery models, harnessing the power of all parts of the economy to drive better outcomes. Hybrid organisations that combine elements of private, public, and social sectors will increasingly shape these new delivery models, reflecting the existing 'taxonomy' of actors in current society. Of course, some services will still be delivered with standard public organizations; public sector innovation simply recognizes that diversity in organisational models is increasing.

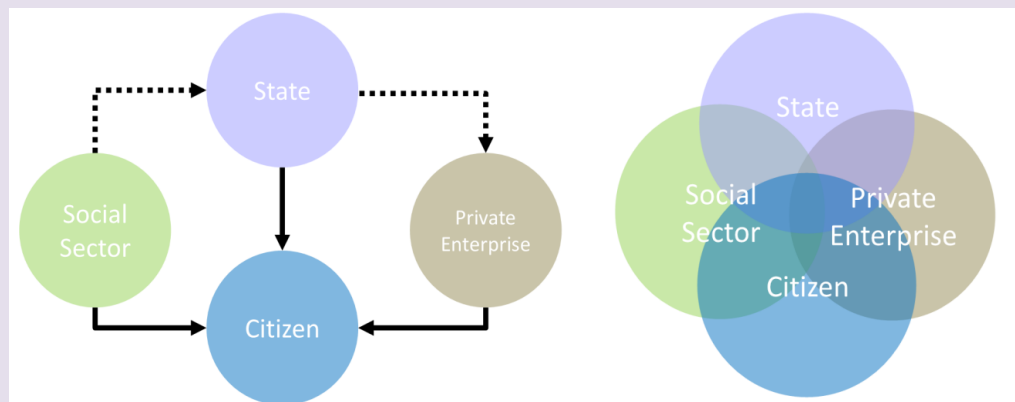
Figure 2 illustrates different delivery models in the public sector and the movement toward new service delivery models – which in general is based on rather old principles of collaboration before the founding of the 'welfare state' in Europe in the

⁵⁷ The need for tailor-made customized services will also increase.

⁵⁸ Bovens, M. and S. Zouridis (2002), *From Street-Level to System-Level Bureaucracies: How Information and Communication Technology Is Transforming Administrative Discretion and Constitutional Control*, Public Administration Review, Vol. 62, No. 2, pp. 174-184.

1960s. Delivery models vary accordingly to the ownership format, the commercial model and the nature of the agreement (based on levels of responsibility) between the two (or more) parties. We observe a movement from Public Private Partnerships toward service delivery, based increasingly on social enterprises and cooperatives, which is a combination of private, public and social sectors.⁵⁹ Leveraging these three sectors together – as a 'fourth sector' – constitutes a movement which brings new service delivery approaches that harness innovation through collaboration and creates better social and economic outcomes.

Figure 2: The changing relationships of government in delivering public outcomes⁶⁰



Common for the new service delivery models is leveraging of the voluntary (social) sector as a key component in the delivery of services. This delivery model is indeed old – but is being reinforced by leveraging new technologies, taxation law and modern social networks. The voluntary/social sector is mostly represented in the scope of services aiming at tackling citizen needs, such as unemployment, housing for seniors, attention to people in risk of poverty or exclusion, etc.

New service delivery models are characterized by an increased autonomy from government for the actual delivery of the service, some specific control mechanisms to ensure the focus on the right outputs, the pursuit of clearly defined social objectives, a robust business model that ensures goods and services are provided in exchange for revenue where non-profit and for-profit models are combined (thus having access to donations, grants and favourable tax status of charitable concerns as well as the potential for commercial revenue) and, finally, inherent citizen-centricity in their service provision.

These characteristics allow for a more effective, efficient and innovative delivery of public services. New service delivery models are flexible in interpreting demand and tailoring service provisions to the needs of citizens, while empowering employees to innovate and introduce novel solutions. New delivery models sometimes provide employee ownership, which in turn improves their performance and motivation. Finally, new delivery models provide an opportunity to access funding to sustain innovation and engage in mixed payment models, such as social impact bonds, thus offering a more sustainable route to delivering public services. All these

⁵⁹ A social enterprise is an organization that applies commercial strategies to maximize improvements in human and environmental well-being, rather than maximising profits for external shareholders. A mutual, mutual organization or mutual society is an organization (often, but not always, a company or business) based on the principle of mutuality. A cooperative is an autonomous association of persons who voluntarily cooperate for their mutual, social, economic, and cultural benefit (Wikipedia, accessed 4 July 2013).

⁶⁰ Christiansen, J. and L. Bunt (2012), *Innovation in policy: Allowing for creativity, social complexity and uncertainty in public governance*, MindLab & Nesta.

characteristics are supported by measurement tools that monitor and ensure the performance of such delivery models, resulting in a real 'win-win' approach.

Examples of new service delivery models

Italy: Social cooperatives

After the Second World War, Italian local authorities provided health and education services but not social care, and over time the traditional role of families providing support started to diminish. As needs and expectations rose, the social cooperative model grew as a way of providing better care. The cooperatives were also seen as a way of improving service efficiency. In 1991 a new law created a specific legal framework for social cooperatives in Italy. As their purpose they have 'to pursue the general interest of the community in promoting human concerns and in the social integration of citizens.' Today there are more than 7,000 cooperatives and they have become a core element in the delivery of social care for many local authorities. Social cooperatives are permitted to distribute profits, as long as distributed profits are restricted to 80 per cent of total profits and the profit per share is no higher than 2 per cent of the rate on bonds issued by the Italian post office.

Sweden: Children's day care cooperatives

Cooperative provision of children's day care was developed in Sweden in the 1980s as a response to the growing demand for services and the inability of local authorities to provide sufficient capacity. The Swedish government made a decision to finance specialist cooperative development agencies. These agencies grew up in different ways in different parts of Sweden, and then federated into a national support body, which in 2006 decided to work under the name of Coompanion. The Coompanion network of support agencies is funded centrally by the Swedish Agency for Economic and Regional Growth. Specialist advisers have played an important role in the development of new cooperatives and the continuing success of existing ones. In Sweden there are around 1,200 cooperatives providing preschool day care for about 30,000 children, representing about 7 % of total.

Denmark: 'Live longer in your own life': Co-producing for better elder care

The Municipality of Fredericia in Denmark has for the past five years pioneered a radical new approach to care for ageing citizens, which is now being scaled across most of the country's other 97 local governments. The model is called 'live longer in your own life', and is based on an approach called everyday rehabilitation. This innovation in service delivery started when the managers in Fredericia's social care division asked themselves: 'Should we really continue to provide ever-cheaper in-home cleaning, cooking, and personal care to older citizens? Or should we find out what kind of life they want to live, and then invest in their ability to live it?'. By shifting the delivery model to building a plan for how older citizens could become self-sufficient again, all of the local governments divisions had to come together, with the citizen at the centre, to draw up a plan for investing in their health via fitness training, physiotherapy, and a host of other social services. By shifting to building their personal capabilities, 50 per cent of all older citizens could manage with no in-home services at all, and another 35 per cent could do with less. The benefits to health and welfare for citizens are significant while evidence suggests that there is an average of 15 per cent cost saving annually for the local authority. The City of Fredericia has received a best practice certificate in the European Public Sector Award 2011.

4. A NEW INNOVATION ARCHITECTURE: RECOMMENDATIONS

Based on its analysis above, the Expert Group has developed a list of recommendations which it believes will be instrumental in building Europe's new innovation architecture for the public sector. The recommendations are divided into distinct but related groups of recommendations. The first includes three cross-cutting recommendations which establish a high-level governance structure and initiate a broad-based momentum on the public sector innovation agenda. The second group of recommendations are of a more concrete nature and are grouped according to the particular institutional challenge that they address: they point the way to an improved management of innovation processes (Leading Innovation), the practical empowerment of innovation actors (Enabling Innovation) and the deployment of enlightened innovation solutions (Informing Innovation).

The Expert Group believes that governance reforms have the highest potential of initiating a '*virtuous circle*' of innovation and growth. A public sector that promotes meritocracy and fosters innovation is better placed to stimulate such processes in the broader society, thus initiating a self-reinforcing change process, which helps individuals make the best use of their talents and skills, and ultimately leads to better economic performance as well as public value creation and a better response to societal challenges.

4.1 Cross-cutting recommendations

At the level of the new vision of the public sector outlined in the previous chapter, we propose three cross-cutting recommendations that can tie together the more concrete suggestions laid out in section 4.2. Together, these three recommendations establish a high-level governance structure, which will be crucial for making a new European innovation architecture for the public sector a reality:

- A European Public Sector Innovation Platform;
- Mainstreaming public sector innovation across all EU policy areas;
- Launching a new public sector innovation movement.

