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PUBLIC GOVERNANCE AND TERRITORIAL DEVELOPMENT DIRECTORATE
PUBLIC GOVERNANCE COMMITTEE

INNOVATION IN PUBLIC SERVICE DELIVERY

Context, Solutions and Challenges

The report on "Innovation in public service delivery" was developed on the basis of the analysis of current literature and policy practices in OECD countries. It also draws on the various work streams of the Public governance Committee, as well as it benefits from input from the Territorial Development Policy Committee, on how to design innovative policies for delivering better services.

This final version of this report integrates comments provided by Delegates following the 43rd Session of the Public Governance Committee.

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EXECUTIVE SUMMARY

1.   **Innovation in public service delivery is about getting the most out of the resources and capacities invested in the public sector and deliver on the promises of better outcomes at lower cost.** Service delivery accounts for more than half of public sector spending on average in OECD countries. The scale of the demographic, environmental and fiscal challenges governments are confronted with today is reflected by increased pressures on public services to deliver more (or the same) with tight resources. What is at stake is the ability of governments to adapt to these changes and create the capacity to transform risks into opportunities for new methods, tools and delivery channels.

2.   **Still, measuring public sector innovation and its impact remains a challenge.** Innovation in public service delivery can be defined as the implementation of new or significantly improved ways of providing public goods and services. Measuring innovation and its impact requires proper tracking and monitoring and only few countries have attempted to track innovation systematically in public sector organisations. Starting points for measuring include the penetration of e-government, innovative human resources management practices and the extent of the use of innovative budget mechanisms as proxies to measure the readiness of public sector organisations to innovate. Beyond this, studies are necessary to assess the cost-effectiveness of the various forms of innovation in the public sector.

3.   **The complexity of and challenges faced by governments to modernise service delivery require systemic approaches.** First, this means identifying the needs and the challenges faced by public services. Second, this requires aligning the objectives, drivers and actors with the enabling factors to steer change and drive positive outcomes. This needs to acknowledge the substantial differences that exist between the public and private sectors, and their dynamics for innovation. This also requires further understanding of the mechanisms that help to increase choice and tailor services to needs. There is not a single path to innovation in public service delivery and countries have taken different approaches to adapt their delivery structures. These may rely to different degrees on new technologies, innovative practices, or partnerships with citizens, civil society or the private sector.

4.   **Introducing new technologies and fostering the use of e-government are still core methods for governments to modernise service delivery.** The tools used to support and implement innovation in service delivery include dedicated strategies for public sector innovation; dedicated unit or organisation; use of incentives and dedicated funding for innovation; e-government and web 2.0; multi-access to information and services or service design principles and tools to design and re-design services with users.

5.   **Partnering with external actors is one key source of innovation in service delivery**. The report points to the way business, third sector organisations and citizens/users are increasingly involved in public service delivery innovation in most OECD countries, whether in the form of information sources or innovation cooperation partners. However, new governance structures and organizational forms are needed to efficiently manage and govern the plurality of stakeholders operating within the public realm. The report highlights different schemes for partnering with citizens, users and civil sector organizations as a particularly innovative and promising way of gaining new ideas and achieving innovation in public service delivery. The report also discusses the usefulness of PPPs as alternative modes of delivery, pointing to relevant OECD work in the area.

6.   **Innovation is about people and culture at least as much as it is about systems and processes.** Though governments possess a wide range of enabling tools for making innovation happen, ultimately, innovation is about generating and encouraging innovative ideas, and thus about people and organisational culture. Support from top managers, clear incentives (financial or recognition-based) for individuals and organisations to innovate, scope for experimentation and certain risk-acceptance, attention to views of middle-managers and front-line staff, encouraging innovation-champions (individuals) and constant learning from what is being done within the organisation and elsewhere are important building-blocks of innovation in public services.

CHAPTER 1: OBJECTIVES AND METHODOLOGY

Introduction

7.   Promoting innovative approaches and solutions as a way to foster public sector performance and enable greater productivity at no additional cost was at the core of the Public Governance Ministerial Meeting held in Venice in 2010[1]. Today, innovation has become an imperative for public organisations striving to maintain high quality public service delivery in a context of increased budgetary pressures and highly diversified demands from service users.

8.   The need for innovation in the public sector is high as announced cuts in government expenditures in OECD countries are likely to impact especially on government capacities to deliver public services. The share of government expenditure as a percentage of GDP was 46.2% across OECD member countries in 2009. Service delivery costs represent for many countries a larger share of total government expenditure as is illustrated in figure 1 below. A statistical definition of public services does not exist, but the concept corresponds broadly to production costs, for the part of service delivery directly assumed by governments. The production costs include compensation costs of general government employees, consumption of fixed capital and costs of goods and services produced by non-government entities paid for by government. Social benefits correspond to transfers , which refer to cash transfers provided to eligible individuals by governments that are not required to be spent on a specific good or service, for example pensions, family or unemployment insurance benefits.[2]

Figure 1. Expenditure on transfers versus service delivery costs as share of total government expenditures
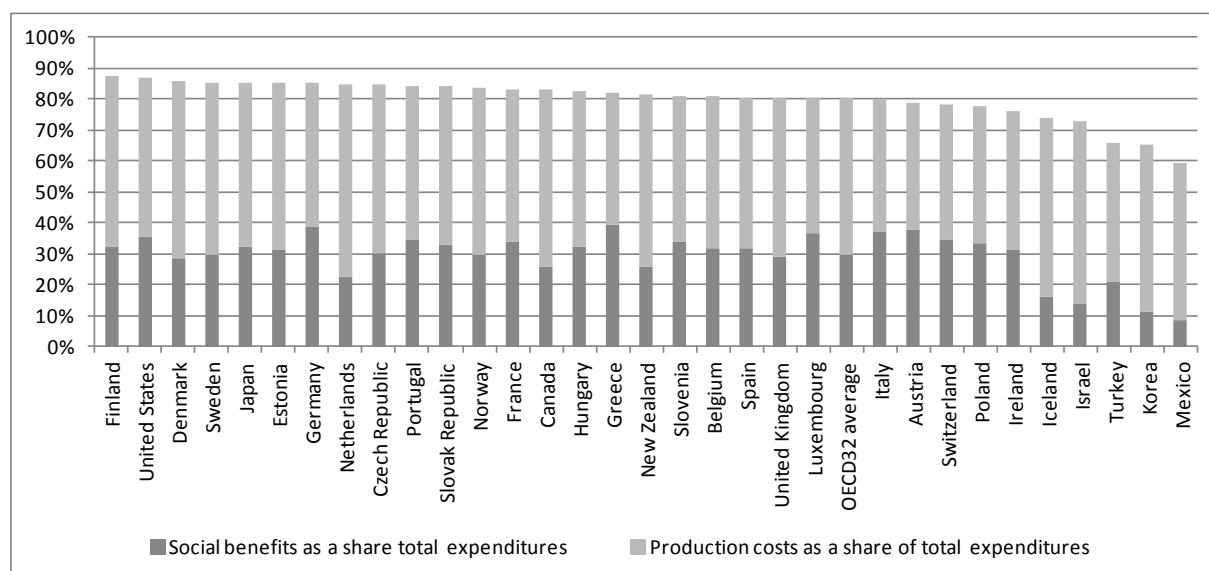
Note: Transfers correspond to Social Benefits. Service Delivery costs correspond to production costs.
Source: Government at a Glance 2011, forthcoming).

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1.   OECD 2011a, Key conclusions from the Public governance Ministerial Meeting, OECD 2011b, The Call for Innovative and Open Government, an Overview of National Initiatives.

2.   For a further discussion on methodology and definitions, see Government at a Glance 2011 (forthcoming).

9.   The view that innovation in the public sector originates as a reaction to reduced resources and pressure from service users is only partial. Innovation is a way to maintain focus on the outcome of public action. This means improving the accessibility and quality of public services, and grasping the opportunities offered by technological change to improve delivery mechanisms.

10.   Despite this increasing focus on innovation, the knowledge of how countries have gone about implementing innovative approaches is still fragmented and a common definition of what innovation mean for public sector organisations is lacking. More needs to be done to better understand the boundaries between public sector reform and innovation. This report aims at providing a better understanding on how innovation occurs in public service delivery and initial evidence of successful practices. In particular the report will:

- Define a framework to understand innovation as applied to public service delivery *e.g.* identifying the drivers of innovation and the actors pursuing innovation.

- Provide examples of innovative approaches in service delivery drawing from 1) the analysis of specific tools such as e-government / web 2.0 and partnerships with citizen and the private sectors, and 2) from the discussion of challenges faced in specific contexts (e.g. service delivery in rural areas).

- Identify opportunities and challenges to make innovation happen.

- Propose further steps for work on innovation in public services, including the possible collection and dissemination of good innovative practices.

11.   While innovation is a significant driver for economic growth and while governments also have an important role in fostering innovation in the private sector, the focus of this report is how the public sector itself innovates to improve efficiency and responsiveness to users' needs.

Structure of the report

12.   The report is organized as follows: Chapter 2 provides a definition of innovation in public service delivery and designs a framework for analysing it; it discusses the major drivers, types of innovation and actors behind it. Chapter 3 provides examples of innovative approaches to service delivery in OECD countries and discusses the challenges of measuring public sector innovation. Chapter 4 discusses the conditions for successful implementation of innovative approaches in service delivery, in terms of providing a facilitating framework, incentives, political and financial, as well as identifying enablers and barriers to change. The report concludes by outlining the key strategic options which are at governments' disposal to facilitate innovation as well as next steps of work in this area.

Contributing workstreams

OECD work

13.   This synthesis report builds on several existing strands of OECD work on public governance. The contributing reports are detailed in Annex 1. The topic of innovation in the public sector has received growing attention in the OECD community in the last few years with dedicated projects being conducted at both horizontal and sectoral level.

14.   The *OECD Innovation Strategy*[3] has provided an analytical basis to capture and analyse the factors driving innovation in OECD countries. While this framework has been applied to understand

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3.   OECD (2010d).

innovation in the economy as a whole, it also includes references to the public sector as an enabler of innovation and as an innovator itself. For example, an OECD framework exists with guidelines for defining and measuring innovation in firms.[4] A task force was set up in 2009 to examine whether guidelines for the measurement of public sector innovation could be developed. The task force has produced a scoping paper in 2010 with measurement priorities and proposals for building a measurement framework for public sector or public services (or both) innovation.[5]

15.   At sector level, the OECD *Centre for Educational Research and Innovation (CERI)* has launched work on measuring innovation in education. Among the options being considered are an adaptation of the Oslo Manual concepts to education and the use of various types of tools to measure changes in administrative and pedagogical practices (e.g. new CIS-type surveys[6], employer/employee surveys, extension of existing educational surveys). Work on innovation is also being developed in the health field, for health systems.

External work on Innovation in public service delivery

16.   This report also takes into account and synthesize some external work on innovation in public service delivery[7], in particular the following: *Publin*, a research project on public service innovation - as part of the EU 5th framework programme - has produced a range of research papers. Borins (2001) undertook what is probably the largest empirical study of innovation in the public sector, covering over 300 government innovation programmes around the world. A thorough literature review on innovation in public services was issued by the *UK Improvement and Development Agency (IDeA)* in 2005. Further: Five Nordic countries have launched an initiative – *MEPIN (Measure Public Innovation)* - to develop a framework for measuring public-sector innovation which includes the testing of a pilot survey during 2010. The findings of the pilot study have been presented in a report, which was issued in February 2011.[8]

17.   Another example is the *EU EPSIS Project*, coordinated by DG Enterprise and devoted to innovation in public services. A survey, which targeted 4000 organizations in EU 27 and to a large degree draws on the MEPIN questionnaire, was implemented in October 2010. The results of the survey was presented in an analytical report (*Innobarometer* 2010) issued in January 2011. As part of a project to develop an Innovation Index for the UK, the independent body *NESTA (the National Endowment for Science, Technology and the Arts)* has carried out a pilot for developing a Public Sector Innovation Index. The findings were presented in March 2011.[9] As a background for this, a number of exploratory studies were commissioned in 2008 and 2009 that examine a variety of measurement issues for developing public sector innovation indicators.

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4.   This is developed by the OECD's Working Party of National Experts on Science and Technology Indicators (NESTI) (ref, the Oslo manual, now in its 3rd Ed).

5.   OECD NESTI (2010).

6.   The Community Innovation Surveys (CIS) are a series of surveys executed by national statistical offices throughout the European Union and in Norway and Iceland. The harmonized surveys are designed to give information on the innovativity of different sectors and regions.

7.   OECD 2010 (Nesti, ref) provides a more thorough account of previous and ongoing initiatives concerning public sector innovation measurement.

8 .   Bugge, Mortensen, Bloch (2011)

9 .   Hughes, Moore and Nimesh (2011)

CHAPTER 2: INNOVATION IN PUBLIC SERVICE DELIVERY
CONTEXT AND DEFINITIONS

18.   This chapter presents an overall framework for analyzing innovation in the public sector. The framework is then further elaborated and applied to analyse innovations in public service delivery..

- The innovation process starts with **drivers and objectives**, at the far left end of the model. This is discussed under the heading *Why* innovate in the public sector.
- At the centre of the suggested framework are the actual **innovations** resulting from the innovation process. Innovation in public service delivery – which is the focus of this report - is however not a generally agreed concept and it can also be subcategorized. The question of how to define and categorize innovation is discussed in this chapter under the heading *What* is innovation in public service delivery.
- Each type of innovations in service delivery - be it an organisation, product, communication or process/delivery innovation - can be conceptualised as a **cyclical process** which moves through different phases: planning, design, delivery and evaluation. However, there are **barriers and enablers** that operate within the different stages of this process. These are discussed in chapter 4.
- Further, the framework presents **the actors** involved and their interfaces. These relationships are discussed in this chapter under the heading *who* innovates. At the centre of the model is the **public administration**. Increasingly, public administration involve **external actors** in planning, designing, delivering and evaluating innovations in public services. **Framework conditions** defined by ministers and policy makers set out the perimeter in which the innovation process occurs and provides linkages with political objectives and priorities. The innovation process yields **outputs and outcomes**, which may lead to increased **public sector productivity and efficiency**, represented by the box in the far right. An increase in productivity may have an impact on **macroeconomic productivity and efficiency** and total factor productivity (TFP), which in the long run enhances **overall economic competitiveness** and drive living standards. The sheer size of the public sector shows that it is essential for the public sector to innovate and increase its productivity. A clear understanding of this core issue of public sector economics is therefore crucial to drive overall economic improvement.