4.1.1 RECOMMENDATION: European Public Sector Innovation Platform

Governing more strategic public sector innovation at the European level will be a complex, demanding task. The recommendations set forth in the present document require vision, determination and sense of urgency, as well as coordination, planning and effective resource allocation. They also require the systematic documentation, rapid learning, and dissemination of experiences to a very wide set of stakeholders. Further, it is essential that new initiatives create synergies with the rather broad range of activities already being carried out across European institutions (and in particular by Commission Services, e.g. Joinup, the common portal for e-Government solutions).⁶¹

In order to create a comprehensive governance structure for the European Union's innovation efforts focusing on the public sector, we therefore recommend that a European Public Sector Innovation Platform is established. The Platform should be a

⁶¹ Joinup is a collaborative platform created by the European Commission and funded by the European Union via the Interoperability Solutions for Public Administrations (ISA) Programme. It offers several services that aim to help e-Government professionals share their experience with interoperability solutions. Joinup offers relevant content and insight in, among others: cross-border and cross-sector interactions between public administrations; pan-European electronic public services; legal information on usage and development of open-source software within public administrations; interoperability impact of EU regulations and actions; access to a repository of reusable semantic assets; methodologies and practice aids on the development of semantic interoperability assets; and pan-European e-Government projects (<https://joinup.ec.europa.eu/>).

cross-cutting organisational entity that bridges some or all of the European institutions (the European Parliament, the Council, the European Commission, the Court of Justice, the European Central Bank and the Court of Auditors).

The role of the Platform would be to act as a coordinating body, ensuring maximum leverage of the resources and activities applied across the European Union in order to drive strategic and systematic innovation within Member States and within the European institutions.

The Platform would govern and give overall vision and direction to a range of the key activities and organisational entities that are discussed later in this report, as well as immediately below. Examples include the Mainstreaming of public sector innovation in EU activities; building a Europe-wide public sector innovation movement; Innovation Single Contact Points; and an EU Innovation Lab to drive innovation within the European Commission.

The mandate of the Platform would build on the vision and activities set forth in this document, and would follow the governance cycle of the European Parliament and European Commission (e.g. starting November 2014).

Such positioning of a European Union-wide Innovation Platform would reinforce our key point that a high performing, innovative and value-creating public sector is essential to Europe's institutional competitiveness. The Platform would be supported by a small, highly competent staff, which would also act as Secretariat for a Board consisting of 10-12 members from across the involved European institutions.⁶² The Board Members would be at the level of Members of the European Parliament, Members of the European Commission, and Ministers from Member States (e.g. Ministers responsible for modernization and/or public sector innovation). Chairperson of the Board would be the President of the European Commission.⁶³

In addition to the Board it should be considered to establish a Council of Innovation Advisors, consisting of leading public sector innovation experts from academia, government and the third and private sectors. The Council would meet 1-2 times per year and also be drawn on ad hoc by the Board for input and advice that can challenge and inspire the Board.

4.1.2 RECOMMENDATION: Mainstreaming Programme for EU Public Sector Innovation

Public sector innovation is in principle a part of the broad range of EU policies, programmes and actions which in various ways (and implicitly or explicitly) target public sector reform. However, as addressed in the report *Public Sector Innovation – Overview of European Commission initiatives*, 'the explicit link of these actions to the concept of public sector innovation can be further strengthened'.

The Expert Group considers it vital to not only propose additional actions for driving public sector innovation in the EU, but to propose meaningful and value-added contributions to the many existing activities going on every day, every week, every month across multiple EU services and institutions, and across all Member States.

⁶² Private sector institutions or their representatives could also be considered as Board Members. The private sector could contribute to the policy making function of the Board as it will inevitably be involved in implementation under future new models of governance.

⁶³ A similar suggestion is made in 'Plan I: Innovation for Europe – Delivering innovation-led digitally-powered growth' (Lisbon Council and NESTA, 2013) www.lisboncouncil.net/component/downloads/?id=908.

We therefore propose the launch of three-year European Public Sector Innovation Mainstreaming Programme.⁶⁴ This entails a set of efforts which can help catalyse innovation as an integral, mainstream part of existing processes and initiatives to modernise the public sector across the Member States, as well as within the European institutions themselves. These efforts should mainly be anchored within the existing practices and programmes, so as not to duplicate but to pivot the relevant activities towards more innovative approaches, solutions and outcomes. The Mainstreaming Programme will be carried out as a comprehensive review process, leading to proposals for concrete changes that can deliver enhanced innovation in all major, relevant EU initiatives. The goal would be that at the end of the three-year period, there is a tangible focus on public sector innovation in all relevant, major EU initiatives.

It is important to emphasise that the European institutions (the European Commission and other EU bodies) themselves would by nature be main users of this recommendation, as it is changes in the approaches and processes inside the current EU administrative practices and programmes which are addressed here. In turn, this would of course have various consequences for how Member States and other actors engage and relate to the initiatives.

Table 1 shows some key European initiatives which would be addressed by this policy recommendation, and proposes tentative suggestions as to the core public sector innovation issues that might strengthen them.

The **main goals** of this recommendation are:

- To create *more awareness and transparency* about how the EU and Member States work together in practice to make public sector innovation happen;
- To enhance the *capacity* to innovate of the actors involved across a broad range of public sector modernisation initiatives, drawing on the collective resources of the EU and Member States;
- To strengthen *concrete processes* which the EU have put in place with Member States, drawing on cutting-edge innovation methods and approaches, and unleashing the potential of more and better collaboration and mutual problem-solving to create public value.

The **main users** of this recommendation are, as mentioned above, the key actors involved at EU and Member State level in European programmes that directly or indirectly address modernisation and transformation of the public sector and public institutions. These include first and foremost the top and senior administrators within the EU system itself; officials with development and innovation responsibility at EU and Member State level, national experts, and external advisors from across the academic, NGO and consultant communities. Additionally, politicians at EU and Member State level and the European public are users in the sense that they should to a higher degree take part in discussing not only the need for innovation but also the ways in which more innovation can happen, and thus how change and value-creation is steered.

⁶⁴ The Mainstreaming recommendation would need to be supported by the recommendation of establishing an EU Innovation Lab (cf. section 4.3). The EU Innovation Lab will be a physical space with core staff supporting, facilitating and fostering innovation among European Commission Services.

Table 1 – Current initiatives and potential innovation mainstreaming efforts

Initiative	Examples of potential innovation mainstreaming efforts
<p>The European semester, e.g. the Member States' annual plans for reforms and measures to make progress towards smart, sustainable and inclusive growth – the Public Administration Modernisation Assessment; as well as the on-going dialogue taking place in EUPAN.</p>	<p>Require Member States to report explicitly about their policies, strategies, incentives, organisation and activities to introduce more public sector innovation as part of their efforts to modernise public administrations; leverage EUPAN to directly address, share and co-develop innovation efforts.</p>
<p>Enhancing administrative efficiency, e.g. Administrative Burden Action Programme, European Regional Development Fund (ERDF)⁶⁵ and European Social Fund (ESF)⁶⁶ capacity building efforts, simplifying procedures for Horizon 2020⁶⁷, etc.</p>	<p>Addressing administrative burdens from a more user-centric, experience-based, outcome-oriented approach, e.g. through specialised workshops and methods development.</p> <p>Leveraging existing ERDF and ESF activities to build capacity for public sector innovation, e.g. by building guides and training tools.</p> <p>Prototyping simpler and more effective ways of applying for Horizon 2020 support.</p>
<p>Increased use of ICT tools, e.g. The e-government Action Plan 2011-2015, e-government Large Scale Pilot Projects, SOLVIT, Joinup</p>	<p>Making cutting-edge innovation methods and tools, such as design-led and user-centric innovation, available for e-government activities and key actors.</p>
<p>Transparency and trust, e.g. anti-corruption package, visa exchange systems, European border management system</p>	<p>Creating exploratory programmes to rethink how public authority, compliance and exercise of control can be balanced with end-user focus, professional service experience, and emphasis on outcomes.</p>
<p>Prizes and research programmes for public sector excellence</p>	<p>Ensure, where relevant, that there are explicit award criteria focusing on public sector innovation (e.g. new methods, new ideas, new governance and business models, more value-creation) within award schemes and research programmes. Explore/ensure coherence (and synergies) between award schemes</p>
<p>Cooperation and coordination with peers, e.g. mutual assistance for recovery of tax claims, interoperability solutions for European Public Administrations, and European Innovation Partnerships, etc.</p>	<p>Provide insights and knowledge about how collaborative, platforms for public sector innovation can be designed, implemented and scaled; support a shift from 'cooperation and coordination' to actual 'collaborative problem-solving', e.g. drawing on the suggested recommendation for Innovation Single Contact Points.</p>
<p>Scoreboards, developing inter-Member States' comparisons against which progress can be made</p>	<p>Further develop how current scoreboards, such as the European Public Sector Innovation Scoreboard, are designed, implemented and communicated in order to drive public sector innovation. Carry out activities that support Member States in interpreting and drawing up concrete actions in response to the scoreboard results.</p>

⁶⁵ The ERDF aims to strengthen economic and social cohesion in the European Union by correcting imbalances between its regions (http://ec.europa.eu/regional_policy/thefunds/regional/index_en.cfm).

⁶⁶ The ESF sets out to improve employment and job opportunities in the European Union. (http://ec.europa.eu/regional_policy/thefunds/social/index_en.cfm).

⁶⁷ Horizon 2020 is the new EU Framework Programme for Research and Innovation implementing the Innovation Union, a Europe 2020 flagship initiative aimed at securing Europe's global competitiveness. Running from 2014 to 2020 with a budget of just over €70 billion¹, the EU's new programme for research and innovation is part of the drive to create new growth and jobs in Europe (http://ec.europa.eu/research/horizon2020/index_en.cfm).

The resources needed are multiple, some of which are already proposed elsewhere in the Expert Group's recommendations – such as the development of an innovation toolbox, or the establishment of an EU-wide network of Innovation Single Contact Points. However, the particular processes needed for mainstreaming public sector innovation in the EU initiatives highlighted above would require the funding of a comprehensive Public Sector Innovation Mainstreaming Programme. In terms of organisation, this would include establishing a Lead Committee and the setting up of 5-10 Task Forces. The Lead Committee would consist of e.g. 3-5 EU officials at Director General level, 3-5 selected innovation experts, and 3-5 top administrators (Permanent Secretaries or Director Generals) from Member States. The role of the Lead Committee is to establish a three-year programme for mainstreaming public sector innovation, to oversee its implementation through work of the Task Forces, and to assess and report progress to the relevant EU governing bodies such as the European Commission. The Lead Committee would be part of the overall coordination infrastructure governed by the European Public Sector Innovation Platform, as proposed above.

Each of the Task Forces should consist of 6-8 experts and public officials covering a) public sector innovation expertise, and b) concrete domain expertise at EU and Member State level, including at least one person directly engaged in the EU initiative in question. The Task Forces may run in parallel or be in sequence based on a needs assessment of which EU initiatives should be addressed first. Each task force would undertake rapid work to analyse, develop, prototype and propose in concrete terms what would be needed to mainstream public sector innovation within one or more specific EU initiatives. The task forces would also work closely with the relevant EU institutions and programmes to support the implementation of the proposed changes. The funding to catalyse the efforts of the Lead Committee and the Task Forces could come from the Horizon 2020 programme whereas the more permanent changes to EU initiatives should be funded by the initiatives themselves. In some cases the proposals may even lead to smarter and more efficient operation of the existing initiatives, requiring less funding.

An existing **example** of this kind of mainstreaming could be US President Obama's new management agenda, which was launched in July 2013, and where Mr Obama pledges to 'develop an aggressive management agenda for my second term that delivers a smarter, more innovative, and more accountable government for its citizens.'⁶⁸ Directed by the US Office of Management and Budget, this effort addresses all of the Federal government, focusing on issues such as harnessing technology to innovate improvements, allocating resources to programmes and practices backed by strong evidence of effectiveness, leveraging open data, partnering with industry e.g. on an Innovation Fellows programme, continuing with common-sense proposals to streamline and realign agencies, and linking to existing data sources for a broader perspective on programme performance.

4.1.3 RECOMMENDATION: A New Public Sector Innovation Movement

Building on how social movements form, scale and become sustained, we recommend that the European Commission works with Member States to launch a series of small-scale, highly networked activities, that collectively and over time can contribute to building a growing public sector innovation movement amongst public servants and professionals. This would take place at the same time as thousands of other initiatives at all levels of the public sector are also taken and support the same type of shift.

⁶⁸<http://www.whitehouse.gov/photos-and-video/video/2013/07/08/president-obama-speaks-new-management-agenda#transcript>

The **goal** would be to mobilise public managers and staff to become stronger, more aware entrepreneurs focusing on positive change and innovation in the public sector, and fostering open collaboration with actors outside the public sector to tackle tough societal challenges. The initiative has an internal and an external dimension, based on the fundamental principles of how public movements work. In the following we propose these principles and suggest some ways in which a public innovation movement might be triggered both internally (amongst staff in the public sector) and externally (as a policy tool for mobilising society in tackling some of our most pressing public challenges).

Framing – movements are ignited and sustained by a sense of common purpose, moral obligation and shared problems. Building on the vision set forth in this report, political leaders and senior public managers in the European institutions, as well as in Member States, should contribute actively to reframing and articulating the role of the public sector as open, collaborative, citizen-centric and engaging. This framing should serve to energize not only public sector managers and staff (the internal dimension), it also address the business and social communities who rely on high quality, innovative public services to enable growth, sustainability and well-being (the external dimension).

Organisation – movements tend to draw on pre-existing infrastructures of a public and civic nature. Movements are like 'radicants', a type of plant like the strawberry that puts down roots as it spreads, drawing the resources for its growth locally rather than centrally. This means that existing innovative public organisations, programmes and projects and cross-EU initiatives can form the early infrastructure for the movement. Internally, this implies that the public sector needs to build the skills and models needed to broker and connect public initiatives and organisations with each other across political levels and sectors and with other societal actors. The external dimension means that the public sector should more pro-actively embrace and work with civic and social institutions and actors who are seeking to address societal challenges, such as chronic health problems, an ageing society, or youth unemployment.

Peers – people join movements because they believe in a cause and when they see their peers doing so. Movements grow because people see other people they respect joining and when there are ways to contribute and identify with the movement which are not too costly and a solution appears possible. Creating peer-to-peer networks (as also suggested in other recommendations in this report) will be critical to empower and motivate the would-be public innovators across the European Union. We propose that the European institutions and Member States develop policy strategies on key challenges which tap into the logic of movements. One obvious place to start could be youth unemployment, where there is a growing recognition that current initiatives, plans and instruments are not sufficient to tackle this challenge. Working as a movement, creating networks between innovative solutions and capabilities in the community both internally and externally, thereby creating a new productive public energy, is an avenue worth pursuing.

The **resources** needed would be elements such as a) crafting key notes and narratives for EU and Member States political leaders that build on the vision set forth in this document; b) leadership and development training for staff that includes the notion of public movements and approaches to stimulating them (see separate recommendation on immersion training); c) concrete policy strategies that include components and activities flowing from the logic of public movements combined with clear outcome targets; d) active communication and engagement practices that leverage civic and business networks as partners in enacting societal change, such as active support for innovation symposiums and networks at Member State, regional and local level.

4.2 Leading innovation

4.2.1 RECOMMENDATION: Building Innovative Public Leaders

The EU wants to promote innovation and needs therefore to ensure that decision-makers, leaders and 'doers' have the right mindset, skills and support to drive innovation within the public sector. The intent is to focus on 50,000 key actors in the public sector, for them to understand innovation approaches, techniques and tools and to promote innovation in their own organizations and be able to lead specific innovation initiatives. It should be delivered within a three-year timeframe, to create a positive 'innovation shock' in the public sector in Europe.

Unique characteristics and value it would bring

- *Transform the mindset of public agencies and develop a culture that prioritizes innovation in the Public Sector;*
- *Senior public servants equipped and empowered with the right skills to innovate (technical and management skills, leadership, networking spirit) and connected with their innovator peers;*
- *Awareness and ownership on the importance of Public Sector innovation among Member States to drive positive outcomes for citizens and businesses;*
- *Sustainability of approach through customization to local needs;*
- *Ensure innovative approach of coaching and peer-learning;*
- *On-going support after initial immersion session, which includes the continuous training of national/regional coaches.*

The approach will not be a standard training programme, but a deep-dive innovation immersion camp, (several-day workshop) leveraging new facilitation techniques (e.g. co-design, real case focus, do-tank facilitators, creative thinking) and supported by addressing real-life innovation cases from the participants. There will be a specific focus on young public servants as ambassadors of shaping innovative approaches.

After this initial session, the innovation leaders will benefit from:

- a network of innovators across Europe, who they can reach out in order to get their ideas/support when they develop specific initiatives;
- support from innovation coaches, on a regular basis during one year after the session, combining virtual/in-presence support and to ensure that they maintain the innovation mindset and apply it in their own organization;
- a network of innovation public experts through virtual platforms for peer-learning, collaboration, creating synergies and networking.