Figure 2. Framework for innovation and competitiveness in the public sector
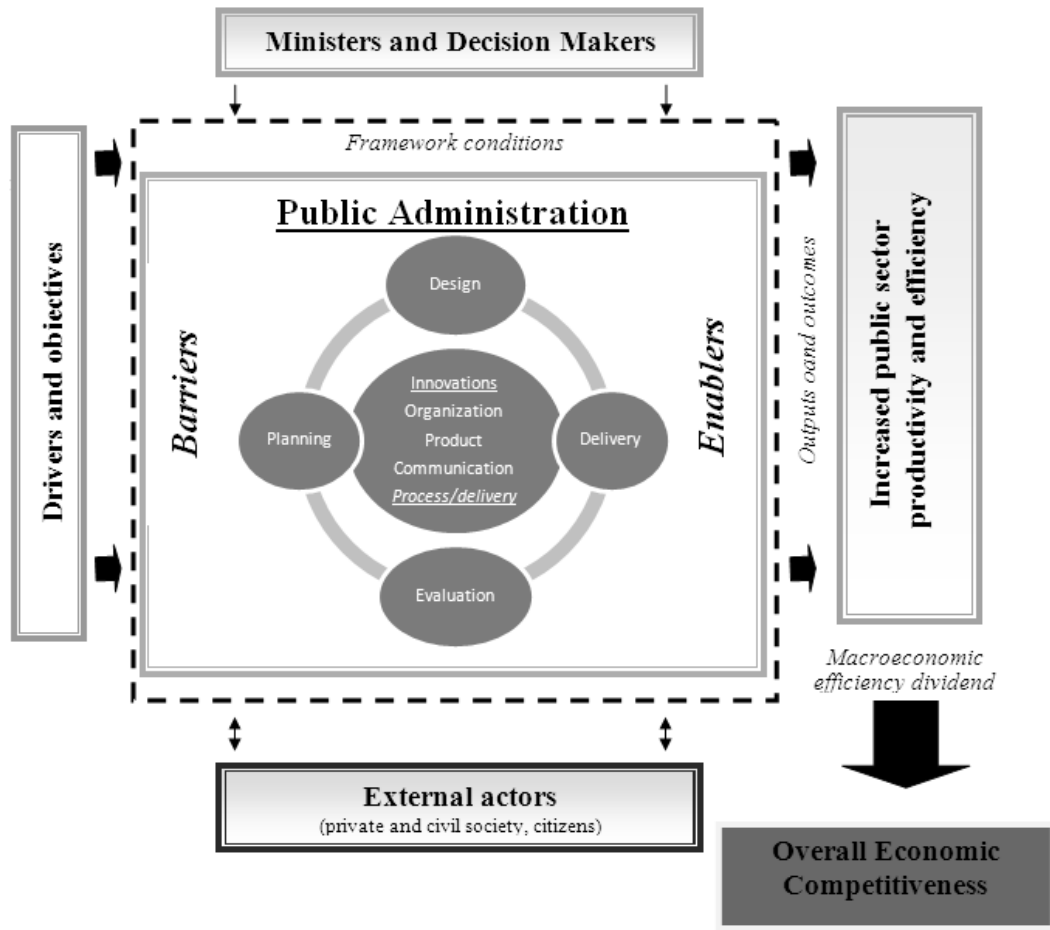
Why innovate in the public sector?

Context and drivers for innovation

19.   The public sector counts among the largest service providers in many OECD countries, and expenditure on service delivery account for a large part of government expenditures (see figure 1). As a result of fiscal consolidation initiatives in OECD countries following the crisis, expenditures are expected to drop.

20.   The scale of changes affecting society has an impact on the existing capacities of the public sector to deliver efficient and effective public services. The increase of prison population results in higher costs for the public purse. Obesity rates – which are normally associated with higher health care costs - have more than doubled in the last twenty years in countries such as United States, United Kingdom and Australia, and have increased substantially in many OECD countries. Average life expectancy has grown more than ten years in the past forty years (from 68.5 in 1960 to 79.1 in 2007) resulting in increased pressures on health and social care spending for the elderly. The increase of municipal waste in OECD

countries – which is the result of a number of factors including urbanisation rates, household revenues and lifestyles - raise concerns on the sustainability of waste management services at local level. These factors and societal trends require governments to look for new approaches to public service delivery.

21.   The main drivers for public sector innovation often come in the form of specific challenges and perceived shortfalls that require a response. There are however several more general innovation drivers, which are indicated below:

- Need to strengthen public sector competitiveness

- Need to contain costs and improve efficiency due to tighter budget/fiscal constraints

- Change in demand in the private and the public sector with people better informed

- Demand from civil society for increased engagement in public service delivery

- Diversified and complex needs requiring a combination of personalised services and care (e.g. disabled people with mental problems)

- New demands to tackle problems which have not been considered in the past (e.g. social exclusion, drug abuse, environmental challenges)

Government modernisation/reform programsTackling the opportunity offered by new ICTs to transform service delivery 22.   In addition to the drivers mentioned above, the UK National Audit Office (NAO) numbers several "*innovation triggers*", such as: new government priorities, implementing EU-policies, direct action by citizens/campaigns, spin-offs from other work, sources of new ideas etc.[10]

23.   There are also more individual reasons to innovate, which may be related to human behaviour in general. For instance, public sector policy makers, managers and workers may gain satisfaction, status or potentially financial rewards from improving public services. Idealism and the urge to develop a better society can also be important driving forces for individuals[11].

The objectives of public sector innovation

24.   In the aftermath of the financial crisis, governments have to do more and better with less, or at least within tighter constraints. Significant steps and changes are required to transform public services, address complex issues and reduce costs to the public purse. In this context, innovation is seen as a way of squaring the circle, achieving the level of change required while meeting divergent demands.

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10.   National Audit Office (2006)

11.   Koch and Hauknes (2005) p.18 and Halvorsen *et al* (2005).

Box 1. Country specific drivers and objectives for innovation and reform

In 2004, the Government of the day in **Australia** created the Department of Human Services (DHS) as a co-ordinating body to place more emphasis on service delivery. In December 2009 the Government announced further major *reforms to service delivery,* aimed at shifting the focus from bureaucratic, structured service delivery, to higher-quality services centred on the individual (further information is available from the Department of Human Services Website at: *www.humanservices.gov.au*).

The deep recession and the sharp weakening of general government finances caused by it have fundamentally changed the bases of the fiscal policy in **Finland**. General government finances are in a more vulnerable position from which to meet expenditure pressures caused by population ageing and a narrowing of the tax base. Ensuring the sustainability of public finances now represents a bigger challenge. In the next few years, it will be essential in economic policy to implement a postrecession exit strategy in which measures supporting growth are combined with adjustment measures in general government finances. In fiscal policy, a strategy and measures to strengthen the long-term sustainability of public finances are required. It has been estimated that although general government finances will continue to improve over the years ahead on the back of economic recovery, it is expected that without new measures to stimulate growth and consolidate public finances, they will remain firmly in deficit in 2014.

In **Estonia**, the recession has fundamentally changed the way the public sector will handle new spending initiatives. Between the years 2000-2008, public revenues increased in Estonia 10-20% each year (both the central government and the local self-government). In this context it was obvious that all new initiatives were possible within the extra revenue, and real analysis on the existing policies and provision of public services was not possible. Now, however, macroeconomic estimates show that during the next 5 years the public revenue will grow only marginally. Taking into account the need to restore budget surplus, it is evident that the budget for public expenditure will not grow. This puts the Estonian authorities in an entirely new situation, where, besides efficiency gains, existing policies and the entire organisation for service delivery will be closely scrutinised.

Budget consolidation – which is also affecting **Germany** in the current legislative period – has also led to a reduction in budget funds for public authorities delivering public services. These necessary budgetary cuts will reduce the Federal Ministries' and their subordinate authorities' scope for action, adversely affect individual projects and heighten the need to set priorities. However, budget-neutral, internal postponements or financial shifts in expenditure will ensure that the implementation of projects which are important in policy terms are not put at risk.

Source: Extracts from country responses to a questionnaire on innovative and open government, presented at the Ministerial meeting of the OECD Public Governance Committee, 15 November 2010.

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25.   Innovation can help countries achieve a series of objectives. Innovation can help countries to squeeze costs and increase efficiency; respond more effectively to new public needs and rising expectations; and improve service delivery and social outcomes, also capitalising on the full potential of ICTs.

26.   Public sector objectives are often multiple and potentially conflicting. Public sector objectives are broad and often go beyond improving the direct performance or output of the organisation itself:[12] for example objectives may also include improving the 'performance' of others; i.e. enabling innovation among citizens, business suppliers or other public sector institutions. Public sector objectives also include enhancing trust in government Successful innovation can be a lever to effectively augment confidence in public services. Coupled with this is also a democratic objective: innovation through involving citizens and the third sector could be a means to attain wider legitimacy.

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12.   As highlighted in OECD NESTI (2010) p.7

What is innovation in public service delivery?

27.   The concept of innovation does not lend itself to a single definition. As some choices had to be made, the definition of innovation in public service delivery used in this report is: **the implementation of new or significantly improved ways of providing public goods and services in a given context.** This draws on the definition of innovation in private sector organisations from the Oslo manual[13], and is adapted to take into account the specificities of the public sector. A characterisation of this definition is presented below.

The concept of innovation

28.   According to the Oslo Manual (2005) and with reference to private sector organisations, an innovation (in firms) is: *"the implementation of a new or significantly improved product (good or service), or process, a new marketing method, or a new organisational method in business practices, workplace organisation or external relations"*.

29.   One of the elements that characterise most existing definitions of innovation is the emphasis on *significant* novelty with reference to an existing process, product, etc. Thus, innovation is not merely synonymous with change.[14]However, a distinction is commonly drawn between *radical innovation* (with a high novelty value) and *incremental innovation* (which is more gradual). 30. Further, a central element of innovation is that it has to be *implemented,* even if it does not necessarily have to be successful. The concept is also context dependent: what may be experienced as innovative in one country or in specific context within a country (e.g. in a municipality or a central government organisation) may be established practice or not be considered as innovation in another.[15] Replication of approaches from other parts of the public service delivery can therefore been considered as a source of innovation provided it maintains the requirement of being of significant novelty for the organisation.

Public service delivery and innovation

31.   In addition to defining *innovation*, there is a need to define what *public service delivery* stands for and how the concept of innovation applies to it. As with the public sector, there is no commonly held definition of public services. However, the following definition of public sector is fairly representative: *"The public sector comprises the general government sector plus all public corporations including the central bank"*.[16]

32.   There is a distinction between the public sector and public services: public services may be produced and provided outside of the actual public administration, by the private sector or by citizens. *Public services* have been defined as services where government has a responsibility for the provision. As a result, public services are those which public bodies, such as central or local government, either provide themselves or commission others to provide.

33.   The outputs of the public sector may involve both public goods or services. A good is a tangible physical product that can be contrasted with a service which can be tangible (i.e. health care), or intangible

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13.   OECD (2005a).

14.   Green, Howell and Miles (2001), cited in Koch and Hauknes (2005), p.6.

15.   OECD (2010a), p. 103.

16.   OECD (1997).

(landscape preservation, security). A service can also be individual or collective. Innovation in the public sector may include the production of material products, and the delivery of physical tangible services, but most often public innovation entails the delivery of intangible services.

34. A distinction is commonly made between *product innovation*, referring to innovations in services and goods, and *service delivery innovation*, referring to innovations in the means for provision.[17] Innovation in the delivery of a service will thus have to be distinguished from innovation in the actual service itself, e.g. the service may be innovative, but the means of providing it doesn't necessarily have to be.

Types of innovation in public service delivery

35. The MEPIN project offers a typology of innovation which builds on the conceptual framework of the Oslo Manual and modifies it to make it more suitable for the public sector. An explicit objective of the definitions used by MEPIN is to maintain some degree of comparability with the OECD Oslo manual, while taking account of the nature of the public sector. The suggested definition reads as follows: *"An innovation is the implementation of a significant change in the way your organisation operates or in the products it provides. Innovations comprise new or significant changes to services and goods, operational processes, organisational methods, or the way the organisation communicates with users."[18]*

36. This overall definition is broken down into four broad different subtypes of innovation in public sector organisations.[19]

- A *product* innovation is the introduction of a service or good that is new or significantly improved compared to existing services or goods in the organisation. This includes significant improvements in the service or good's characteristics, in customer access or in how it is used.

- A *process* innovation is the implementation of a method for the production and provision of services and goods that is new or significantly improved compared to existing processes in the organisation. This may involve significant improvements in for example, equipment and/or skills. This also includes significant improvements in support functions such as IT, accounting and purchasing.

- An *organisational* innovation is the implementation of a new method for organising or managing work that differs significantly from existing methods in the organisation. This includes new or significant improvements to management systems or workplace organisation.

- A *communication* innovation is the implementation of a new method of promoting the organisation or its services and goods, or new methods to influence the behaviour of individuals or others. These must differ significantly from existing communication methods in the organization.

37. This report focuses on innovation in the actual delivery of public services, which mainly falls under process innovation. Other types of innovations can however contribute to, or be regarded as tools to set the stage for innovations in public service delivery.

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17. *e.g.* Windrum (2008), drawing on Koch and Hauknes (2005).

18. Bloch (2011).

19 . Bloch (2011).

Similarities between public and private sector innovation

38.   The definition of innovation for public services does not substantially differ from that used for the private sector – as the definition is in many respects similar. Still, it is important to appreciate the similarities as well as the differences between private and public sector innovation to understand the context in which innovation occurs.

39.   The main differences are related to the concepts of *voice* and *choice*. In many areas, government is the only provider of public services. This implies that users – unlike in a market context - don't have an exit, or a choice to go to another provider of the actual service if they are not satisfied. In addition, the lack of market mechanisms may entail that users can not exert influence on how services are designed and delivered. However, governments have the possibility to narrow the difference, for example through opening up of public services for competition.

40.   The absence *of market incentives,* including profit, and the possibility of competition and choice, is generally cited as the most fundamental difference between the public and the private sector.[20] Public organizations typically are the primary supplier of services and are not – as within the private sector – competing in order to maximize profits, even though some public services are subject to competition, e.g. education and health in many countries, or employment/placement services. Furthermore, in the private sector, R&D is largely influenced by patents and property rights, which are not relevant to the public sector. Moreover, the public sector is very *heterogeneous*. This is also the case in the private sector but the heterogeneity is potentially even bigger in the public sector.[21] Even within a sector like the health service, significant differences exist between for instance the ambulance emergency service on the one hand and dental surgeries on the other.

41.   Another important difference is the fact that the public sector follows *political impulse,* as it has to be politically accountable, and Ministers are accountable to their electorate. Public organisations are typically part of a complex organisational structure that impacts, both directly and indirectly, how organisations operate and innovate. This also includes rules and regulations that influence and in some cases dictate how organisations function. Individual organisations typically do not have full autonomy over many decisions, overall budgets and incentive structures.[22]

42.   In many cases, public sector *services* have features which distinguish them from private sector services. This is particularly the case for collective services[23]. For collective services, the 'product' offered may be the delivery of a desired condition – for instance public order and safety – rather than a tangible good. Other examples of collective goods are defence and construction and maintenance of infrastructure.

Relation between innovation and reform

43.   Whilst reform and innovation mean different things in different countries there has arguably been a global reform movement in the public sector over the last decade, which was already considered by the OECD (2005)[24]. As pointed out above, innovation is - in most definitions of the concept - not synonymous

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20.   The differences between public and private sector innovation are meritoriously discussed in the Publin report D9 *On the differences between public and private sector innovation*.

21.   OECD (2010f).

22 .   OECD Nesti (2010), p. 7

23.   OECD Nesti (2010), p. 6.

24.   OECD (2005) *Modernising Government* (see also Kamarck 2003, Bourgogne, 2008, Pollitt, and Bouckaert 2004; Pollittt 2005, Oppen 2002).

to any change, but refers to a significant change. Reform implies a more structured approach to change and implies a change embedded into government structures and processes. While it is important to distinguish between innovations and reform, boundaries between the two concepts are oftentimes blurred.

Who innovates – the actors

44. In representative democracies, the responsibility for public service delivery is within public authorities operating under the political guidance from elected decisions makers. Traditionally, public authorities provide services and goods directly to the citizens - who are the final clients and consumers of public goods – or through contracting out the delivery of certain services to private sector providers. In this model, citizens have only limited opportunities to have their voices heard, to make choice in favour of innovative products and to influence public sector managers.

45. Starting from the 80s, with the advancement of managerial approaches to service delivery, businesses, third sector organisations and citizens/users started being increasingly associated to public service delivery to drive quality improvements and increased level of service satisfaction. The involvement of private and voluntary organisations in service delivery has proved critical to acquire additional capabilities and better target specific user groups[25].

46. Involving public and private actors in the delivery of public services can be a potential source of innovation and better outcomes. It however may require an adaptation of roles and structures of service professionals and a rethinking of accountability mechanisms.[26] In these new forms of delivery, government often acts as leader, coordinator or facilitator *within* diverse structures, roles and relationships amongst and between multiple stakeholders. However, many traditional forms of service delivery remain, where all services are produced and delivered within the public sector, for example in health, with hospitals and public health centres, education, or general services, such as access to official papers, licences, and the management of life events.

47. Partnerships with private or not for profit actors – which have a risk taking and innovation-driven culture – can provide alternative routes to innovation in public sector organisations. Economic and organisational theory identifies some of the challenges involved in promoting change and innovation in large organisations, public or private. While it is possible to transform those organisations, it is a challenging and potentially lengthy project. One alternative is to create spaces for innovation within the larger organisation, with freedom for experimentation. This can exist within the public sector, but it requires appropriate legal and regulatory incentives. An alternative route is to partner with outside organisations to acquire the level of skill and capacity needed to innovate.