The EU will support Member States while they build the local network of think-tanks/do-tanks who can deliver this programme. The EU will co-fund and brand the network of think-tank/coaching networks. To ensure the success of the initiative a specific framework is proposed:

During the first stage (deep-dive immersion for public innovators), participants will be offered a two-week unique deep-dive immersion on innovation composed of seminars, workshops and real cases. They will be offered an innovation toolkit focusing on management and technical skills, leadership and networking techniques. Potential candidates will have to articulate how the training will contribute to their understanding of innovative design approaches, technologies, etc. and to developing knowledge networks with other public servants. By mid-2015 up to 50,000 public servants should participate across all Member States (and EU institutions) and all mid-level senior public managers should participate by 2020. Scholarships will be

sponsored equally by the European Union and Member State Ministries in collaboration with potential stakeholders like the Young Advisors Committee.⁶⁹

During a second stage (build up a public network of leaders to foster innovation) a virtual platform will be developed to foster the exchange of ideas among public innovators. After completion, coaching will be provided on a monthly basis to public innovators (virtual and in-presence), an annual webcast among participants will be organized to exchange best practices on innovative practice with a specific session dedicated to the innovation work of young public innovators, and a train-the-trainers programme will be developed for the local coaches. By 2020 up to 100,000 public servants should participate and a solid and recognized network of innovation do-tank centres in the EU should be established. DG Research and Innovation would host a yearly event to keep the momentum developing an innovation mindset within the public sector. In the medium term funding should come from participation fees and the train-the-trainer programme should be funded by the European Commission and could in the medium term be organized jointly by European Commission and the Member States.

A hypothetical scenario

A Spanish senior civil servant who works for the Ministry of Education, Culture and Sport has been identified as one of the 'Innovation leaders' within the national government and selected to attend the two-week deep dive innovation camp.

The PS innovation immersion camp that the Spanish senior civil servant is attending has been strategically planned by the European Commission in close collaboration with leadership institutes used to train civil servants.

The Spanish senior civil servant that attends the immersion camp acquires both 1) technical and thematic knowledge, management skills to promote innovation and 2) leadership and cultural skills to embed innovation within public administration and techniques targeted at young civil servants. In addition, she builds a new network of like-minded colleagues across the other ministries with a shared focus on public sector innovation.

After six months of completing the programme, recognising the leadership shown by the Spanish senior civil servant, she is empowered with more responsibility. She is appointed the chair of an Innovation network at the national government level in Spain and runs a camp locally on 'generation Y' civil servants in order to create a sustainable innovation culture and shape innovative policies and programmes.

At the annual webcast organised by the European Commission, the Spanish civil servant is a speaker and shares her local experience and also posts relevant materials/knowledge on lessons and best practices gained from the joint project between Spain and one of the other Member States, thus putting into motion a 'virtuous cycle' of collaboration.

4.2.2 RECOMMENDATION: Right to Challenge

The Expert Group recommends that Member States and the EU consider establishing a 'Right to challenge' mechanism. This would give organizations (e.g. schools, local governments, cities, regions) and Member States the right to apply for an exemption from an existing or new rule or regulation. To be granted this right, applicants have to show 'proof of concept': how they would be better able to innovate without a specific rule or regulation. The exemptions are evaluated after a pre-determined period of time by the authority which grants the exemption.

A similar programme has been operated by the UK Department for Education as 'The Power to Innovate'. This was a piece of legislation which enabled schools and local authorities in the UK to apply to the Secretary of State to have regulations lifted if a strong case could be made that they were getting in the way of raising standards in education. Since 2011, the Danish government has run a programme

⁶⁹ The Young Advisors is a group of inspiring young people who are actively involved in shaping a digital society (<http://ec.europa.eu/digital-agenda/en/young-advisors>).

entitled 'Free Municipalities', whereby nine (of 98) municipalities have been granted special status. As a free municipality, a local authority can apply to the Ministry of the Interior to become exempt from a particular rule or legislation, and be allowed to experiment systematically with alternative, innovative ways of solving a particular task. The exemptions can be applied across all key policy areas – education, health care, social affairs, the environment, digital government, etc. Free municipalities can apply individually or in collaboration.

Whereas these examples concern institutions and local and regional government in relation to national government, a similar programme could also apply to Member States (specific departments or agencies) and to EU institutions themselves (for instance Directorate-Generals) in relation to EU legislation. The appropriate authorities shall establish clear and transparent mechanisms for granting 'free organization' status and for granting rights to challenge. Whether there is a need to initially grant an experimental status, and then to grant the specific exemptions, can be determined by the relevant granting authorities as they best see fit.

The **goal** is to give public organisations at all levels an opportunity, first, to demonstrate how they are able to better reach their objectives without an existing or new rule or regulation; second, to empower organisations / regions / member states to organize their work better and innovate in their approaches and services. The final value is to eliminate unnecessary and obstructive legislation at all levels of governance within the European Union, and to support the public sector across all Member States and the EU to find ways of delivering more public value.

The main **resources** required for such a programme are related to:

- Developing a generic programme concept, based on experiences from the UK, Denmark, and possibly other Member States;
- Communicating the programme concept to public organisations across the EU at all levels, for instance through the EUPAN network or the Committee of the Regions;
- Member States and regions should be able to receive technical assistance from the proposed EU Innovation Lab in order to voluntarily establish of a Right to Challenge programme; appropriate EU funding should be dedicated to this;
- At EU level, the appropriate authority, such as the Secretariat-General of the European Commission or other, should establish a mechanism for assessing Right to Challenge with respect to Member States and with respect to EU institutions. Funding for a small Secretariat, e.g. three members of staff, possibly connected to the EU Innovation Lab, should be allocated;
- The overall programme should be evaluated after the first 3 years of operation, with a view to 1) adopting lessons learned and successful innovations more permanently (scaling across the EU); 2) assessing whether the Right to Challenge programme as such should continue.

A hypothetical scenario

In the Netherlands, a local authority wishes to experiment with a new way of organising school schedules, mixing various subjects across grades in ways that are not currently possible by law. The school applies to the Dutch Ministry of Education, Culture and Science in order to be made exempt from the relevant regulation for a period of three years. The Ministry of Education (as well as other Dutch ministries) has learnt about the scheme via EUPAN and then was supported by the 'EU Innovation Lab' in setting up the concept. It has also been able to draw directly (peer-to-peer) from experience in Member States such as Denmark which already has a similar scheme.

The Ministry reviews and then grants the school its application and the school is now free to experiment with a new way of organising the student's schedules in order to drive better learning outcomes. The lessons from the experiment are then spread across the EU via appropriate channels between Ministries of Education.

4.2.3 RECOMMENDATION: EU Innovation Lab

A recent internal employee survey conducted for the European Commission showed that only 42 per cent of staff believes that management encourages innovation⁷⁰. The challenges facing the European Union have grown ever-more complex, and the policy environment facing decision-makers in the European Commission is at least as challenging (if not more) than at Member State level. There is therefore an urgent need for powering more and better innovation processes also inside the Commission itself. Whereas some training activities for managers and policy staff in the Commission is foreseen as part of the innovation leadership programme suggested in this report, more action is needed. We therefore propose that the Commission rapidly takes steps to establish an *EU Innovation Lab* ('The EU Lab') which is to consist of a physical creative space and a core staff with a focus on supporting, facilitating and fostering more innovation across Commission Services. This EU Innovation Lab would also be in direct support of the cross-cutting recommendation to establish a Mainstreaming programme for EU public sector innovation (cf. section 4.1). The rationale for establishing an EU Lab is three-fold:

- First, fostering more and better cross-departmental cooperation and collaborative problem-solving within the European Commission, drawing on the newest policy tools and approaches;
- Second, strengthening the ability of Commission Services to pro-actively engage end-users (particularly citizens, businesses, non-governmental organisations) in order to better understand how to co-produce policy outcomes and to capture and integrate innovative ideas from the outside;
- Third, to give legitimacy to the new European innovation architecture suggested in this report. Indeed, if the range of initiatives we propose in this report are to be perceived as credible by Member States and other public institutions at all levels, the European Commission should also address its own internal capacity for innovation head-on.

The EU Lab would be the 'home' for innovation inside the Commission, with emphasis on developing policies and services in new powerful ways. The EU Lab could and should as a point of departure be open to users from all Directorates-General (DGs) of the European Commission.

The Lab would work primarily on a demand-driven basis, responding as needs arise for addressing complex issues and crafting more powerful solutions that can challenge current assumptions, expand the range of available policy tools, and ultimately help deliver the outcomes European citizens and businesses expect. The EU Innovation Lab would have a number of characteristics, including:

- A 'safe space and neutral ground' for cross-departmental testing and developing solutions, where creative thinking and collaborative problem-solving is rewarded. The physical space would have a very different 'look and feel' than standard Commission offices;
- A strong focus on how to deliver better policy outcomes via more and better user involvement, both digital (such as 'crowd sourcing' ideas online) and analogue (such as in-depth ethnography of user experience);
- The latest tools and techniques for analysis, brainstorming, concept development, prototyping, simulation, experimentation, etc.;
- Key activities of user research, workshops, stakeholder engagement, analyses, e-tools (for networking, co-creation, user-feedback);

⁷⁰ Internal staff survey of the European Commission, 2013.

- Contribution to the wider infrastructure suggested here, particularly the Innovation Toolbox, the Innovation Delivery Teams, and the Innovation Single Contact Points.

At Member State level, some current examples already exist: 'La 27e region' in France, the 'Behavioural Insights Team' at the UK Cabinet Office, and 'MindLab' in the Danish government. Beyond Europe, the US Federal Government has recently established the 'Innovation Lab at OPM', and the Australian government runs the lab 'DesignGov' in Canberra.

Whereas the EU Lab would serve all of the European Commission Services, the first period of operation might take its point of departure in some of the key portfolios of the DG Research & Innovation, and could include:

- Ideas for the successful implementation of the EIPs on active and healthy ageing, raw materials, sustainable agriculture, water efficiency and smart cities;
- New approaches to user-involvement in the implementation of Horizon 2020, e.g. guides for applicants, feedback on procurement procedures;
- Capturing and developing ideas relevant for the evolution of the Innovation Union.

Necessary resources will firstly include the establishment of a physical space consisting of workshop areas and office facilities, preferably inside an existing Commission building; second, an estimated annual operating budget in the range of EUR 1 million, primarily to fund the Lab's core staff, which would be 5-7 FTEs. The success of the Lab will stand and fall with the skills and passion of the people in charge. The skills required are not at the core of the qualifications underlying the EPSO competitions. Rather than lawyers, economists or engineers, the typical background of innovation lab professionals is in disciplines such as design and anthropology, combined with a strong sense of entrepreneurship and flair for operating and achieving results within politically governed organisations.

A hypothetical scenario

A Head of Unit in DG Employment, Social Affairs and Inclusion has been asked to prepare innovative ideas for how to tackle long-term youth unemployment. The Head of Unit contacts the EU Innovation Lab to explore whether it would be possible to receive its help in tackling the challenge. The EU Lab quickly decides that this is a task that it can take on, and assigns two team members to the project. Working closely with the Head of Unit and her staff, the Lab team proposes a comprehensive 6-week process involving rapid user research in three Member States, an online 'crowd sourcing' process for obtaining ideas from citizens, and a total of three workshops to engage end-users, external stakeholders (Member States, industrial organisations), and other relevant Commission Services and EU institutions. The result is a high-powered, highly engaging process which helps all stakeholders obtain a much more nuanced shared understanding and ownership of the problem space at hand; dramatically expands the range of policy options open for consideration; and a total of four detailed policy concepts that have been through a first user test with Member States' administrations, delivery organisations, and end-users (long-term unemployed youth). The Head of Unit uses two of these concepts as the backbone of a comprehensive policy proposal.

4.3 Enabling innovation

4.3.1 RECOMMENDATION: Innovation Single Contact Points

Innovation Single Contact Points (iSCPs) will introduce a light, flexible and dynamic governance mechanism that consists of 28 dedicated strategic units in the Member States' public administrations plus the European Commission. These iSCPs will form the backbone of the iSCP infrastructure. The iSCP infrastructure will build on existing structures and resources including existing case data bases and networks (such as the EUPAN⁷¹ or the OECD's Observatory of Public Sector Innovation⁷²). It will be closely linked to and supported by the EU Innovation Delivery Teams (see the next recommendation).

The iSCPs will establish a virtual network of peers and each individual public manager/expert will be able to create an individual network of peers working in the same or different organization at the local, national or European level. The network will function as sort of a PSI 'LinkedIn', through which experts can maintain personal contacts in a trusted environment needed to share, ideas, experiences, solutions and tools.

What are the unique characteristics?

- *A light, flexible and dynamic governance mechanism for public sector innovation;*
- *A support facility for all levels of government across the EU;*
- *A single point of contact for easy access to public sector innovation resources across the EU;*
- *A thematic European public sector innovation virtual Network of peers across EU.*

What kind of value would it bring?

- *Fast and real time support;*
- *Peer-to-peer problem-solving;*
- *Professional facilitation and cutting edge technology support.*

The **rationale** of the iSCP network and infrastructure could be compared to e.g. the SOLVIT network for the Internal Market.⁷³ It aims to support public sector managers and experts in the Member States, European Commission and/or regional and local public administration who need to solve a problem that deals with public sector innovation (e.g. making an existing service more efficient, drafting a strategy/policy on innovation procurement, etc.) and quickly seek advice from peers.

The iSCP infrastructure offers fast, practical and low-cost assistance through a networked peer process. A dedicated delivery unit at the EU-Lab will provide technical assistance to the iSCP infrastructure governance mechanism. Public sector employees will contact their iSCP (or another one in the Member State or European Commission) to ask for advice. Through a standardized communication process the

⁷¹ The European Public Administration Network (EUPAN) is an informal network of the Directors General responsible for Public Administration in the Member States of the European Union, the European Commission and observer countries. EUPAN's mission is to improve the performance, competitiveness and quality of European public administrations by developing new tools and methods, in the field of public administration, based on the exchange of views, experiences and good practices among EU Member States, the European Commission, observer countries and other organisations (<http://www.eupan.eu/>).

⁷² The OECD Observatory of Public Sector Innovation is an initiative which will collect, categorise, analyse and share innovative practices from across the public sector, via an online interactive database. (<http://www.oecd.org/governance/oecdobservatoryofpublicsectorinnovation.htm>).

⁷³ SOLVIT is an on-line problem solving network in which EU Member States work together to solve without legal proceedings problems caused by the misapplication of Internal Market law by public authorities. There is a SOLVIT centre in every European Union Member State (as well as in Norway, Iceland and Liechtenstein). SOLVIT Centres help with handling complaints from both citizens and businesses (http://ec.europa.eu/solvit/site/index_en.htm).

iSCP infrastructure delivery unit will identify peers, cases, tools, etc. Professional facilitators from the team will guide the process and help in preparing meetings, documents and the use of any other sources.

The iSCP infrastructure delivery team is committed to a flexible, quick and pragmatic approach in facilitating peer-to-peer problem solving. Facilitators are highly qualified staff located in the EU-Lab or Member States' iSCPs. ICT tools are used to communicate in real-time (e.g. use video conferencing) and to tap into existing knowledge and information sources on cases, tools, etc. as well as networks in the most efficient manner.

A hypothetical scenario

A Swedish public sector expert has been asked to draft a strategy on Innovative Public Procurement (IPP) within the next three to four weeks. She contacts the Innovation Single Contact Point for advice. Within 24 hours the dedicated iSCP gets in contact with the SIPCs in the other Member States to ask for peers who have expertise in IPP and might be willing to assist. The iSCP staff then within the next 10 working days schedules an on-line meeting with 4 IPP experts (from Austria, Poland, the Netherlands and the UK) identified by the national SIPCs. They also provide references of relevant cases from the resource data bank, translations and other relevant tools. The iSCP staff facilitates an online meeting, and provides technical support before and after the meeting (preparation of agenda, supporting documents, reporting). The Swedish expert thus has received input for a first draft. The Swedish expert also receives further advice from the Innovation Lighthouse delivery unit on potential follow-up support such as on-site visit of peers, training and special funding opportunities. The results will be shared with the network (uploaded to the knowledge base).

4.3.2 RECOMMENDATION: EU Innovation Delivery Teams

An EU Innovation Delivery Team Co-ordinator, based in Brussels, will coordinate the creation of teams to provide technical assistance to Member States, upon request, in applying innovative solutions to all areas of public administration. These may include issues such as the creation of e-services, the modernisation of the national tax system, the development of e-procurement, the upgrading of health services and any other priority area of the Member State involved.

What are the unique characteristics?

- *A match-making opportunity for sharing innovation among Member States;*
- *A 'broker' of innovation and expertise for Member States' administrations;*
- *Cooperation on the spot and mobility between public staff of European Commission and Member States;*
- *Use state of the art methodologies for tailor-made advice;*
- *Get feedback from adopting a solution in a different national / local context.*

What kind of value would it bring

- *Holistic and systematic solutions to the reach of any Member State public official;*
- *Accelerated diffusion and knowledge transfer of best practices;*
- *Coordination and cooperation between EU administrations;*
- *Benefit from the insight of international experts and bridge the innovation divide.*

The EU Innovation Delivery Team Co-ordinator shall - in cooperation with the Member State requesting assistance - create ad-hoc, delivery-focused teams. The teams shall include private and public sector experts under the leadership of a seconded public official from a Member State with a successful background in that particular field or one that has already successfully implemented a similar solution elsewhere. Ideally, this would involve mid-level managers who have overseen the deployment of a similar solution in their home environment. They shall be seconded for a few months in order to deliver 'on the ground'. It will be a win-win situation as

visiting officials shall also benefit from adopting their solutions to a different national or local context, legal framework and culture. Additional incentives shall be foreseen for the officials concerned, ensuring career credit.

The process shall be initiated by the applicant Member State. The EU Innovation Delivery Teams Co-ordinator then places a call for relevant expertise from a dynamic pool of experts (to be established for this purpose) but also directly to the administrations of other Member States. This way The EU Innovation Delivery Teams will be created, tailor made for the needs of the applicant Member State, regarding place of delivery, duration, frequency, level and area of expertise. European Commission coordination shall ensure continuity and coherence.