48. Partnerships for innovation in service delivery can be applied at any stage of the innovation process and may or may not concern activities that are directly linked to any specific innovation. The discussion on innovation has to take account of the various stages of public service delivery (see the model presented above):

- *planning*: generating ideas and organizing the service cycle from indentifying resources to implementation

- *design*: designing part or entire features of the service

- *delivery:* providing the service to its beneficiaries

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25.   OECD (2008) p. 2

26.   OECD (2011c)

- *evaluation:* assessing the impact of the innovation.

Public-private interaction

49. Partnership with private sector organisations can lead to significant changes in public service delivery. The public sector interacts with the private sector in a number of ways:

- Contracting out or outsourcing of activities previously carried out by the public sector organisation itself. Outsourcing, which may also entail public private partnerships, can be an important source of innovation, as private sector entities will address the delivery of services with a different logic, resources and capabilities.

- Public procurement, when business supplies the public sector with goods and services. Public procurement has the potential to foster innovation in the public sector, and the private sector as well, for example through green procurement.

- Privatisation of public services previously provided by a public entity itself. This involves changing public service providers into private ones, so that the rules and the regulatory framework that prevails for service delivery is entirely different. This may have implications for innovation due to a different regulatory framework.

50. For a variety of reasons, including lowering costs, increasing choice, improving access and fostering innovation, governments are contracting with private entities to produce goods and services that they formerly produced themselves. In OECD member countries, government outsourcing represents on average 10% of GDP and it has become increasingly common in recent years. From 2000 to 2009 the share of outsourcing in GDP increased on average from 8.7% to 10.3% in member countries. Government can outsource the delivery of government services in two ways. First, they may purchase goods and services from the non-government sector in order to use them as inputs into their own supply chain (termed intermediate consumption) (Figure 3). Secondly, government may decide to pay a firm to deliver goods and services directly to the end-user (Government at a Glance 2011, forthcoming). The graph below displays services outsourced by general government (expenditures on goods and services used and financed by general government) as a percentage of GDP.

Figure 3. Government outsourcing (expenditures on goods and services used and financed by general government) as a percentage of GDP (2009)
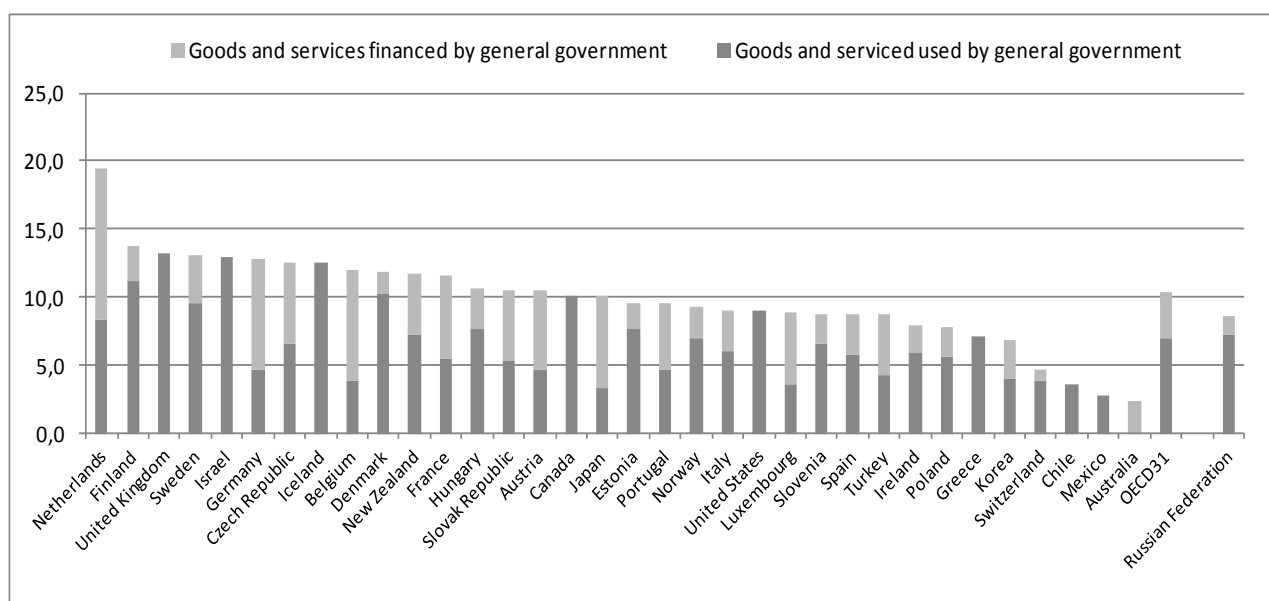
Source: OECD National Account Statistics, presented in Government at a Glance 2011 (forthcoming).[27]

51.   More than 40% of the value of public services and goods in the EU member countries is being produced by the private sector[28]. The graph below illustrates the outsourced share of government production costs (which can be regarded as service delivery costs). However, the underlying data are estimates, which can only serve to give a broad idea of the actual shares.

27.   The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.   Countries of Canada, Greece, Iceland, Israel, Mexico, the United Kingdom and the United States do not account separately for goods and services financed by general government in their National Accounts. Goods and services used by general government are missing for Australia. Goods and services financed by general government are missing for Chile.
Australia, Chile and Turkey are not included in the average (OECD31) because of missing complete set of data.
Australia, Chile, Japan, Korea, New Zealand: 2008 instead of 2009 . Mexico: 2003 instead of 2000. 2000 data are missing for Turkey.   Russian Federation: 2008 instead of 2009, 2002 instead of 2000.
Data extracted on 18 February 2011.
28.   OECD (2009a), p. 7.

Figure 4. Outsourced share of government production costs (2009)
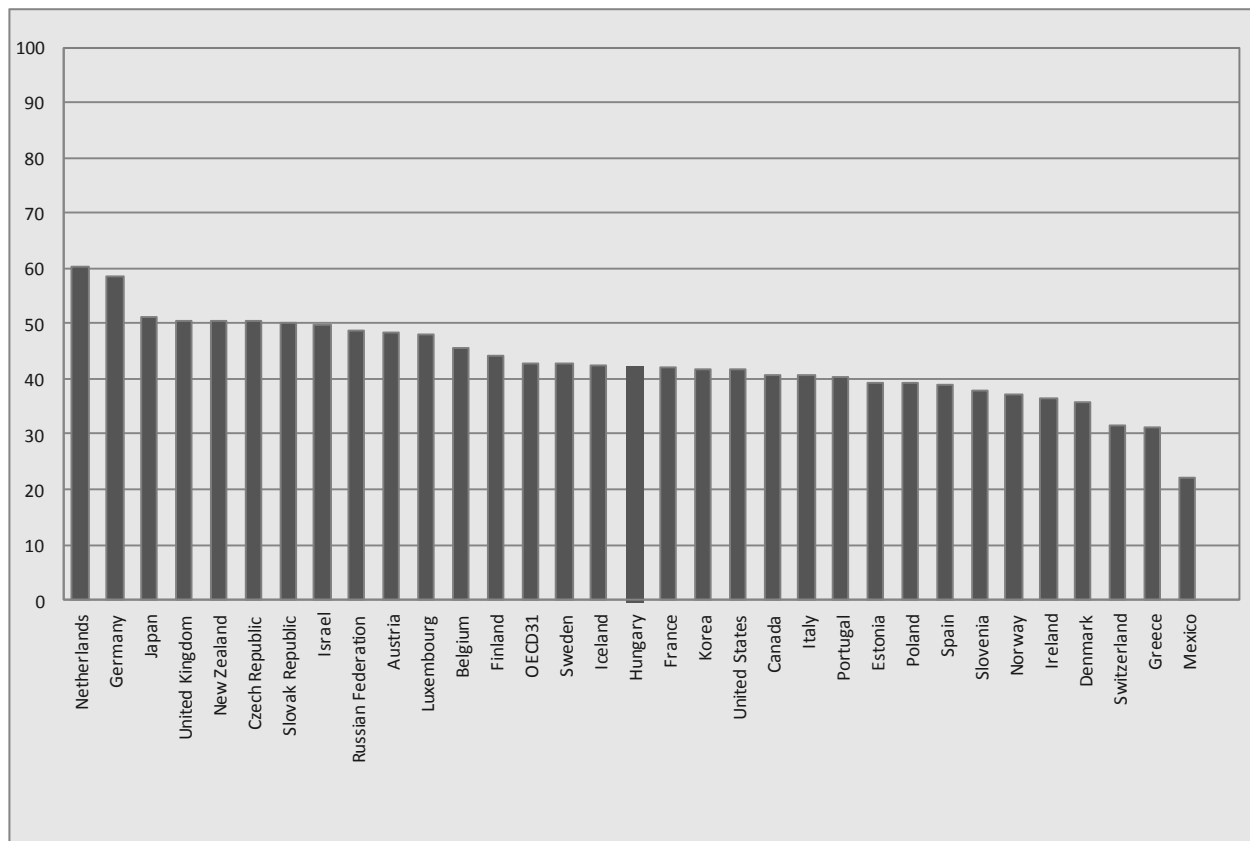
Source: Government at a Glance 2011 (forthcoming).

52.   PPP:s and public procurement are both market-type mechanisms, but the key distinction is the allocation of risk and the role of risk as an efficiency driver[29].Over the past fifteen years, the weight of contracting out and public private partnerships has increased tremendously in the OECD economies, and even more since the design of the stimulus packages to foster economic recovery after the latest financial economic crisis. PPPs are used in order to achieve better value for money. They do this by harnessing the flexibility and innovation of the private sector to meet the long term strategic goals of the public sector at the best price possible.

53.   "Public procurement" basically refers to all forms of acquisition for a public authority, for example purchasing, leasing, renting or hire-purchase of goods, building contracts or services. Governments in OECD member countries spend on average 12.4% of their GDP on public procurement[30]. The greater part of what is procured is ordinary commodities, and these are not necessarily innovative as such. However, procurement can also be a means for innovation. Public procurement of innovation has been defined as *"the purchase of innovative products, services or processes through public demand with the aim to improve the performance and functionality of public services or to solve important socio-economic challenges"[31]*.The graph below illustrates the size of general government procurement (2006 and 2008).

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29.   Burger and Hawkesworth (2010), p. 5.

30.   OECD 2011d).

31 .   OMC-PTP (2009) p. 7).

Figure 5. Size of general government procurement as percentage of GDP (2006 and 2008)
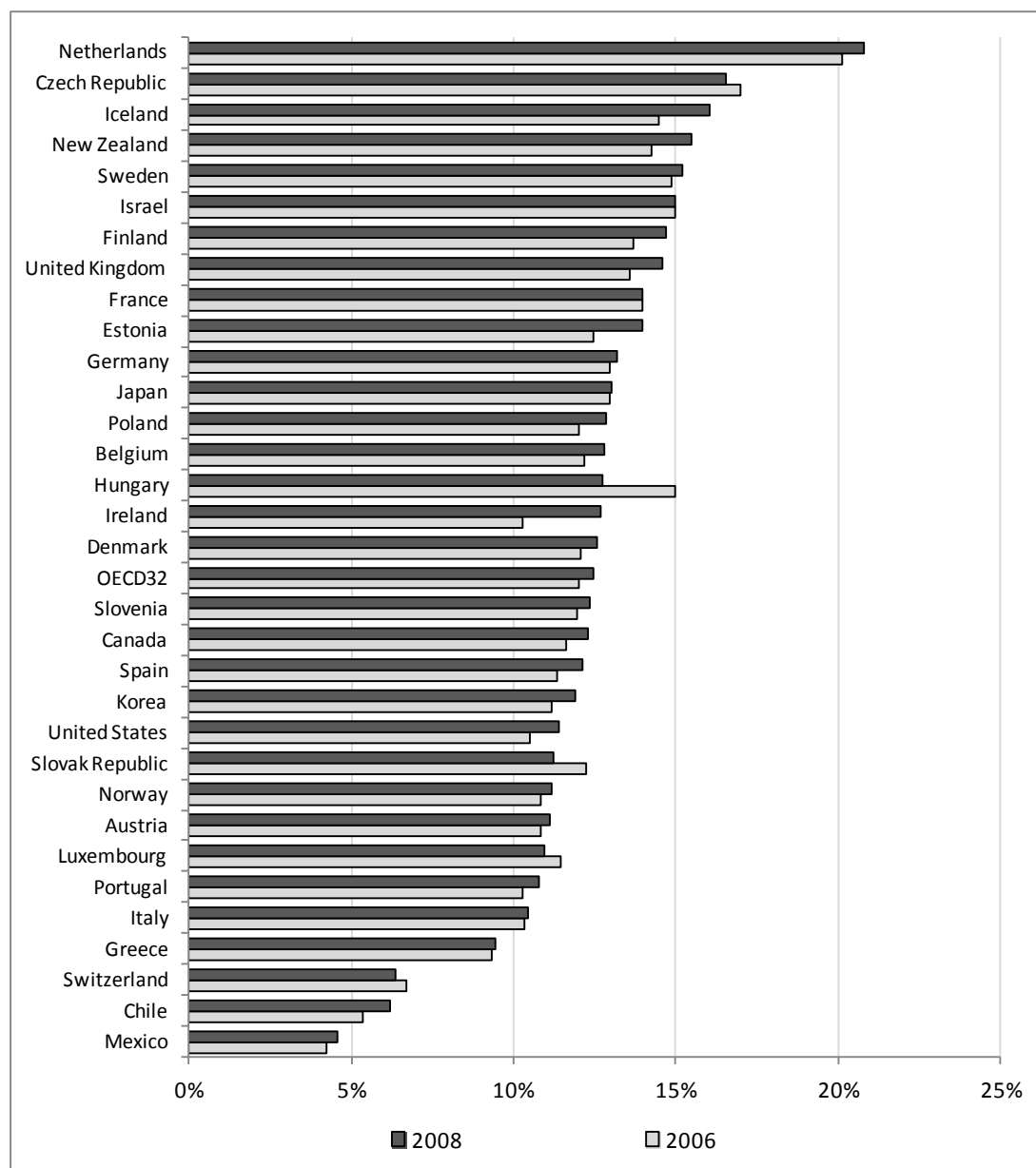
Source: Government at a Glance 2011 (forthcoming).

54.   Public sector needs for services play an important role in the innovation climate in all innovation systems. Public procurement can potentially impact innovation in two directions: contributions to innovation in the organisation itself and promoting innovation in other organisations.[32] The needs and demands in public organisations form an important market for enterprises. A positive interaction – through public procurement - between public-sector needs and demand, and creativity and innovation in the

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32.   OECD Nesti (2010), p. 12.

business sector, can contribute strongly to renewal in the public sector and to innovation and international competitiveness in the business sector.[33]

55.   The "power of the public purse" can thus be used to drive innovation. Governments have the power to demand the production of innovative products and services (or environmental friendly products and services, through the increased use of green procurement). The scale of government procurement can also establish entirely new markets for innovations. However, in general, innovation and risk-taking are not encouraged in public procurement. Public procurement has a tendency to opt for low-risk solutions and mature technology. In addition, small businesses generally only receive a small proportion of procurement, which may exclude a lot of potential innovators. Part of the reason for this is that small firms in many cases find public procurement processes too burdensome and uncertain to engage in. There is however strategies governments can use to spur innovation, such as unbundling larger contracts in order to allow smaller firms to bid and to procure for outcomes, thus giving the suppliers freedom to develop innovative solutions.[34]

Engaging citizens, service users and civil society organisations to stimulate innovation

56.   Governments are involving citizens and service users in a range of approaches across a spectrum of activity: from *information giving* (e.g. government web sites for citizens) to *consultation*, (e.g. seeking citizen's views or service user feed-back) to participation (e.g. contributing to resource and policy decisions through on line networks or community meetings). Input in the form of feedback from external partners is however now part of mainstream practise in many OECD countries and is not innovative in itself, even though such inputs can generate ideas on how to innovate.