Technical assistance shall be provided in all different stages of the problem solving, including assistance in identifying the specific needs of the applicant Member State and co-ordination of execution, which are considered as equally important. Technical assistance shall be provided by the delivery team in any of the following ways:

- By short term expert missions or workshops where officials of visiting national authorities or individual experts present suggestions for Technical Assistance to the beneficiary administration, enabling the latter to identify the most suitable solution for their needs (diagnostic stage);
- By longer-term presence of experts, in order to enable implementation of complex reform projects and steer change management;
- By appointing a Member State with a strong track-record in a particular policy field as the 'domain leader', who shall then be leading all actions and overall implementation;

By the on-going supervision and monitoring of all agreed projects. Feedback from citizens/users would be recommended at all stages. A review mechanism shall be foreseen. Feedback on best and worst experiments shall form a meta-database allowing each separate project of the EU Innovation Delivery Team to become a new starting point for replication and scaling up.

The **expenses** of the 'headquarters' could fit for example under Cohesion Policy funding, under the Administrative and Institutional Capacity Building with a new focus on supporting innovation processes and best practice adoption. The Innovation Delivery Team function could be co-located with the EU Innovation Lab. Commission officials detached to EU Innovation Delivery Teams shall receive their normal salary from the European Commission, with possible mission expenses covered from the EU budget. Salary costs of national experts shall be fully compensated. Local office facilities for the teams should be provided by Member States (ideally at same location at the recipient organisation).

A hypothetical scenario

The Romanian Ministry for European Funds would seek assistance from an EU Innovation Delivery Team on EU funds absorption. The EU Innovation Delivery Teams Co-ordinator would then propose available public administration experts from other Member States who fit the qualifications (their departments have been very successful in this field or they have managed relevant strategies themselves). A Polish expert from the Ministry of Regional Development is chosen and goes to Bucharest to work within the Romanian Ministry for four months as co-manager of the unit responsible for developing and implementing a national strategy. She also forms a loose team of international and local experts from the public and private sectors which she calls upon from time to time. A Romanian official from the same unit goes to Warsaw for four months to experience first-hand what the process is like in practice. The travel and accommodation allowances, the work of the other experts and consultants, are all funded from Romanian cohesion policy funds, while the team is assisted from Brussels by European Commission officials, where necessary.

4.3.3 RECOMMENDATION: Digital Innovation in Public Administration

Digital innovation in public services should be accelerated through identifying 15 to 20 projects across Member States that have a radical transformative potential for public outcomes through digital technologies.

Successful projects would need to demonstrate their value and business case within 3 years; they will then be evaluated by the European Commission to assess funding needs for expansion by 2020, also aligned with EU 2020 goals.

The following new technology paradigms are enablers of innovation and core to the delivery of public services or to the design of public policy:

- Social: social networking offers new ways to deliver public services and to enable citizens to participate;
- Analytics: big data and predictive analytics offer new service opportunities for citizens and businesses;
- Mobile: the advent of the smartphone enables citizens to access public services from anywhere at any time;
- Cloud: Cloud-based solutions, public and private, can transform interoperability and service provision;
- Open and big data paradigms: new public services, transparency/democracy, economic growth potential.

What are the unique characteristics? What kind of value would it bring?

- *Transform the service experience for citizens and businesses, driving significant improvement in outcomes thanks to digital opportunities and at the same time reducing cost for taxpayers;*
- *Implement pilots at scale (several millions citizens impacted) and be able to demonstrate the value of digital technology for public services (business case for investment in innovative digital approaches and offering new services to citizen and businesses).*

Targeted Policy Areas would include employment and skills, healthcare, pensions, justice, public safety, and taxation. Some local initiatives may exist in Member States and can be scaled and supported by this initiative. To incentivize digital innovation on the national level, an Awards mechanism will run with 'Digital Innovation in my Public Administration' recognition being awarded.

To ensure the success of the initiative a specific framework is proposed. In a first stage (Shaping Digital Innovation in my Public administration), out of 100 applications of projects across the Member States, the 20 most innovative proposals will be selected. Proposals should include a business plan and technical assistance will be provided to help confirm outcomes for citizens. Proposals will be selected based on their potential for digital transformation and use of SMAC paradigms⁷⁴, the potential of higher quality services, cost-efficiency and number of citizens and businesses expected to be impacted. The expected results include the re-design of public polices, new services for citizens and businesses, cross-agency collaboration and increased trust and transparency. Each selected proposal would be awarded

⁷⁴ The emergence of new technologies has resulted in a transformational change in the world including the rise of social media, the universal spread of mobile phones, the explosion of big data and big analytics, and the ever expanding presence of cloud computing. In particular four key technology trends – social media, mobility, analytics and cloud – collectively known as SMAC, have been behind this transformation (KPMG and Confederation of Indian Industry (2013), *The SMAC Code – Embracing new technologies for future business*).

100,000 EUR to help develop outcomes and roadmaps. Funding during this first stage will be made available to incentivise Member States to participate.

During the second stage (Scaling Digital Innovation in my Public Administration), roadmaps would be translated into operational plans. Management teams will be appointed and delivery vendors will be selected. Clear milestones and measures of success will need to be defined with the European Commission and other stakeholders. Additional funding is available for those projects that demonstrate: significant economic and societal impacts; originality, creativity and ability to replicate; and the potential to create new markets and growth opportunities. Successful projects are expected to have a positive impact on millions of EU citizens and thousands of businesses. Additional funding for projects that meet the selection criteria will range from 5 to 10 million Euros and will be made available as a grant funded equally by the European Commission and Member States. Additional EU funding might be acquired from e.g. the European Social Fund (ESF) or the European Regional Development Fund (ERDF).

The initiative focuses on the following four target groups:

- European Public Administrations and Agencies - development of new public services, in line with citizens' needs; increase of productivity;
- EU citizens - with simpler to use tailored public services that allow for easier access, better service, cross-agency view, with regard to mobility (even at cross border level);
- EU small, medium and large businesses - with increased entrepreneurship and new business opportunities including the streamlining and digitization of business processes, but as well creating new digital public services for them;
- Research centres and academia – by widening the range of research initiatives with access to government data, leveraging open and big data paradigms.

The initiative would create new eco-system of service providers, including private and non-governmental organisations, driving an entrepreneurship approach in the public sector. The **key sponsors** of the initiative at the EU level would be relevant Directorates General of the European Commission and the Committee of Regions. At Member States level, initiatives will be coordinated by relevant departments or agencies and the national EU affairs liaison offices.

A hypothetical scenario

A public agency in France specialising in eHealth seeks to develop a mobile application for patients with diabetes - myGluCare - that will supply users with personalised information about medications and risk factors regarding their current health history, and connect them to communities to provide patient advocacy through an online forum. It also has the potential to expand into 'remote diagnostics' and provide users with real-time blood sugar measurements recorded via a sensor and mobile phone app using cloud technology, and it links them and their health history to healthcare providers in their vicinity using GPS and analytics.

The agency submits its proposal for the myGluCare mobile application. A team of external experts help the local agency to develop the 3 year roadmap, agree on key milestones, target populations and roll out. The project for myGluCare is then re-evaluated at a second stage, this time with in-depth interviews by a jury composed by three senior members of the three sponsoring DGs and three members from national ministries with related competences in innovation, digital and health. The project is selected on the basis of its far-reaching societal impact on all diabetics in Europe, its innovativeness in the use of digital apps, its replicability to support all chronic patients across Europe and its growth opportunities to other public agencies dealing with related issues.

After passing the second stage scrutiny, the myGluCare initiative receives a further EUR 10 million, 50 per cent of which is covered by the French Government and 50 per cent, co-funded by DG Research and Innovation in order to provide tailored, high quality services to this patient group. Key metrics to measure success are set up and monitored consistently.

4.3.4 RECOMMENDATION: A Public Angel Fund

Public managers are facing various disincentives to innovate (as outlined in the analysis part of this report), ultimately leading to their strong avoidance of risk. Oftentimes, the problems they face can be tackled in multiple ways, but because of restrictions in the level and type of resources that they have access to, the easiest and most tested ways are almost always chosen. This leads to path-dependencies and a lock-in effect, thus precluding any experimentation or exploration of new solutions.

A provision of a simple administrative procedure and fast (with decision in 2-3 weeks) access to a funding of more atypical, innovative ideas (that would otherwise be extremely difficult to finance or allocate resources to) would reduce a significant barrier for innovation activities in the public sector. A 'fund of funds' should be created as a strategic initiative, with several funding mechanisms (national or European) to enable innovation activities in the public sector and the take-off of an experimentation culture.

Applicants to such an 'angel fund' (thus called as a reference to the early-stage investments provided to entrepreneurs in the private sector) would be public managers, at national as well as regional/local level. Based on previous experience both from the private sector and with public service projects, it is expected that a typical size of one case will be about EUR 100,000. Total expected annual **costs** of a pilot project (first year) would then equal to approximately EUR 15 million. This estimate is based on the assumption of: up to 5 innovative ideas selected for this type of funding per year per Member State, adding up to about 150 innovative experimental solutions of public managers from all Member States.

A hypothetical scenario

There is a kidney disease causing tens of casualties in several Balkan countries along the Danube river, including Romania. A public official at a Ministry of Health Care in Romania, would like – in addition to all standard measures already adopted – to accelerate a process of identification of causes of the disease by taking several additional and innovative measures.

The official writes a one pager specifying what he intends to do: 1. a visualisation exercise digging all useful pieces of information from all big databases that are already available, 2. a detailed expert analysis and interpretation of the visualisation outcome by medical experts and practitioners, including its critical assessment by other medical experts.

He sends this one pager to EIT/ESF (or any institution selected to administer the scheme) together with his request to fund his innovative efforts with EUR 100,000. He receives a quick response from the institution in charge in 2-3 days. When he gets a green light he prepares 5-7 page long description of his innovative activity and gets funding in 2-3 weeks.

He is then able to implement all innovative measures as intended (to fund a visualisation, hire short-term experts-practitioners to analyse its result and interpret them in discussions with a broader medical community). Thanks to this innovative funding scheme, he is able to initiate an innovative process ultimately leading to a development of new vaccine and to a saving of hundreds of lives of citizens of concerned countries.

4.4 Informing innovation

4.4.1 RECOMMENDATION: A Dynamic Innovation Toolbox targeted at public managers

The Expert Group proposes the establishment of a web-based, high quality innovation toolbox targeted at public managers and staff across the EU. There are two main components of the toolbox.

First, a coherent set of tools focusing on collaborative innovation processes, including methodologies in human centred design and co-creation; this part of the toolbox would cover all dimensions of an innovation process, from framing problems, establishing an innovation team, identifying existing knowledge (for instance through ethnography or use of big data); analysis and pattern recognition; ideation, synthesizing, prototyping, testing and scaling. The toolbox should also include hands-on guides for managers and for staff in development positions.

Second, a comprehensive inventory of 'tools of government': A repository of innovative new approaches which may be applied by policy makers and public managers to achieve better public services and outcomes. Whereas classic policy levers such as regulation, compliance regimes, public funding and service programmes will continue to have a significant role to play, a broad range of new approaches to the practice of government are emerging. The toolbox should therefore include guides in areas such behavioural economics ('nudging'), social impact bonds, social enterprise, networked governance and co-production models.

The toolbox will function as a dynamic, customised guide relating to someone's specific situation. This will be enabled through an online diagnostic mechanism, where users enter key information about the nature of their challenge, their own innovation capabilities, etc.). Users will thus be guided dynamically to the range of method and policy levers most relevant to their situation.

The **main goal** of the innovation toolbox is thus to provide easy, fast access to concrete methods and approaches for conducting an innovation process, and support public managers' ability to tap into the emerging range of new policy levers. The **main users** of the toolbox would be individuals and organizations in the public sector that are looking for inspiration and for concrete ways of carrying out innovation processes. It will also be useful for policy makers and service designers who are looking for new concrete approaches, tools and operational solutions via the repository of tools.

All elements of the toolbox will be supported with links to other relevant sets of tools online, further literature, etc. For instance, a new set of tools for design management in the public sector is currently being developed in the context of the EU-funded *European House of Design Management* project.⁷⁵

Resources needed would include a budget for developing and subsequently managing the website, quality assurance, and a process for editing comments and maintaining an active online dialogue, updating/refining methods, refreshing links, etc. Existing **examples** of such public sector innovation toolboxes include: Australian government's innovation tool⁷⁶, InnovationsGuiden.dk (Denmark), InnovationManagement.se (Sweden), and esd-toolkit (UK)⁷⁷.

⁷⁵ The European House of Design Management is a new Europe-wide design management project aiming to effect knowledge transfer from the private to the public sector using tested design management models as a resource for developing training tools and programmes for the development of design management competencies in the public sector. As part of the project a concept for a diagnostic toolbox is being developed (but not web-enabled). The project started September 2012 and will run for three years.

⁷⁶ <http://innovation.govspace.gov.au/tools/>

⁷⁷ <http://www.esd.org.uk/esdtoolkit/default.aspx>

A hypothetical scenario

A public servant who has recently been recruited to a management position in a central ministry in Italy is given a new task on behalf of the government. The task is to develop new approaches to combat social exclusion and generate economic growth in selected regions in Italy. It is unclear to the manager how she might best approach this task. Many efforts have already been tried to address these challenges without much success. Also, the concrete challenges in different regions means that a highly differentiated effort might be needed. The manager feels that a fresh approach is needed – one which includes stakeholders, business and citizens in a different way, and where the kinds of policy tools used are different than those usual applied, which typically involve changes to framework conditions and/or expensive funding programmes.

Through communication activities of the Innovation Single Contact Point which in Italy is placed in the Finance Ministry, the manager has noticed a poster in the building's cafeteria that there exists an online toolbox for public sector innovation. The toolbox has been developed by the European Commission, which to this manager is a sign of quality and potential usefulness. Also, she wouldn't expect her colleagues in the Ministry of Finance to promote something like this if it wasn't any good. She logs on to the website (which is open to the public, but with a social media section for exchanging experiences which requires the establishment of a logon identity and password). On the site, she quickly finds two resources that trigger her interest. First, a section about how to drive a highly engaging, collaborative policy process. It involves key activities, templates for workshops (printable for immediate use), and lots of tips on how to engage stakeholders in problem-solving for complex policy challenges. Second, she sees there is a section on 'emerging policy levers'.

Taking a closer look, she realises that this is a repository of new approaches to policy-making which go beyond what she knows already: There are guides to applying behavioural insights (and links to background documents as well as organisations who have experience already), and there are some interesting 'levers' on how central governmental actors can enable bottom-up, community-led economic and social development. This would be a radically different approach to policy-making in her context. She decides to use a number of the process tools for running the policy development, and she draws on the new policy levers for the content of her potential recommendations. While these resources are only available in English and in French, most of it is relatively simple and easy to translate.

4.4.2 RECOMMENDATION: Establish a European Citizens' Scoreboard for public services

Benchmarking allows performance measurement and comparison with the objective to generate information for evidence-based decision-making and innovative solutions, and to improve performance. Performance indicators are the basis for comparing the overall performance of an organisation or specific services. This is not a new idea; it is a technique that has been increasingly incorporated into the framework of New Public Management, which has dominated modernisation activities since the 1990s. Performance measurement and comparisons were introduced as a quasi-competition in the public sector in order to stimulate innovation and lead to better performance.

In the Member States, we currently find different approaches to benchmarking in the public sector:

- The OECD's 'Government at a Glance' gives a comparative overview of the structures and performance of the governments of OECD countries. It provides evidence-based policy-making through benchmarking and peer-learning. For example, the PISA comparison of school systems gives feedback to nations on the strengths and weaknesses of their school systems;
- The e-Government benchmark of the EU Commission provides comparative information and assessment on an annual basis on the status of digitalised service provision;
- The Common Assessment Framework (CAF) is another important method of analysing performance and benchmarking of public organisations. Based on the

EFQM and developed by the European Network of Public Administration (EUPAN) in cooperation with the European Institute of Public Administration (EIPA), CAF is based on eight principles of excellence. A set of criteria enables public organisations to assess their performance, develop improvement actions and benchmark themselves against other organisations;

- Voluntary self-assessment: based on own initiative, authorities compare their performance and analyse differences regarding client satisfaction rates, cost structures, efficiency potentials, etc.;
- Compulsory external assessment: design of performance indicators and the inspection process are organised top-down by central state actors (i.e. UK audit organisation);
- Vertically-coordinated system of benchmarking: system of cooperation between a central coordinating and steering authority with public organisations participating in the benchmarking process. This method combines central design of the performance criteria, control, learning process, cooperation and communication of the results (mostly at national level).⁷⁸

All of the above-mentioned benchmarking tools are helping public organisations to stimulate innovation and to get involved in permanent improvement processes. However, with few exceptions, benchmarking activities have until now primarily been directed towards the public organisations themselves. The transparency of detailed benchmarking results to citizens has not yet appeared as one of the key objectives. One of the reasons for the hesitation of public organisations to publish results is the fear of negative reactions by the press and from the political opposition.

However, citizens are the addressees of public services. The objective of innovation in the public sector is ultimately the production of quality services at the highest level of efficiency. It would therefore be appropriate to provide the citizens with access to reliable data on the performance of public organisations. This would enable the citizens to compare the quality of schools, hospitals, universities, and local administration in their country, but also Europe-wide, and to make intelligent choices. Such an approach would empower the citizens to not only act as informed clients, but also to formulate – as participants in democratic decision-making – expectations and priorities of public sector performance. This would certainly support the innovation process within the public sector at the various levels of government.