57.   New forms of partnership with citizens, users and NGOs (also known as coproduction) have emerged in response of a need to increase service responsiveness and achieve greater value for money in service delivery. The importance of innovative approaches to build a more efficient and effective public sector was at the core of the Public Governance Ministerial in Venice in 2010, as Ministers asked how to increase the performance of public services at no additional cost. Compared with existing solutions of private sector involvement, coproduction schemes focus on in-depth and systematic association of citizens and users as a way to transform the relation between service users and professionals, ensuring user control and ownership.

58.   Coproduction is still in early phases, yet evidence can be found that it leads to cost reductions and better user satisfaction. The survey revealed that coproduction practices exist in many public service categories, and across levels of government. Coproduction is still at a developmental stage in many areas, even if it has started to be mainstreamed in a few, such as health and social care. In this area, pilot programs have shown cost reduction for the public purse associated with improved user satisfaction. These results need to be considered with caution, as it cannot be excluded that they reflect cost shifting onto users and citizens. The impact of rebalancing the cost between government and communities requires further assessment to qualify the savings. Business cases would need to be developed, based on a broader concept of value for money.

59.   Engaging citizens and the third sector as partners in the production and delivery of services allows for a shift in power relation between service professionals and users. This challenges existing organisational values and practices in the public sector, with implications for accountability. It is important that government is not perceived as giving up its responsibilities when partnering with citizens but as maintaining a clear and stable role as " watchdog" of the public interest. Adapting the public sector staff to new professional roles, as advisers rather than producers, require developing new knowledge and skills.

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33.   Vinnova (2007).

34 .   NESTA (2007)

Coproduction also involves costs, for training staffs and implementing new systems. Limited resources may involve creating unfunded mandates, preventing effective coproduction. Further research is required to better identify the risk and quantify the cost of developing co-production in relation to expected benefits.

60.   Factors enhancing coproduction have recently been surveyed by the OECD through a common questionnaire to OECD countries. The most widely cited enhancing factor was top level commitment and leadership within government.

Figure 6. Factors enhancing coproduction

As a % of cases reported by countries across all service categories
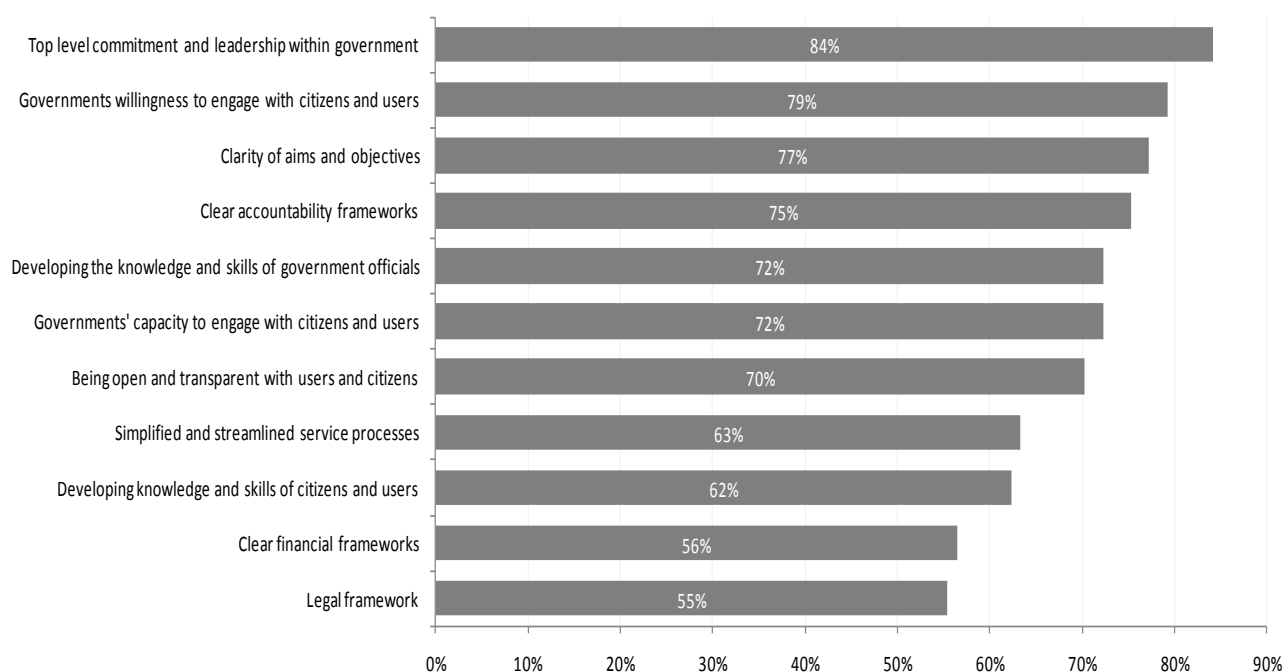
Source: OECD survey on "Innovation in Public Services: Working Together with Citizens for Better Outcomes", 2010; 21 OECD countries, Brazil, Egypt, Russia and Ukraine responded to the survey.

CHAPTER 3: MAPPING AND MEASURING INNOVATION
IN PUBLIC SERVICE DELIVERY

61.   This chapter provides an overview of some general trends in innovative public service delivery and also gives a few selected illustrative examples of approaches and actual implemented innovations in service delivery, drawing on country experiences. It also discusses the difficulties of measuring innovation.

Mapping innovative approaches to public service delivery

62.   OECD countries are innovating public service delivery in different ways and this chapter presents an overview of innovative approaches building on the framework discussed above (see chapter 2). The main approaches presented below can be classified - according to the different tools they apply – as:

- Use of digital technology (web 2.0)

- Use of partnerships with citizens and civil society

- Use of partnerships with private sector

- User-centred service delivery

63.   Many innovations falls within more than one category as governments usually draw on a mix of tools. For example, digital technology and web 2.0 tools are used as part of a partnership in delivery with citizens or service users. The following section will discuss these approaches and provide a few examples.

The use of digital technology and web 2.0 for innovative public service delivery

64.   As discussed in chapter 1, new technology is a key driver of innovation and progress on e-government has been a common element in OECD country agendas. E-Government services enable governments to be more relevant to their citizens and businesses by meeting new needs and demands for online choices and by matching the level of services' quality with users' expectations. Many governments have used e-government as a tool for innovation, transforming, for example, access to services and delivery of transactional services[35].

65.   More recently government have looked at new instruments – such as web 2.0 - to reach out new service users (*e.g.* young people), to increase citizen awareness of existing services and connected rights, and involve them in planning or inputting to services. The term Web 2.0 is used to describe web-based communities, virtual worlds, and hosted services for social networking, social interaction and information dissemination. The concept of social networking encompasses new patterns of use and behaviour which has the potential to change the interaction within the public sector and between the citizens and service professional. Social networks such as Facebook are used as new channels for delivery of information on local public services and for increasing citizen engagement (see example below).

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35.   OECD (2010h).

Box 2. *"Comuni 2.0"* - Municipalities and Social Networks in Italy

The use by Italian Municipalities of social networks as innovative communication tools and the organizational changes implied by their use has been investigated in 2011 with the survey "Comuni 2.0" based on online questionnaires; a qualitative analysis was also conducted on social media applications (e.g., Facebook profiles, Facebook fan pages, etc.) activated by the Municipalities that invested more on them.

The research has analyzed the following issues:

1.   Diffusion and typology of the social media used

2.   Main goals pursued by Municipalities that invested in social networks;

3.   Organizational implications (day-by-day management issues, changing in work organization, use of indicators to evaluate the effectiveness of investments).

In the last 3 years, 45% of responding Municipalities (206 municipalities, about 29% of the whole population of Municipalities with more than 15,000 inhabitants) have invested in social media. Facebook is the most popular social network they adopted (followed by Google Maps, YouTube, blogs and Twitter). Another finding is that the more Municipalities invested in informatics courses for its citizens, the more they are likely to invest in social media, in order to a) increase the interactions with their citizens; b) reach particular segment of the populations (e.g. younger citizens); c) improve the timing of external communications; d) reach citizens otherwise difficult to get and keep in touch with (for example, citizens living in other cities) and e) reduce communication costs.

Furthermore, Municipalities use social networks to provide information about cultural events, traffic and social services. In few cases, they used them to provide new services. The research highlighted as well a connection between the investments in social media and internal organizational changes, such as changing in job characteristics (increased autonomy and need for coordination) and employees need for some specialized training on communicational and soft skills.

Data also suggest that in the next 3 years Municipalities want to keep investing in social media: Facebook is expected to be again the most popular social network, while there is a growing interest in Google maps and other G.I.S. systems.

Source: *"Comuni 2.0"* - A research conducted by OPERA - the Research Unit of the Center GIUnO (Department of Communication and Economics, University of Modena and Reggio Emilia), specialized in creative industries, creativity, and social media - in cooperation with the Municipality of Reggio Emilia

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66.   Another web 2.0 tool is application software, or "apps". These apps are increasingly used by governments to reach out previously uncovered user groups or to improve accessibility to existing content through new electronic devices (e.g. specific apps for smart phones). The US federal government has developed an app store (all apps are for free) available at the government home page (usa.gov). The apps have been produced by various federal agencies. One such example is My TSA (see box below).

Box 3. My TSA Mobile Application (United States)

To provide airline passengers with 24/7 access to the most commonly requested information on their mobile device, the federal Transportations Security Administration (TSA) has developed the MyTSA mobile application. The TSA app is available for the iPhone, as well as on the web. The TSA is partly using crowd sourcing, in the sense that passengers can post the approximate amount of time it took them to get through security for other travelers to view.

MyTSA has multiple functions, including the following tools:

- **Airport Status**: Users can see what airports are experiencing general delays (not flight specific) or search for conditions at a specific airport..

- **Can I Bring?**: Users can type in an item they plan to bring on a trip to find out if it is permitted or prohibited, and whether they can pack it in carry-on or checked bags.

- **Guide**: Users can get travel tips on an array of some of the most popular topics of air travel, including traveling with children, 3-1-1 rules for liquids, gels and aerosols, special medical needs, packing tips, tips for how to dress for airport security, tips for military members, and traveling with food and gifts.

Source: The Transportation Security Administration homepage: *http://www.tsa.gov/travelers/mobile/index.shtm.*

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67. Blogs can be used to tell the public or stakeholder groups about agency activities and to give readers the opportunity to provide comments. As well as allowing blog posts and comments from the public on those posts, blogs are able to deliver a wide range of benefits for agencies thanks to additional functions (AGIMO 2010). The take up of blogs by the public sector in *Australia* is increasing following the recommendations of the Government 2.0 Taskforce and other successful examples of government blogging. Several public sector organisations are publishers of active blogs that see significant traffic and engagement from their audiences including AusTrade, the Department of Innovation, Industry, Science and Research and the Australian Bureau of Statistics (ABS).

68. *Microblogs* use short message technology that allows distribution of messages across the Internet. Microblogging tools, such as *Twitter*, are being used by some governments as a web 2.0 tool for delivering public services. In the United States, Twitter is among other things being used for storm reporting. Emergency management agencies like the *Federal Emergency Management Agency* (FEMAinFocus) or state first responders like the *Virginia Department of Emergency Management* (VDEM) are already on Twitter, sharing information during crises. The National Weather Service (NWS) is experimenting with getting information back from the online community. Government storm spotters are now searching for geolocated tweets that contain "significant" weather information. Citizens can now submit storm reports to National Weather Service using Twitter.[36]

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36. Alexander B. Howard (2010), 5 Ways Government Works Better With Social Media, published on *http://mashable.com/2010/05/10/social-media-government.*

Box 4. Walsall 24 (United Kingdom)

On the 3rd of March 2011, Walsall Council in the United Kingdom, used Twitter to show residents exactly what a local authority does over a 24-hour period. The tweets started at 6am and reported on everything from pothole repairs to adult education classes. According to the council, frontline services were not being disrupted through the initiative no money was spent on the project which was instead powered by free software and staff goodwill. The intention was to show the public was to remind people what they get for their council tax.

The council followed in the footsteps of Greater Manchester police who used Twitter to show the range of calls and work the force undertook in a typical day. That project in October 2010 saw police deal with 3205 incidents and post details of each one on Twitter.

Source: Article in The Guardian March 3, 2011: *http://www.guardian.co.uk/society/2011/mar/03/local-government-twitter-walsall-24* and Walsall Coucil homepage: *http://www.walsall.gov.uk/walsall24.htm.*

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69.   The examples presented above indicate how innovative ICT platform and applications can be used to improve access and extend the reach of public services. In exploring the potential of new channels for service delivery, countries are confronted with the choice of maintaining or reducing service channels and better tailor them to user needs. Achieving better integration of delivery channels (online and offline) can lead to improved user service experience. There is evidence that appropriate channel strategies, built on good user research, increase service uptake and channel migration, and can thus generate cost efficiencies within individual public sector departments.[37]

User-centred services

70.   One of the general current trends in public service delivery is around *service personalisation*. Personalised services is a more focused expression of *user-centric* services (cc:eGov 2007) in which the end user's interests and needs are in principle the guiding criteria for designing and delivering services rather than those of the service provider.

71.   The complexity of the problems faced in today's society requires public services to constantly adjust to user individual demands and needs. Service personalisation seek to reduce a gap between actual delivery and user expectations by providing services which are better tailored to individual user profiles[38]. Canada have implemented a comprehensive user-centred service delivery approach based on increased user access to information and services throughout the country (see table below).

Box 5. Service Canada

Service Canada is an example of a user centred-service delivery, focusing on both user centred innovation and the innovative use of digital technology. It is about improving the delivery of government services using different channels and built around the diversity of users' needs and circumstances. It helps Canadians access a wide range of the government services and benefits they need quickly and easily. It offers single window access to a wide range of Government of Canada programs and services for citizens through more than 595 points of service located across the country, call centres, and the Internet. The aim is to provide Canadians with one-stop, personalized service they can access however they choose – by telephone, Internet, or in person. In 2007/08 more than 95% of Canadians had accessed public service through Service Canada.

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37.   For example, EDS (2005).

38.   OECD (2010h), p. 42).

Partnering with citizens and civil society for innovative service delivery

72.   Governments are looking at citizen input as a source of innovation in service delivery. As observed in a recent OECD study, the engagement of individual citizens and civil society organisations as partners in the delivery of public services lead to higher user satisfaction and, potentially, cost reductions. (GOV/PGC(2011)5) While these forms of partnerships with citizens and service users (also known as coproduction) in service delivery are not new, what is new today is their potential to offer innovative solutions to current problems as they transform the relation between users and service professionals enabling more control and ownership. While these practices are still at a developmental stage in many areas of public service delivery, pilot programs have been conducted and have showed promising results in terms of increased satisfaction and value for money (in health and social protection).

73.   Example of service coproduction in the area of public order and safety shows how governments enlist individuals or groups of citizens to tackle some of the issues of community disengagement and prevent problems developing such as the partnership for community safety in New Zealand (see box 6 below).

Box 6. Porirua City Community Safety (New Zealand)

Porirua City had an endemic problem of violence and graffiti throughout the city which was solved through the work of a multi agency partnership, Safer Porirua. This collaborative approach – started in 2006 - included local agencies responsible for community safety (Porirua Healthy Safer City Trust) enlisting citizens and local organisations to improve the environment and create a safer city. The scheme is linked to an overall plan and has helped deliver significant improvements in the partnership's priority areas. Two years after the programme started, within time and budget, Porirua was designated an International Safe Community.

Safer Porirua program involves a mix of individual and collective approaches to service delivery using community knowledge and expertise to solve difficult problems. An example of this community-based approach was recruiting the 'graffiti grannies' - from a gang-family past - who formed themselves into the Waitangarua Action Group and were contracted by the Porirua Safer Community Council to paint out graffiti. They knew the young people involved and were able to get them to paint out the graffiti. Another example of community collaboration was the Streets Ahead 237 programme run by a former Mongrel Mob member who set up a programme to provide alternatives to young people so they don't have to go into a gang.