The Expert Group recommends that:

- All public organisations in Europe actively participate in benchmarking exercises, with the objective of measuring and comparing their performance, learning from peers and getting involved in improvement processes. These benchmarking processes should not only take place at national level, but also at European level. This will enable public organisations to learn from the best within Europe and to be part of a development towards European quality standards. An important aspect for the success of benchmarking activities is the objective of learning and improvement. Therefore, the organisation of benchmarking has to take into consideration the administrative culture of participating countries in order to strengthen the learning motivation of public organisations, to avoid 'cheating' as well as 'naming and shaming' procedures;
- A Citizens' Scoreboard for public services at EU level is established. The European Commission (in cooperation with the OECD) should take the initiative in order to provide transparency on quality and efficiency of services, to empower the citizens in Europe to make better choices and to get involved in the

⁷⁸ E.g. the German Kommunale Gemeinschaftsstelle für Verwaltungsmanagement (KGSt) (www.kgst.de).

debate on innovation in the public sector. In order to make progress and not to lose too much time in the difficult decision-making on appropriate sets of indicators, existing schemes at the national level should be encouraged to include European partner institutions to compare their performance on a voluntary basis. Based on such experience, the European Commission can further support the schemes and/or start its own initiatives.

All benchmarking activities should target the improvement of the performance of public sector organisations. However, there are different **target groups** who will benefit directly from it: citizens, citizen organisations, users' organisations; decision-makers in public sector organisations, at political level but also at the top management level (at European, national, regional, local level); staff of public sector organisations; researchers on public management; and the press.

The benchmarking activities should be organised on different levels:

- At the national level: by organisations which are involved in modernisation of the public sector (Germany: BMI, KGST; Denmark: Productivity Commission; UK: National Audit Office; etc.) Based on the current experiences, it seems useful to have benchmarking organised according to the needs of various levels of government (national level, regional level, local level).
- At the European level: the European Commission in cooperation with OECD, EIPA, national organisations such as the central ministries for government reform, cities' associations, and others. In order to accelerate the process and to get results within a reasonable timeframe, existing successful benchmarking cycles that are willing and able to also include institutions at European level, should be supported financially to be able to develop a European scheme of benchmarking on a voluntary basis.
- Also at this level, with the same actors, it would be useful to build in a step-by-step approach to the various existing examples of citizens' scoreboards (mostly in the Scandinavian countries) in order to develop a more comprehensive scheme and demonstrate the usefulness of the scoreboard to citizens in Member States.

A hypothetical scenario

The Mayor of the city of Klein-Michelsdorf has the impression that the city's performance (quality and costs) in the department for social services are not up to standard. Since he is not in a position to give clear instructions on how to improve the situation, he advises the head of the department to join the benchmarking cycle of the KGSt Cologne (local government association for municipal administration). The analysis of comparative data of cities of the same size gives important hints to the department head and his team, as well as to the Mayor himself on how to improve the performance of the department. A particularly interesting element for the comparison is the inclusion of high-performing cities from Austria, Switzerland and the Netherlands. The different approach to problem-solving in those cities provides many new impulses for innovative developments in the city of Klein-Michelsdorf. The Mayor and his management team decide to include additional departments in regular comparisons to make use of the stimulating experience of the benchmarking exercise in a European context.

5. A CALL FOR ACTION

The Expert Group calls upon the European Commission to take the necessary steps to implement the following recommendations (three cross-cutting and nine more specific recommendations). These actions, if taken, will create a powerful new innovation architecture for the public sector.

Cross-cutting recommendations:

- Establish 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.
- Establish a **three-year Public Sector Innovation Mainstreaming Programme** to carry out a comprehensive review process, leading to proposals for concrete changes that will help catalyse innovation as an integral part of existing processes and actions 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 actions that build on how social movements form and grow.

Nine specific recommendations:

The first group of recommendations points the way to an improved management and ownership of innovation processes (**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 innovation approaches, techniques and tools.
2. Establish a **'Right to Challenge'** mechanism, whereby 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 outcome 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 Mainstreaming Programme recommendation.

The second group of recommendations addresses the practical empowerment of innovation actors (**Enabling Innovation**):

4. Establish a network of **Innovation Single Contact Points** 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.

A third group of recommendations seeks to increase the knowledge base and provide clear benchmarks that will incentivise further innovation (**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, 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.

5.1 Potential gains from investing in public sector innovation

The recommendations put forward by this Expert Group are expected to yield substantial benefits, not only for the public sector itself but also for Member States' citizens and businesses. Benefits will be both financial and non-financial. Non-financial benefits include an increased responsiveness to needs, the search for new ways of doing things, improved leadership and innovation skills in the public sector and an increase in the attractiveness of the public sector as a place to work for highly talented people.

The expected financial benefits could be substantial. A study for Denmark has shown that by 2020 EUR 10 billion could be saved in the public sector if all units would adopt best practices across the board and the study refers to an expected rate of return of 10 per cent.⁷⁹ A study by NESTA estimates the possible cost savings in public services due to radical innovation between 20 to 60 per cent.⁸⁰ The European Commission's Annual Growth Survey 2014 states that the increasing use of ICT and further deployment of e-government services is expected to increase efficiency and reduce costs between 15 to 20 per cent.⁸¹ Estimates for the EU health industry have shown that investments in new processes (e.g. digital approaches) for tackling chronic diseases could lead to potential savings of EUR 60 billion.⁸²

The Expert Group strongly believes that a rate of return of at least 10 per cent is to be expected from the investments needed to implement these recommendations. Total investments for all recommendations could be in the order of EUR 5 billion covering both the development and implementation of the recommendations. The estimated costs are based on both realistic working assumptions and a high level of ambition. The expected financial benefits would be in the order of at least EUR 50 billion and will be complemented by non-financial ones such as increased trust in government and with cost savings for both citizens and businesses resulting from new and higher quality public services.

⁷⁹ The Danish Governments Productivity Commission (2013), *Governance, management and motivation in the public sector*, Analysis report 3, <http://produktivitetskommissionen.dk/media/151231/Analyserapport%20til%20web.pdf>

⁸⁰ Gillison, S., M. Horne and P. Baeck (2010), *Radical efficiency – Different, better, lower cost public services*, Nesta Research paper http://www.nesta.org.uk/publications/reports/assets/features/radical_efficiency.

⁸¹ COM(2013) 700 final, *Annual Growth Survey 2014* http://ec.europa.eu/europe2020/pdf/2014/ags2014_en.pdf.

⁸² Accenture, forthcoming report.

European Commission

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‘Innovation is essential to guaranteeing our social model and strengthening our economy. The public administration must be at the heart of this movement, both out of necessity and in order to lead by example, thereby ensuring that public action meets the citizens’ expectations. This report calls for a New Deal at the European level and suggests promising ways to reinforce exchanges between Member States.’

Marylise Lebranchu, Minister of Reform of the State and Decentralisation, and the Civil Service (France)

‘It is my firm belief that mobilising innovation is the ultimate tool for our Administration to respond to the growing quantity and quality of the needs of citizens and businesses. Thus, we have a strong interest in investing in more public sector innovation. Diversity among Member States is an enriching factor and an opportunity for synergies and cooperation. Sharing knowledge and expertise, exchanging innovative solutions and practice is a win-win and a European challenge.’

Evi Christofilopoulou, Deputy Minister of Administrative Reform and eGovernance (Greece)

‘Governments across Europe face fiscal pressures and growing demand for services. In this environment it is crucial that public funds are used in smarter, more effective ways. Public sector innovation is a key enabler of reform and a priority for me and many of my counterparts across Europe. The availability of pan-European comparative information to assist benchmarking and encourage sharing of learning and ideas is central to stimulating innovation and I am pleased to endorse this report.’

Simon Hamilton, MLA, Minister of Finance and Personnel, Northern Ireland Devolved Administration (UK)

‘This very timely report offers excellent insights into key issues of today’s global debate on innovation in the public sector: inspire evidence building; connect public sector innovators; identify the levers of public sector innovation. And it confirms the business case for a critical role of international organizations. We will be delighted to join forces in the promotion of an innovative public sector!’

Rolf Alter, Director for Public Governance and Territorial Development, Organisation for Economic Co-operation and Development (OECD)

‘In the private sector most improvement in productivity, and consequently most economic growth, comes from innovation – the creation and use of new ideas. The same is true in the public sector. But too often governments implement untested policies, fail to mobilise creativity, and treat innovation as an interesting sideline rather than as fundamental to success. This report is very timely – setting out why Europe needs to raise its game, and covering the full range from procurement to involvement of citizens. Crucially it reminds us that innovation is ultimately not just about bright ideas – it also depends on practical skills, systems and good management too.’

Geoff Mulgan, Chief Executive, Nesta (UK)

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