The approach undertaken was centred on a conscious decision to do things differently and empowering the community was seen as fundamental to problem solving as it increases the likelihood of achieving ongoing improvement and lasting change. It also helped build community networks and capacity. Youth self help highlights the effectiveness of trying to deal with the causes of problems as well as tackling the visible damages such as graffiti vandalism.   There has been a visible impact of the results of coproduction (international accreditation) and coproduction was embedded as a way of delivering and maintaining improvement.

This is also a relatively low cost approach to service delivery in comparison with traditional professional action on vandalism and low level crime. As the approach is substituting community for professional services, costs are likely to be less and thus resources can be directed to develop new services which cover other community needs.

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74.   As discussed previously, coproduction approaches are showing greatest potential for increasing value for money and user satisfaction in personal services such as health care. A key element of these various models of health co-production is to lessen user reliance on experts and thus reduce the costs of the service. Essentially they are models in which some of the services previously provided by professionals are now in the control of users. Users are supported and trained to become knowledgeable about particular conditions, manage their own care on a day to day basis, and reduce the amount of expert intervention required. The nature of the professional service thus starts to change to be used for more specialist or complex functions, and to back up or support the user led support. This can release resources either to reduce levels of public spending or to transfer resources to other priorities.

75.   These approaches share an emphasis on prevention which reduces the need for expensive services such as emergency hospital admissions or out-patient visits.   Some countries are using technology to reduce dependence on experts through home decision making tools and health monitoring which have the potential to reduce the costs of long term care (e.g. Tele care in the Unites States).   A number of these programmes have been piloted in collaboration with academic institutions, have started small and have then been rolled out after evaluation. They have been developed by different levels of government.

Box 7. Tele Care (United States)

Using a combination of home based technology (provided by the private sector) self management by the service user, and targeted professional support, tele care schemes have demonstrated the importance of patient input combined with innovative ICT. Essentially patients do more for themselves and this reduces the amount of professional service needed and the kind of support which is required.

A number of tele care experiences have been introduced across various states in the United States. Evaluation identified substantial productivity increases (from nurses supporting 7 patients a day to 17-20 patients per day) and reductions in costs between $3000 and $5000 per patient. These were achieved by reducing expensive emergency hospital visits by 90% and re-hospitalisations by 100%. Patients are supported by professionals as necessary but are substituting for them in doing routine monitoring and managing their conditions. Quality of life of patients is improved as the number of crises is reduced. Initial trials have been shown to be effective and   50,000 patients in the US are now using telecare as a mode to coproduce service delivery.

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76.   Participatory approaches to monitoring and evaluation of the quality of public services and community infrastructure (such as park, streets, etc) are another form of citizen coproduction. Innovative approaches are based on ICT tools enabling citizens to spot problems (such as potholes in the roads, street light out, abandoned vehicles, etc) and report them to local authorities simply locating them on a map or sending a picture. Some of them started as pilots and later were extended to other areas. This is for instance the case of the Park Scan project in the city of San Francisco (see box below).

Box 8. Parkscan: co-monitoring neighbourhood parks (United States)

ParkScan is a project of San Francisco's Neighbourhood Parks Council. It teams dedicated volunteers and user-friendly technology to help the City, the general public, and park advocates communicate more effectively. Volunteers in a number of neighbourhood parks around the City are rating the condition of their parks and are achieving measurable results. Park groups learn to use mobile technology to survey their park. Volunteer observers rate a uniform set of park conditions using handheld computers and digital cameras. Their observations and their priorities help managing agencies determine how to achieve measurable improvement in park upkeep. ParkScan is being introduced to more neighbourhood parks as part of a city wide roll out of the programme. Individual citizens can also register comments about their neighbourhood parks at the ParkScan website. The web site shows comments and before and after photos of the sites.

Parkscan is an example of combining ICT with community activity. It has mobilised community groups and individual citizens to provide services which could not be funded if the city had to pay for professionals. It can therefore be regarded as substitution. It is also additional in proving an input which the professionals can then use to manage the parks. It has begun to demonstrate measurable improvements in the parks where surveys are being done and its success is reflected in its city wide adoption. Similar to other citizen based co-production it highlights the benefits of transparency, with visual evidence of government action available to the public on the City's web site. This approach was piloted in one part and positive results at little additional cost have led to it being extended and it becoming embedded in parks management and the delivery of the ongoing service.

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77.   More advanced forms of coproduction can be found in the area of social protection. One example is self directed social services in United Kingdom. Through this scheme, users can self assess their needs using a simple system and their assessment is then cleared by a professional. They are then allocated a

budget. Service users do their own care plans and become service commissioners. Government professional have new roles and support users in making choice. As a result, users have a deep and day to day relationship with their services, making their own choices and adding in their personal, family and community resources. Risks are managed by providing professional support and developing new forms of budget monitoring. There is a significant level of change required for this programme and an on line network has been set up to share ideas, information and learning across the governments involved and more widely. Third sector organizations provide information and support for users. Evaluation of self directed service carried out so far shows very high levels of satisfaction from users. Also that 86% of the sample budget holders accessed additional support available in their community which they had not previously drawn on. Figures from the UK pilots show a cost reduction of between 10 to 15% overall compared with traditional services.

Box 9. Self directed social care services (United Kingdom)

One example of participative schemes involving government working together with users, service professionals and the third sector to improve public service delivery is presented in Leadbetter and Cottam (2007):

"Caroline Tomlinson's disabled teenage son Joe had a problem. He wanted to go to school with all the other teenagers in Wigan (UK) on the bus. But when Caroline approached the social services department to see whether that would be possible they pointed out they already had a block contract with a local taxi firm to transport Joe to school and sending him on the bus would be an additional cost they were unprepared to pay, especially as in the department's assessment Joe would need to be accompanied by two workers to make sure he came to no harm.

A few months later however Caroline and Joe enrolled in an initiative called 'In Control' run by a social enterprise for the Department of Health which helps young people with learning disabilities to take control of their own care. Everyone enrolled in 'In Control' gets their own annual budget - the cash equivalent of what they would have received in services - and help to decide how to spend it on the kind of support they need. Caroline and Joe quickly drew up a plan to get to school on the bus with the help of two fellow sixth formers who were studying for care qualifications. Joe was happy".

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78.   Other forms of coproduction are carried out in the area of supporting adults with mental illness. *The Disability Services Commission in Western Australia* has developed a support scheme to Local Area Coordinators (LACs) based in local communities. LACs operate as service coordinators rather than service providers and help the persons with disabilities and their family/carers where appropriate to plan, select and receive needed supports for services. LACs provide assistance to between 50 and 65 people with disabilities. Since 1992, all funding for people using LAC services has been individually allocated. This additive coproduction approach has been reported to achieve cost reductions of 35% per client from self directed services, compared with costs of traditional services. This programme has also identified longer term benefits as people invest in their well being which will reduce the need for expensive residential care. It also has community impacts by building inclusive communities through partnership and collaboration with individuals and families, local organisations and the broader community.

Creating partnerships with the private sector

79.   Traditionally governments have looked at the private sector as a way to increase the efficiency and flexibility in public service provision, and as a source of innovation. Experiences with market-type competitive mechanisms (e.g. such as public procurement) have however not always brought the expected results, have proved costly to implement and often failed to deliver genuine competition[39]. New forms of

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[39] Entwistle, T. and Martin, S. (2005), "From competition to collaboration in public service delivery: a new agenda for research".

commissioning, procuring and providing services have been introduced as a way to substitute traditional procurement.

80.   Since the early 2000s there has been a significant increase in the use of PPPs to deliver services that they previously delivered through traditional public procurement. The drive to use PPPs is increasingly premised on the pursuit of value for money (cf. OECD 2008). Countries such as the UK, Korea, France, Australia and Germany increasingly use PPPs. In the UK PPPs constituted approximately 12% of total annual capital expenditure in recent years. A recent OECD report argued that PPPs can offer innovative ways to manage risks and improve the efficiency in designing and procuring public services. The advantage offered by PPPs is better control of the quality of the output ex ante while shifting to the private sector the responsibility for the design and quality of the asset.

81.   Several large-scale urban infrastructure projects in a number of OECD countries have been financed using PPPs, in order to strengthen the competitiveness and growth of major cities. These projects have in many cases involved the national and subnational government, as well as private partners, and can substantially reshape the dynamics of a city. Other infrastructure projects and programmes have been recognised as having the potential to transform the social face of a community. One example of an implemented PPP is the building of schools in the United Kingdom (see boxes below).

Box 10. Building schools for the future (United Kingdom)

Building Schools for the Future (BSF) was launched in 2004 by the then Prime Minister Tony Blair. Partnerships for Schools (PfS) was set up in 2005 to deliver the programme on behalf of the government. Partnerships for Schools (PfS) was established as both a company and an executive non-departmental public body (NDPB).

The aims of BSF were to rebuild or refurbish every secondary school in England over a 15-20 years period. Local authorities would enter into public-private partnerships, known as Local Education Partnerships (LEPs) with private sector companies. Funding for BSF came from PFI and capital receipts, and was targeted at local authorities with the most deprived schools first, through a standard formula of GCSE results and free school meal uptake.

Each local authority, as a stakeholder in their LEP, would plan a co-ordinated renewal of their entire secondary schools estate through BSF, in phases of funding known as waves. Funding for ICT (managed services, hardware and software) was ring-fenced in the funding envelope for BSF.

33 LEPS had been established when the programme was cancelled in July 2010. At that point, 185 schools had received BSF investment. The established partnerships will continue to deliver their BSF projects that had been funded, with new and refurbished schools opening well into 2012.

Source: Partnerships for Schools homepage: *http://www.partnershipsforschools.org.uk/about/aboutbsf.jsp*.

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82.   Other opportunities for innovative service delivery arise from partnership with private sector organisations in managing public sector information or developing new applications that builds on the reuse of publicly available data (e.g. meteorological and geographic data). The expertise of the private sector is called in to support some activities along the value chain especially when it comes to managing complex data (e.g. analysis, processing, re-packaging). Existing models of exploitation of public sector information varies and can lead to different arrangements with public sector organisations. The possibility and extent of these partnerships also depends on the different public data access regimes that countries have applied[40].

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[40] OECD (2006), "Digital Broadband content: Public Sector information and content", paper presented at the meeting of the Working Party on the Information Economy.

83.   Another innovative approach to cooperation between public and private actors in service delivery is that of using already existing private sector networks as an alternative route for the delivery of public services. In Italy, Friendly Networks illustrates such an experience of public – private cooperation for public service delivery.

Box 11. Friendly Networks (Italy)

Friendly Networks is a public-private partnership aimed also at ensuring a wide interoperability between public and private sector, while promoting the development of ICT infrastructures.

The purpose of the 2008 "Friendly Networks" project developed in Italy is to bring the citizens closer to the public administration by taking advantage of already existing service providers such as banks, post offices, tobacconists, pharmacies and malls.

The services delivered through "Friendly Networks" do not generate additional costs for the State; rather the project engenders a reduction in public expenditure. The citizens have to pay a small fee for the service in order to cover the actual costs of the delivery for the providers.

Today Friendly Networks includes more than 104.000 brick-and-mortar outlets (sales offices and ATMs), and a large and growing number of online points of access to public services.

The citizens' life is simplified by offering them a wide variety of physical and online alternative channels to choose from in order to access public services - whether to pay any kind of fine or simply to obtain any kind of official document (i.e. passports, resident permits, birth certificate etc). In addition employees of private sector can access to public services directly from the workplace.

The project has also the potential for reducing digital divide by making accessible a technology that for some may be either inaccessible or unknown.

Source:http://www.innovazionepa.gov.it/lazione-del-ministro/servizi-per-il-cittadino/reti-amiche/presentazione.aspx

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Moving to better served clients

84.   Some approaches to innovation in service delivery focus on getting the service closer to the user by improving access conditions. While some of these instruments and practices (e.g. multi-service centres) existed for some time and are not considered as particularly innovative in some countries, their use have spread to different areas and sectors as part of strategies to increase access and quality of public services, especially at local level.

Physical multi-service centres

85.   Putting multiple services in the same physical location or co-locating (physical one stop-shops) is one approach to co-ordination in government. Though perhaps not innovative as such, it is arguably an increasingly common delivery mechanism, and a user centred approach. One case in point is *The Finnish Citizen Service Offices* which allows for the provision of services (whether public, private, non-for profit or mixed from a single outlet. The objective is to offer citizens a single outlet for services that are suitable for joint management, i.e. municipal district court, tax and work administration, National Pension Institute and other regional and local authorities' services. The services provided include reception and handing out public documents and information, advice concerning the institution of proceedings and processing of matters, and support in the use of electronic services. The aim is to ensure, by means of joint, customer-

oriented services and efficient utilisation of information technology, a sufficient and high-quality service network, increase the productivity of the local service network and reduce the cost of provision[41].

Box 12. Rural Transaction Centres - Australia

The Rural Transaction Centres (RTC) Programme in Australia helps small rural communities establish locally run and self-funding centres that either introduce new services or bring back services that were no longer available. Since its introduction in 1999, over 200 RTCs have been approved for assistance under the programme. Because a RTC programme field consultant assists in the initial community consultation and feasibility study, the programme considers well in advance community needs and adapts accordingly. Thus RTCs do not compete with other planned services, and usually include: financial services, postal and telecommunications access, federal state and local government services, insurance and taxation, printing and secretarial capacity. These centres employ from one part-time employee to four full-time staff. Funding from the central government covers the capital costs of establishing a RTC and subsidises the operating costs during the early operation stage, if necessary. The RTCs have been integrated into the Australian Government's new streamlined Regional Partnerships programme

Source: OECD (2010a), p. 40.

Bringing services to users

86.   Another alternative delivery mechanism, and a citizen centred solution, is bringing services to users. For instance bookmobiles bring library services to communities that are too small to have a physical library and there are mobile dental clinics that can provide services in places that do not have a resident dentist. Where the demand for services is widely dispersed it may be more efficient to reorganise how the service is provided and bring the service to the user.

87.   In **Canada**, the *Western Economic Diversification (WD)* supports skills in a manner that combines strengthening and growing the economy with industry involvement. This scheme provides training that fills specific gaps in the rural economy and encourages the involvement of underrepresented rural residents. To overcome the proximity issue WD worked with provincial partners to secure two trailers which act as mobile labs and deliver on-the-spot training as needed (e.g. auto service technical, carpentry, electrical, machining, pipefitting, plumbing, welding). An estimated 100 students are reached per year. It also supports an Entrepreneurship Learning Centre in Alberta, a video conferencing network that provides business information and interactive training opportunities. Since this aspect was introduced in 2004, over 14 000 small business owners and entrepreneurs have been served.

88.   In **Portugal**, the *"Net on Wheels"* project uses vans equipped with notebook computers to provide access to the internet, opportunities for professional training and improved access to electronic public services to remote and sparsely populated areas. Net on Wheels is an innovative community project that serves five municipalities of the region of Entre Douro e Vouga in Portugal. It involves several partners, such as businesses, social and cultural institutions, education institutions at different levels, and the regional and national governments. It is financed by the Programa Operacional Sociedade do Conhecimento (POS-Conhecimento), whose funds come from the State budget and the European Union. Through two energetically autonomous adapted vans, they provide users with 15 PC notebooks connected to the net trough mobile or satellite connections. Net on Wheels reaches out to internet services and exposes non-traditional users and areas to ICTs and the net. They have also provided training in Basic ICT skills to less traditional users, improving population employability. To date, they have reached over 26 954

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41.   OECD (2010a), p. 40.

users, provided over 860 basic ICT skills diplomas, attended 1 176 events, visited 312 institutions and had over 225 participants in their digital workshops and taught over 267 courses[42].

89.   Another example of innovative schemes to bring the service closer to the user is telemedicine in **Germany**. *The AGnES Community Medicine Nurses Programme* in Germany provides support to General Practitioners (GPs) in rural regions. The programme aims at reducing the time GPs spend commuting for home visits for routine procedures and provide a more personalized service. Through an electronic devise (tablet-PC) Community Medicine Nurses (CM-nurses) can send the patients' health information in real time to the GP and, when necessary, have a video conference. Other appliances are being explored for tele-monitoring the condition of patients, such as distance blood pressure meter and digital scales operated by Bluetooth technology. CM-Nurses operate always under the supervision of a GP. The training modules for the programme range from learning operational procedures of GP practice, treatment of chronic diseases, and use of e-health equipment. Thus far 5 239 home visits were conducted with 1 050 patients, and 40 general practitioners and 30 nurses have participated in the project. More importantly, the initiative is appreciated by the physicians and the patients (approximately 90% of the patients accepted the nurse care) and it has fostered dialog among German health care institutions[43].

90.   In **Italy**, INPS - the National Institute for Social Security - launched in 2009 the initiative "Sportello mobile per disabili e anziani" ("Mobile counter for elderly and people with disabilities") which provides easier access to services for particularly disadvantaged people. Users can contact the Institute – by email, phone or contact centre – and they will be offered a customized service and support, even directly at their home. The initiative has proved successful in providing additional and coordinated efforts to meet the demands and the needs of people with disabilities and the elderly, from hospitals, nursing homes and prisons, and in recognising, at the same time, the value of human capital within the public administration, through the inclusion of INPS' employees with disabilities at the mobile counter service. 91. The examples presented above indicate that there is no single approach to innovation in public service delivery. The choice of the solution depends on various external as well as internal factors including the country's own system for service delivery (e.g. rules and regulations, financial frameworks, organizational settings) and the extent of involvement of external actors in the delivery process. Different approaches have also been combined to achieve the same or better impact (e.g. the use of ICT in coproduction approaches with service users). While examples of innovations in public services can be identified in a number of public service categories, there is still limited evidence on the extent to which innovation occurs in the public sector. The next section will discuss the work being undertaken by countries to measure innovation in the public sector and challenges encountered in moving forward in this area.

The challenges of measuring public sector innovation and its diffusion

92.   While there is a growing evidence of approaches to public sector innovation, there is still limited evidence on the extent to which the public sector innovates and measurement tools are still under development. Recent discussions within the community of OECD countries pointed to the difficulties in defining the focus of measurement (public *sector* or public *services?*) and its scope (all of the public sector or some sectors only?). Important issues are also related to what needs to be measured, how data can be obtained and what indicators need to be developed (e.g. general indicators across the public sector or for each sector individually?).[44]

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42.   OECD (2010a)

43.   OECD (2010a)

44.   OECD Nesti (2010)

93.   A number of individual surveys on innovation in public sector organisation have been conducted in recent years at country level. The abovementioned 2010 EU Innobarometer is one such example. Another one is NESTA's Public Sector Innovation Index in the UK. The Nordic MEPIN study, reported the results of its pilot study on public innovation in February 2011. The study focus is on mapping actual implemented innovation through a survey of public sector institutions at both the central and sub-national level in the Nordic countries. The questionnaire for example asked whether organisations had recently introduced any new or significantly improved services, or new ways of producing services; it also asked about the number of people involved in innovation activities, the total amount of expenditure for innovation activities, if and how the impact of innovations is measured etc[45]. The Korean government has developed a Government Innovation Index (GII). The GII, which is a web-based tool, was developed in 2005 and by applying the index, public organisations can ascertain their levels of innovation, recognize their weak areas and then develop action plans to fortify their innovation capacitites.

94.   Internationally agreed concepts and comparable metrics for studying innovation in the public sector do not yet exist. A framework for the measurement of public sector innovation on the example of that one used for business innovation (the Oslo Manual, OECD and Eurostat, 2005) would provide a basis for meaningful comparisons and benchmarking[46]. As discussed in OECD Nesti (2010) potential measures of public sector innovation can include several areas, outlined below.

95.   **Activities and investment**: As pointed out in the next chapter (Making Innovation Happen), one of the most widely cited obstacles to innovation is inadequate resources, particularly lack of funding. Innovation spending data can provide an important quantitative measure of the resources and efforts that organisations are committing to innovation. Quantitative measures of innovation spending are however very difficult for many organisations to calculate. The UK National Audit Office has recently attempted to survey innovation spending in 27 government departments, agencies and non-departmental public bodies in the United Kingdom. One of the difficulties for the responding organisations to estimate innovation spending is that it is often not identified as such, but occurs as part of large business transformation programmes or initiatives to improve efficiency and effectiveness of service delivery[47].

96.   The OECD Innovation Strategy (2010) highlighted the importance of **publically funded R&D** as one of the key foundations of future innovation (though not focusing on innovation in public services). In 2008 OECD central governments invested 1% to 6% of their total budget in R&D activities (GaaG 2011). Although in most countries, the private sector is the largest performer of R&D, governments themselves are also important R&D performers, as shown in the graph below (in some countries, higher education institution are public and could thus be included). Not all R&D investments generate innovations, let alone innovations in public services, but innovations are always preceded by development and at times even by research, in other words R&D[48].
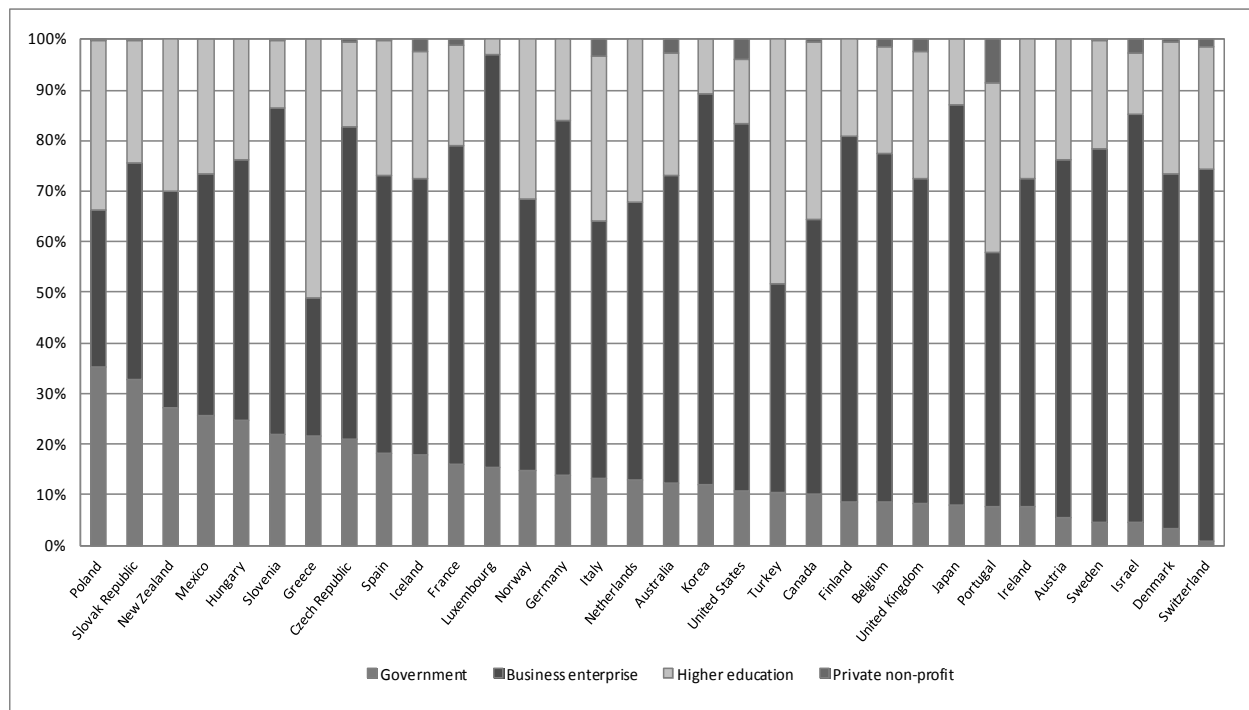
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45.   Bugge, Mortensen and Bloch (2011)

46.   OECD (2010d) p. 207).

47.   The National Audit Office (2009), p. 5).

48.   Vinnova (2007)

Figure 7. Share of total gross domestic expenditure on R&D by sector of performance (2008)

Source: Government at a Glance 2011 (forthcoming).

97.   **Human resources and skills**: Skill level (possibly operationalised as education levels) and the share of staff that are actively involved in innovation activities have been suggested as potential Human Resource measures. Skills enhancement and reward systems for individuals can also provide valuable indicators on overall skills for innovation and the innovative capabilities of the staff.

98.   **E-Government and ICT-based innovation**: Measurements of ICT-based innovation can both include the use and implementation of new ICT solutions and also the role of ICT as an enabler of other forms of innovation. In addition, the types and numbers of online services that are available to users provide a measure of ICT-sophistication for individual organisations.

99.   **Organising innovation processes**: There are a number of areas that might be relevant here for measurement, for example: methods and practices used to organise and manage innovation; incentive structures, both for the individual and the organisation as a whole; and the role of drivers, particularly from policy or administrative organisations.

100.   Measuring **information, collaboration and other linkages** would comprise innovation collaborations, the role of information sources for innovation activities and whether innovations have been developed in-house or with the involvement of others. In addition, there are a number of specific areas that may be of particular importance for the public sector. Among these are: the role of users in the innovation process for public sector organisations , innovative procurement; specific forms of interaction such as public-private partnerships or outsourcing of service provision; and learning and dissemination activities

101.   **Goals and results**: measuring outputs (goods and services delivered by public service organisations) and outcomes (broader end-outcomes) public services is a difficult task for a number of

reasons, not least that output measures are very sector specific. The OECD Nesti report[49] concludes that given the absence of a general measure of output in the public sector, measuring must rely on quality, quantity and other performance indicators for individual sectors.

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49.   OECD Nesti (2010).

CHAPTER 4: MAKING INNOVATION HAPPEN:
OPPORTUNITIES AND CHALLENGES FOR THE PUBLIC SECTOR

102.   This chapter discusses the opportunities and challenges of introducing and facilitating the diffusion of innovation in the public sector. Drawing on research, it will consider the political and economic incentives that are necessary for innovation to happen, as well as the potential enablers and barriers to innovation that need to be taken into account. The goal is to offer policy-makers with a strategic framework on how to overcome barriers and promote innovative solutions in public service delivery.

The need for political and economic incentives

Political incentives to innovate

103.   As innovation happens within a determined political cycle, its success is dependent on high level steering and support from politically-appointed decision-makers. Leading innovation in public services can be rewarded by a sign of distinction in competitive electoral politics as political support and votes are gained through being seen to perform better than opposing political actors. Hence, the need of evidence on the results and impacts of innovations becomes fundamental to drive change.

104.   Articulating a vision for innovation and ensuring buy in at all levels of government can also project political leaders at the heart of change and reform, and allow them to benefit from additional resources. Innovation portfolio can also lead to increased visibility within a government coalition and correspond to greater responsibility for coordinating efforts across sectors. Developing a vision is however not enough to ensure that this is implemented across departments and leaders play a fundamental role in negotiating incentives for other actors and lower resistances to change from across departments and levels of government.

Box 13. Public sector innovation in Korea

Korea has set out a strategic approach to innovation and established a dedicated agency and is using technology to innovate to transform service delivery. Korea's commitment to innovation has customer orientation and partnership with citizens at its centre. Their innovation approach comprises among other things the following elements:

- President's leadership and passion

- Emphasis on People and culture

- Continuous and systematic change management

- Participatory innovation-citizen's network

- Utilisation of e-government

- Field and case oriented learning

- Developing manuals for sustainable innovation – to disseminate, systematise and institutionalise innovation

- Sharing innovation experiences world wide

Korea is an example of a nationally led and orchestrated approach which uses a range of different tools to foster innovation. Korea's Foundation for Innovation (a public service innovation organisation set up to help the Korean government innovate across all its services) brings capacity to support all aspects of the administration including public service evaluation, personnel organisation, finance and information management.

Budgetary conditions and financial incentives to innovate

105.   Offering rewards to innovative public sector organisations can be conducive to innovation. Rewards can be financial or recognition-based (*e.g.* awards recognising innovative organisations). Over the past two decades, the majority of OECD member countries have implemented reforms to modernize their public administrations with the aim of increasing efficiency and quality in service delivery. A cornerstone of these reforms has been the implementation of performance oriented management of public sector organisations. Performance budgeting, for instance rewarding innovative programmes can help put innovation policy goals and their costs in the perspective of other policy goals of government. However, performance budgeting can have many unintended consequences. For example, connecting performance to monetary incentives could lead to gaming, which entails the manipulation of the output information that is reported (e.g. cheating in the reporting process to show better than actual results). In addition, solely focusing on performance measurement can unintentionally set a minimum standard, rather than incentivizing improved performance. Performance budgeting systems that reward innovative programmes could also promote "risky" behaviour over programmes that work but are not considered innovative. The index below examines the degree to which OECD member countries have put a performance budgeting system in place. Index comprised between 0 (no performance budgeting) and 1 (high performance budgeting level). However, the index does not measure how successfully these systems operate in practice.

Figure 8. Use of performance budgeting system at the central level of government (2007)
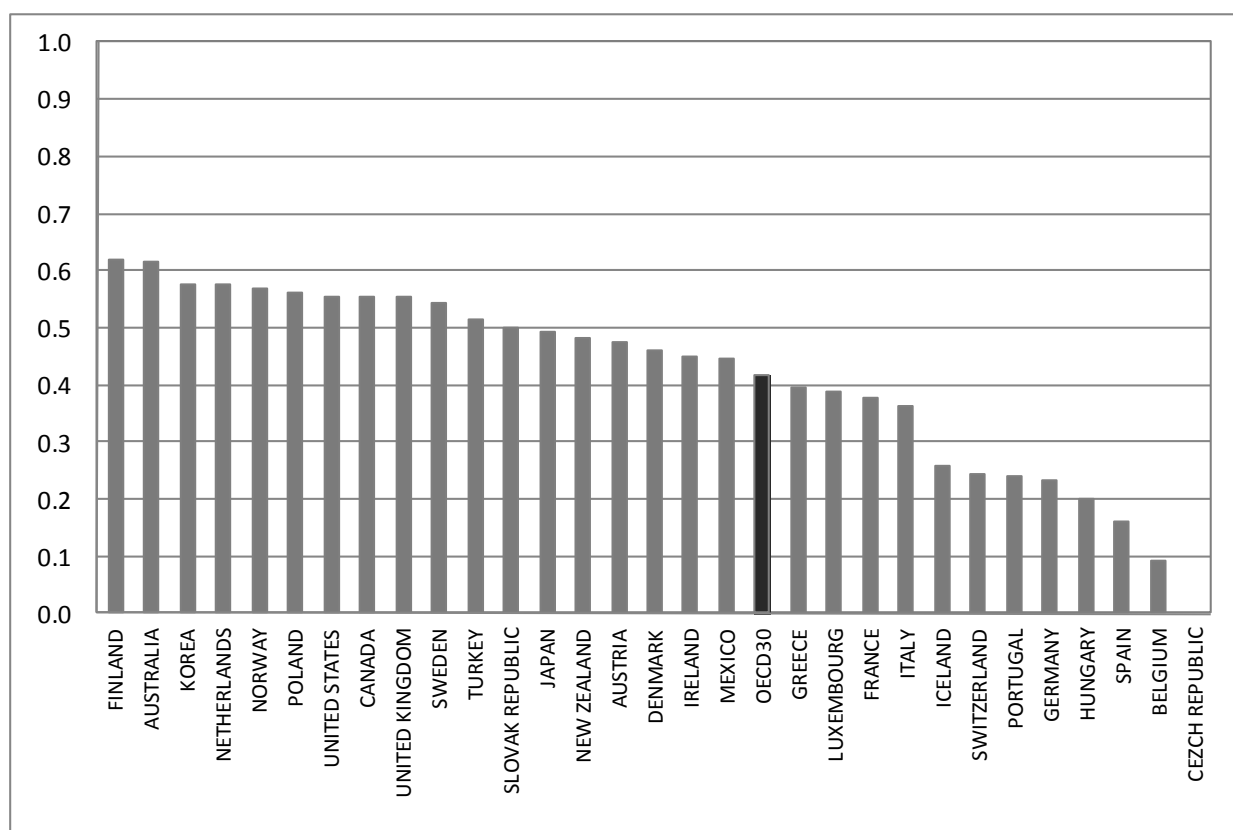
Source: Government at Glance 2009.

106.   Short term budget horizons are often regarded as barriers to innovation. **Multi- year budgeting** can help develop a long term vision on innovation and secure the necessary funding. According to

Government at a Glance 2009, nearly all OECD countries have adopted tools to incorporate a long-and medium term budget perspective[50] in their decision-making processes[51].

107.   Furthermore, **the allocation of financial resources to innovative activities** can obviously have an impact. In most surveys inquiring what the enablers and barriers to innovation are, the most widely cited obstacle cited by the respondents is inadequate resources (*e.g.* the MEPIN survey). Earmarked innovation funding – for research, trials, training and evaluation etc - is widely regarded as one important means of achieving innovation.

Dedicated innovation funding (United Kingdom)

In recent years, central government in the United Kingdom has launched several dedicated innovation funds. Funding has been made available for investment in innovation to meet a number of significant challenges. The following examples dates from 2008.

£600 million in the Transport Innovation Fund which supports innovative proposals to improve transport in local areas;

£164 million for the City Challenge fund for education, delivering innovative approaches to school improvement in challenging urban areas;

£150 million in additional Continual Professional Development, so every teacher is supported with training in the most innovative and effective professional practice;

£1.2 billion for the National Police Improvement Agency, which supports innovation and improvement across police forces;

£27 million for the Social Enterprise Fund, to support the development of social enterprise to transform health and social care services;

£518 million of Social Care Reform grants for Local Authorities to redesign and reshape their systems to deliver world class social care; and£100 million in partnership with the Wellcome Trust which will promote innovation throughout the health sector.

Source: National Audit Office (2009).

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108.   **Incentives for individuals** are also needed to support innovation within individual organisations. A potential enabler of innovation is staff performance management, provided that incentives to innovate are incorporated in performance assessments. However, incentives does not only mean pay adjustments or bonuses. In fact, an OECD study has shown that performance-related pay initiatives appear to have a relatively low impact on staff motivation.[52] The most important reward is instead recognizing employees for their performance, possibly by offering career possibilities and promotions, but also by merely acknowledging their contributions to innovation. When used properly, performance assessment allows the recognition of individual and collective efforts in an objective and transparent manner. The recognition can be supported by a broad range of more formal rewards, such as performance related pay increases, bonuses and time off.[53] Performance management systems should also link the management of people to the institutional goals and strategies. Such practices function to clarify organizational goals for staff so that they gain a better understanding of their role within the organization and therefore how to best implement change/innovations (Government at a Glance 2011, forthcoming). However, there is an inherent risk, at both the individual and at the organisational level, in connecting performance to monetary or career incentives. It can lead to manipulation of the output information that is reported, e.g. "teaching to the test"

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50.   OECD (2009), p. 37.

51.   *Ibid*.

52 .   OECD (2005c)

53 .   OECD (2007)

where staff focus only on those outputs that are measured[54]. Performance assessment is also inherently difficult in the public sector, owing to the complex set of goals and restrictions, and to the lack of suitable quantitative indicators.[55] As expressed in an innovation study published by NESTA, good performance management can help to encourage innovation and its dissemination, but it can also be its curse.[56]

Figure 9.   Extent of the use of performance-related pay in central government (2010)
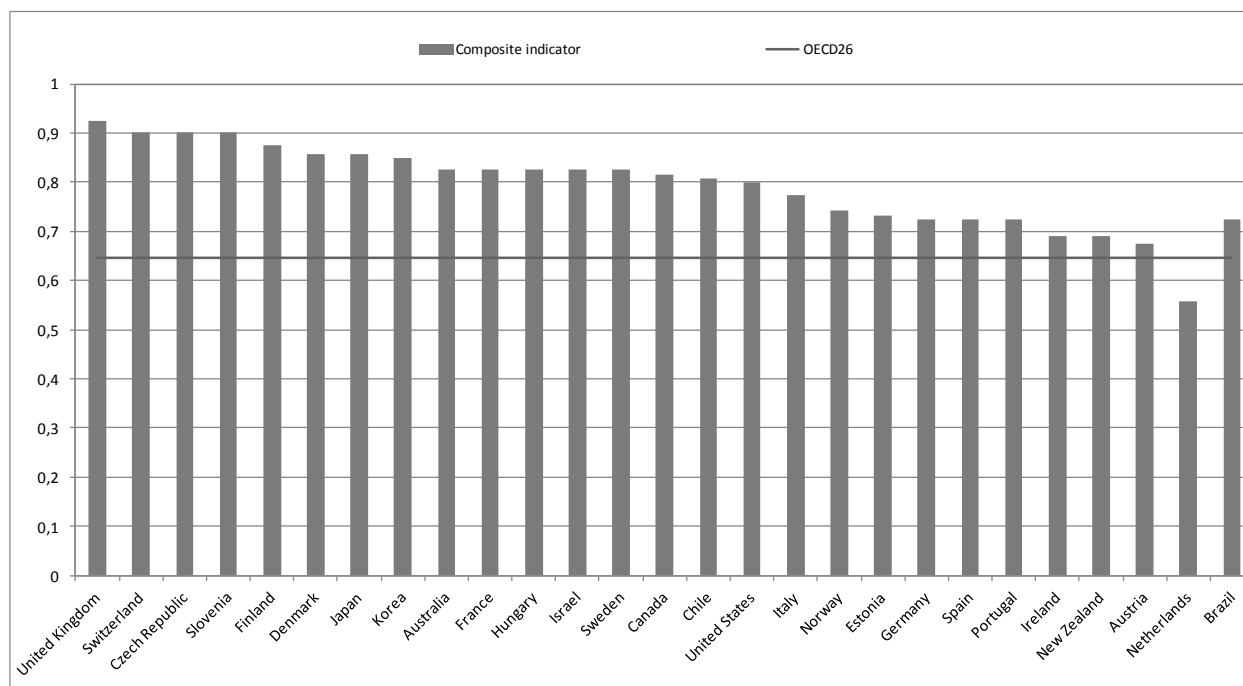
Enablers of innovation

109.   Some of the public management tools that can enable innovation are discussed below. These range from developing whole-of-government innovation strategies to creating dedicated organisations promoting innovation across government.

Capacity for strategic leadership and foresight

110.   **Innovation strategies**, with a focus on promoting innovation, are a way of governments providing clear leadership and priorities for innovation. They enable planning and resourcing of activity and can bring different levels of government together with other sectors. Strategies are a means of developing a comprehensive and unified vision and define precise objectives and targets. Within the scope of e-government for instance, it is clear that in many countries, strong central leadership consisting of an overall vision, strategies, roadmaps etc. can be important for ensuring success[57]. Some countries have

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54.   OECD (2009a), p. 41).

55 .   OECD (2007), p. 5.

56 .   Mulgan, Geoff (2007)

57.   OECD (2010h). p. 35).

developed their innovation strategies from focusing on the private sector to include public sector services. Others are developing dedicated public service innovation strategies (e.g. Australia).

111.   Innovation strategies can also be adopted within the individual public sector organisation. This involves **setting clear and specific targets for innovation**, as well as regularly evaluating these goals. According to a recently performed pilot survey, measuring innovation in more than 150 public sector organisations in the UK, results suggested that organisations with innovation strategies consistently have higher innovation indices than those without. For those organisations with innovation strategies, capability indicators (such as leadership and culture, management of innovation and organisational enablers of innovation) in particular are all higher. [58]

112.   Further, **support from top managers** is widely regarded as a crucial enabler for supporting an innovative culture within public sector organisations[59]. Specifically, support can take the form of developing organisational priorities to guide innovation, recognition for innovators and granting the latitude for experimentation and trial and error testing of new ideas to take place[60]. It is important that leaders have a good understanding of and communicate what innovation means in relation to the organisation's objectives and what they expect staff to do.[61] Without licence from the top, few people in hierarchical organisations will be willing to take risks. **Middle management and project leader support** has also been recognised as an important enabler. One of the few quantitative studies of public innovation that has been implemented suggests that most public innovations are initiated by middle management or front line staff.[62]

Box 14. Examples of dedicated strategies to support innovation

Finland has a long history of a strategic approach to innovation, focusing on the private sector and on new technology, to build economic capacity and growth. In 2008 It has developed a new national innovation strategy which moves beyond existing technological models of innovation and gives greater importance to the role of the public sector itself as an innovator. The strategy has identified the need to enhance the innovation capacity of the public sector and to incentivise significant change and promote risk taking.

In *Australia*, *Empowering Change: Fostering Innovation in the Australian Public Service* is the key strategy for Innovation published in 2010. The report looks at the 'state of play' for innovation in Australia and identifies barriers that public servants face when innovating. It looks at the sources of innovation and those actors who can help design, implement and deliver change. It outlines what agencies, team, and individuals can do to foster innovation. The report makes twelve recommendations around the following five themes: strategy and culture; leadership; systemic/structural issues; resourcing and managing innovation in the Australian Public Service; and recognition, sharing and learning.More broadly, *The Australian Innovation System Report 2010* reports on the performance of Australia's national innovation system and builds on the commitment by the Australian Government in *Powering Ideas: An Innovation Agenda for the 21st Century* to produce an annual report on innovation.

Source: Country responses to questionnaire on innovative and open government, presented at the Ministerial meeting of the OECD Public Governance Committee, 15 November 2010

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58 .   Hughes, Moore and Nimesh (2011)

59.   Borins (2001).

60.   IDeA (2005).

61.   National Audit Office (2009), p. 7.

62 .   Borins (2001)

Dedicated institutions and champions of innovation

113.   Recognising that in the context of day to day delivery pressures it can be difficult for practitioners to find space for thinking ahead and experimenting, some governments have set up or sponsored organisations with dedicated capacity to support and deliver innovation, learn from it and spread innovative practices across government. Furthermore, within many individual public sector organisations, dedicated innovation units have been created. Some reports stress the importance of institutionalising innovation by creating dedicated teams, networks and units with a specialised role to organise and advance innovation.[63] However, according to other reports, separate innovation units are not conducive to greater innovation and change.[64] In fact, comparative research more commonly points to the importance of **innovation champions** or entrepreneurs (individuals with sufficient vision and determination to push the innovation process) as drivers of innovation within individual organisations.[65]

Box 15. Dedicated public sector innovation organisations

   In **Denmark**, *Mindlab* is a development organisation funded by the Danish government, which includes both citizens and enterprises in developing innovative solutions for public administration. It is cross disciplinary, drawing on design, anthropology, sociology and political science. Other examples of dedicated innovation organisations can be collected from the **United Kingdom** where there are now a number of agencies, partly funded by Government, who are providing support on public sector innovation. One such body is *The Innovation Unit*, that works as an innovation intermediary in public services. It is devoted to stimulating, incubating and accelerating innovation to achieve transformed services with better outcomes for citizens. As it originated as a unit within the UK Education ministry, it had a predominantly education focus. It has since become an independent, not for profit company and now has a broader public service innovation role.

Source: Country responses to questionnaire on innovative and open government, presented at the Ministerial meeting of the OECD Public Governance Committee, 15 November 2010.

Whole-of-government approach supporting innovation

114.   A **whole-of-government approach** – in order to overcome fragmentation and "silos"- can be also a factor central to innovation. As pointed out in several OECD reports[66], innovation can be brought forward through enhanced co-ordination - both vertically across levels of government and horizontally across ministries. A whole-of-government approach enables top-down and bottom-up dissemination of innovative ideas – not least from frontline staff – and may also promote seamless service provision. As pointed out in an innovation report published by the UK organisation NESTA, a high proportion of innovations in the public sector, like one-stop-shops or new ways of organising data, cross organisational boundaries. However, since money and power are often organised in silos, cross-cutting innovations may be less likely to win support.[67]

115.   Within the individual public sector organisation, **cross-disciplinary teamwork** may be conducive to innovation, bringing together different perspectives. Collaborative approaches to problem solving can support innovative thinking Experience also suggests that innovation teams generally work best with a mix of skills, experience and contacts and should be organised across organisational

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63 .   Mulgan (2007)

64.   IDeA, p. 22.

65.   IDeA (2005), p. 22 and Koch and Hauknes (2005), p. 54.

66.   E.g. OECD (2008a)

67 .   Mulgan (2007)

boundaries.[68] As highlighted in a recent OECD report on E-Government strategies, much work undertaken by civil servants is increasingly being organised on a project basis (i.e. individuals or teams are commissioned with a specific task), which requires new skills on self-management, resource use etc.[69].

Box 16. Examples of co-ordination in government initiatives

Inter-governmental co-ordination among the different levels of the administration is considered essential to ensure that the improved quality and efficiency of public services is extended to all levels of government. In *Italy*, co-operation agreements have been signed by the Department of Public Administration (DPA) with other ministries and with local administrations (regions, provinces and municipalities) within the e gov 2012 Plan that aims at improving services, making them more effective and less expensive through the use of e-government.

The federal government in *Canada* and several provinces have introduced integrated service delivery organizations, owing partly to the fact that provinces have responsibility in many service delivery areas, which has also encouraged pilot initiatives in provincial settings. There has also been success in working across jurisdictional boundaries in Canada, merging services from several levels of government.

Source: Country responses to questionnaire on innovative and open government, presented at the Ministerial meeting of the OECD Public Governance Committee, 15 November 2010.

Human resource management

116. **Flexibility in HR management, staff flexibility and competence development** are important HRM aspects of innovation. One of the conclusions drawn in the OECD report *Restructuring the government workforce*[70] is that member countries will need to make their workforces more competent (including ICT skills), flexible and adaptable in order to have a more competitive, innovative and inclusive public sector. Further, in order to promote innovative thinking in public sector organisations, it has been argued that **the principle of merit should prevail**.[71] This principle can be applied as well in position based as in career-based systems. The type of recruitment systems used in the OECD countries is displayed in the figure below.

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68 .   Mulgan (2007)

69.   OECD (201h), p. 31

70.   OECD (2010b), p.8.

71.   OECD (2010c) p.11.

Figure 10.   Figure Type of recruitment system used in central government (2005)
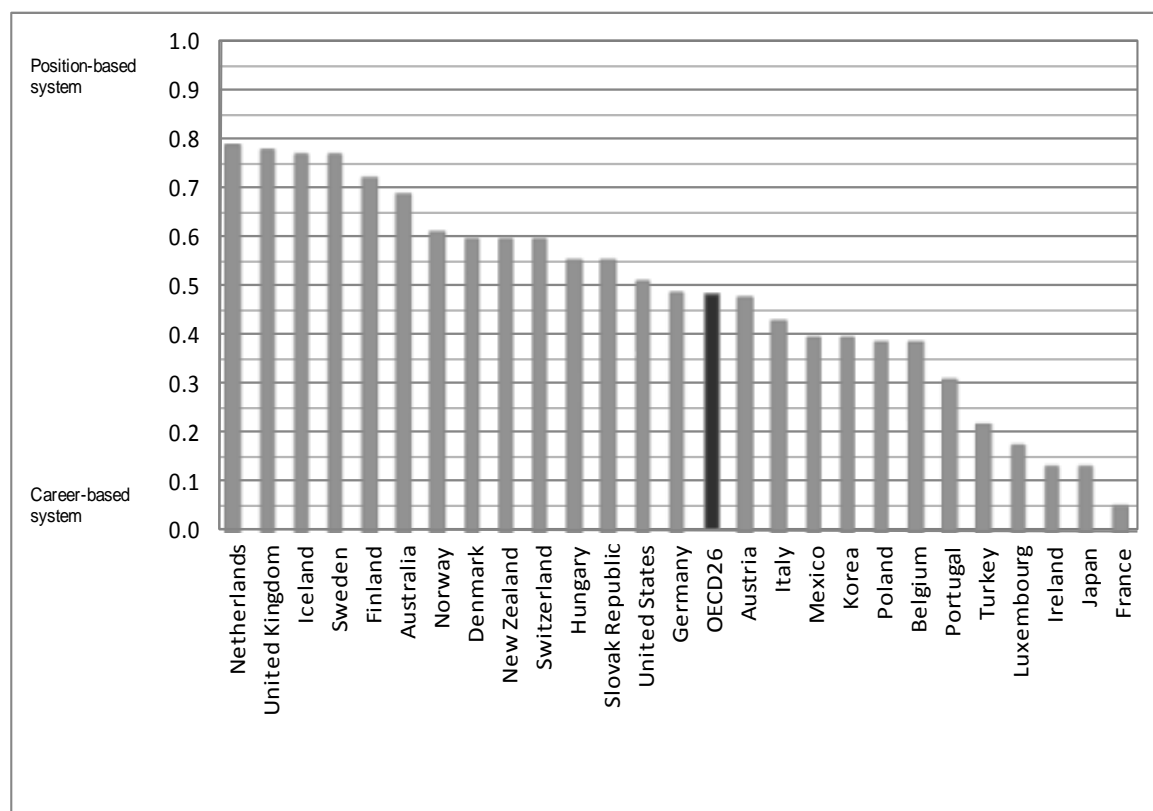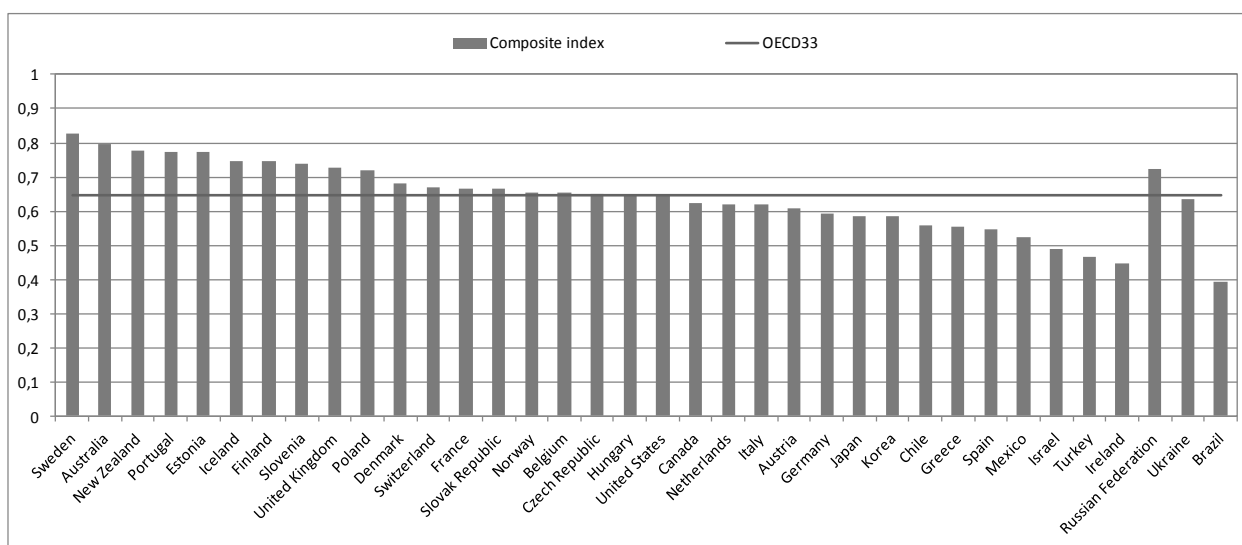

Source: Government at a Glance 2009.

117.   Delegation in HR Management is another potential innovation enabler. Many OECD countries are moving towards a model of human resources management (HRM) whereby major HRM decisions-such as employee selection, recruitment, remuneration, working conditions and dismissal - are delegated from a centralised HRM body to line ministries/departments/agencies. The graph below shows the extent of delegation of HRM to line ministries in central government in OECD countries. Data refer to 2010 and were collected through the 2010 OECD Strategic Human Resources Management in Government Survey. The index ranges from 0 (no delegation) to 1 (high level of delegation).The level of delegation does not indicate how well public service staff members are managed. However, it does indicate the level of flexibility that departments have in adjusting their HR policies to the specificities of the organisation, the job or the individual, which potentially could have a positive impact on the ability to innovate. There is a strong link between on the one hand performance management and on the other hand managerial development and the delegation of human resource management functions, including pay setting. Success in staff performance management systems partly depends on operational managers having sufficient competence and being empowered to manage their staff in appropriate ways.[72]

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72 .   OECD (2007), p. 4.

Figure 11.   Extent of delegation of human resource management practises to line-ministries in central government (2010)

118.   **Strategic workforce planning** can be a critical factor contributing to generating innovation in public sector organisations. Addressing issues such as staff numbers, competencies and skills management, ensuring diversity can impact on the capacity of an organisation to innovate. As highlighted in the OECD report *Fostering diversity in the public service* a diverse composition of the workforce may provide a wider array of competencies and skills that may lead to innovation and adaptation to an environment in constant change [73].

Cutting red-tape inside government to facilitate innovation

119.   **New laws or regulations** may be a strong driving force for innovation itself (e.g. the EU Public Service Directive makes it mandatory for all EU member states to establish a single point of contact for servicing business. New laws and regulation may also be enacted to create an enabling framework for innovation. For instance, there are many good examples where a legal or regulatory change has been necessary in order to enable e-government success[74]. Regulation should be innovation friendly, requiring regulatory impact analysis that takes innovation into account.

120.   However, in many cases, the excess of existing rules may also hinder innovation, in the public and private sectors alike. **Administrative simplification** can provide public sector organisations with more time and leeway to innovate. It is also the case that e-government services often require governments to standardise internal processes and data in order to integrate back-office functions across the public sector. However, some countries have legal or regulatory constraints that prevent them from sharing data for service integration, thus potentially hampering the development of innovative services.

121.   In many countries initiatives have been launched to reduce administrative burdens for citizens and businesses. There are also initiatives that more explicitly aim at **reducing administrative burdens for public administrations**, a measure which obviously can enhance the scope for innovation activities. Regulation Inside Government (RIG) is the label for the regulation issued by one government authority to

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73.   OECD (2009b), p.7.

74.   OECD (2010h), p. 35.

control the activities of another, be it central government agencies or local government service providers. RIG is necessary to control the discretion of public servants, set basic standards, and prevent corruption. But, when the stock of RIG is so vast, that norms overlap and even contradict each other, it may lead to confusion and lack of action by public servants. As argued in an OECD report on regulation inside government, complying with regulation can be overly burdensome for public sector organisations and excessive regulation might inhibit creativity, stifle the procedure of work when flexibility is needed and can lead to a loss of net welfare.[75]

Box 17. Less red tape for better public sector innovation

Several countries have already started to address the issues of red tape associated with internal regulation. In *Canada*, there have been several initiatives to review regulations, but two of the most important are the "Policy Suite Renewal" and the "Web of Rules Initiative". The "Web of Rules Initiative", launched in 2007 continues to build on progress in sustaining central agency and departmental efforts to simplify and streamline internal rules and processes. The objective of this initiative is to improve the efficiency and effectiveness of government programmes by establishing a principles-based, risk-sensitive, results-focused management regime to better serve Canadians. Attaining this objective requires the elimination of unnecessary and ineffective rules, reporting requirements, and administrative processes within the government that stifle innovation and impair the ability of the public service to deliver.

Another example is the *Danish Government*, which in 2008 decided to initiate an ambitious programme on better regulation inside government, as part of *Kvalitetsreformen ("The Quality Reform")*. The main goal of the programme on better regulation inside government is to create a more effective public sector by reducing the amount of time spent on paperwork and administration, and by granting local management more autonomy and scope for professional discretion. The first result of the programme was a comprehensive reform proposal presented to the Danish Parliament in October 2009. The reform consists of 105 specific proposals concerning eight central welfare areas in municipalities and regions, i.e., public schools, nursing homes, day care centres, and hospitals. It is estimated that the reform will remove regulatory requirements equivalent to €120 million in municipalities and regions. A reform proposal for the internal workings of central government institutions will be prepared by the Ministry of Finance. This proposal will focus on budgetary and financial management, human resources, and property administration.

Source: OECD 2011b. Country initiatives in Canada and Denmark. (See also   Denmark's Ministry of Finance, http://uk.fm.dk)

Open and inclusive policy making

122.   The OECD has identified ten guiding principles for **open and inclusive policy making** in which OECD countries recognise that open and inclusive policy making increases government accountability, broadens citizens' influence on decisions and builds civic capacity. At the same time, open and inclusive policy making improves the evidence base for policy making, reduces implementation costs and taps wider networks for innovation in policy making and service delivery. The Guiding Principles help governments to improve their open and inclusive policy making as a means to improving their policy performance and service delivery[76].

123.   **Partnering** is a key enabler of innovation, reflecting the changing roles of governments and the need for collaboration to meet complex challenges which cannot be dealt with by a single agency or approach. Open and inclusive policy making offers a way for governments to improve their policy performance by working with citizens, civil society organisations (CSOs), businesses and other stakeholders to deliver concrete improvements and innovations in policy outcomes and the quality of public services. The use of the private, voluntary sector and/or citizens and users entails a) opening up the public sector to private sector competition, b) developing partnerships that involve private sector delivery of public services and c) involving citizens, users and voluntary sector organisations in all stages of the

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75.   OECD (2008d)

76.   OECD (2008c)

public service delivery process; d) prioritising the services improvements improvement starting from the point of view of the users.

124.   A starting point for empowerment of communities, citizens and users and better tailored polices is identifying user needs and preferences. **Careful attention to user requirements at an early stage** can also facilitate the acceptance and diffusion of innovation.[77] It is important to ensure that the views of end-users are taken into account when developing and implementing an innovation. Such involvement in the design, development and validation of prototypes contributes to the early identification and remedy of faults.[78]

E-government and ICT

125.   While e-government represents a vehicle for improved performance and service delivery, this can also be seen as just the most recent step in a more evolutionary process of public sector reforms[79]. E-government is not just about putting government services online and improving their delivery. Rather, it also constitutes a set of technology-mediated processes that could improve the overall quality of policy and decision making and change the broader interactions between constituents and government. ICT is opening up new opportunities, but also reveals new dangers leading to profound consequences for the way we understand what policy making and participation can become[80].

126.   The introduction or availability of new technologies may provide an opportunity for innovation, in the back-office operations as well as in the front-office delivery. Technologies, such as Web 2.0 tools, apps, GPS, cameras, mobile phones, recording equipment, enable bottom-up and personalised communication, and facilitate citizens' participation in the formulation of customised responses to their needs. Hence, they have immense potential for innovation in public service delivery.[81]. The use of ICT is a cross-cutting theme which may be of relevance to all the potential innovation enablers mentioned in this chapter.

127.   A high level of **readiness to develop and implement e-government services** is a prerequisite for a high performing and innovative public sector that delivers integrated services, making life easier for citizens and businesses. E-government readiness is therefore a significant indicator of whether a country is prepared to harvest efficiencies gained from ICT-enabled public administrations[82]. Governments and practitioners worldwide have tried to identify a sound and comprehensive methodology to appraise national e-governments readiness. Even though present efforts are focusing on the improvement of currently used methodologies there are good examples of international assessments in this regard. For instance, the UN's e-government readiness index shown below is a combined indicator of the supply of, potential demand for and maturity of e-government services (See Government at a Glance 2009 for a further discussion on definitions and methodology). The index ranges from 0 (low level of readiness) to 1 (high level of readiness).

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77.   IDeA (2005), p. 22.
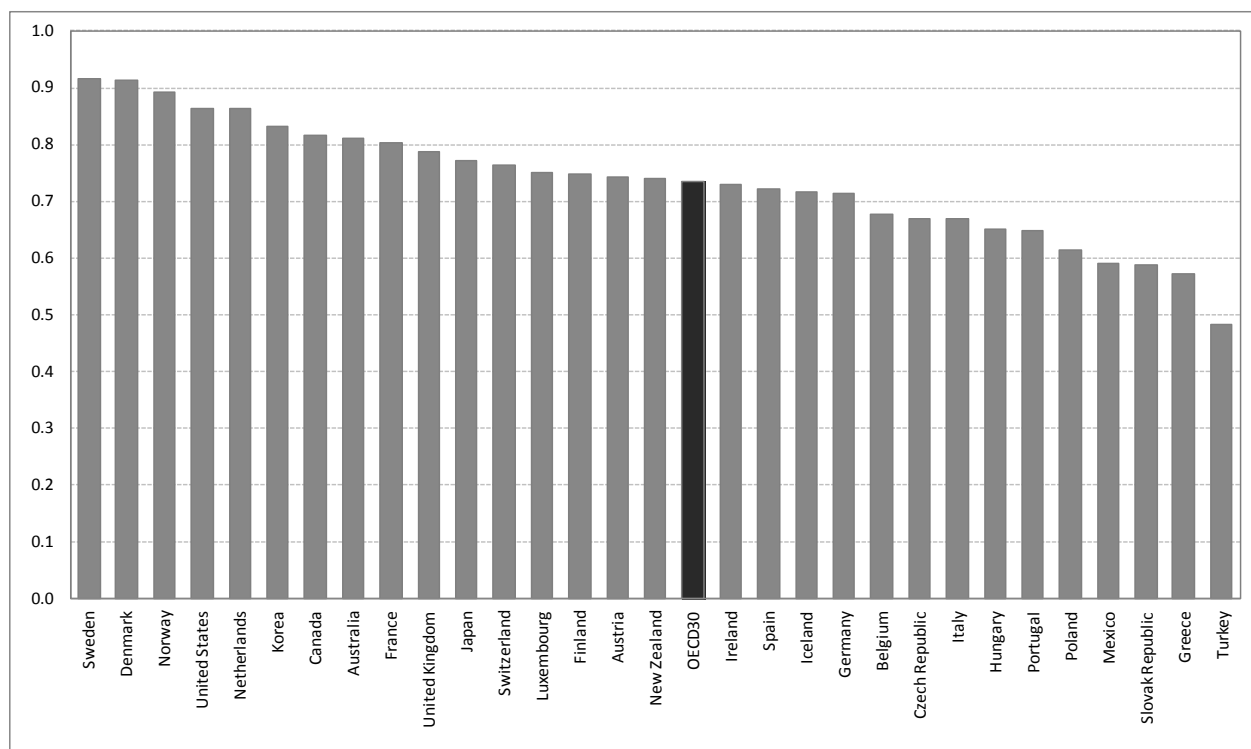
78.   IDeA (2005), p. 22.

79.   OECD (2010h), p. 30.

80.   OECD (2010h), p. 52.

81.   OECD (2010h) p. 44.

82.   OECD (2009a), p. 116.

Figure 12.   E- Government readiness index (2008)

Box 18. Examples of e-government strategies

Most – if not all – OECD countries have e-government strategies, designed to set the stage for innovations in e-government service delivery. An illustrative example is **Finland's** new eGovernment, eServices and eDemocracy program (SADe, 2009–2014). The goal in Finland is that e-Services will be available for citizens and enterprises in all key areas of service by the end of the year 2013. Priority is to offer high-quality customer-centric e-services from one or few access points with strong authentication and a single-sign on principle to all customers (citizens and corporations).

Italy's eGov2012 Plan, launched in 2009 and revised in 2010, sets a comprehensive plan which builds on digitalizing crucial sectors of Public Administration (e.g. Education, Health, Justice) enhancing both the quality of services to citizens and efficiency. In parallel, two other main pillars are tackled: horizontal enablers (legislative framework, technological interoperability etc,) and the relationship between citizen and Public Administration in order to have easy, quick and mutually reliable interactions.

Source: Country responses to questionnaire on innovative and open government, presented at the Ministerial meeting of the OECD Public Governance Committee, 15 November 2010.

Risk management

128.   The public sector is often regarded as risk-averse. The results of the interviews implemented by the Publin projects displays a public sector that is less willing to take risks than the private sector[83]. Yet, one key element in the innovation process is the need for managers to accept and tolerate a certain amount

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83.   Koch and Hauknes (2005), p. 20.

of risk taking and empowering staff to take initiative and think creatively, even if this results in some cases in failures[84]. As highlighted in the final Publin report, the risk for failure is an essential and integrated part of any innovation strategy[85]. However, failure in the public sector can have severe consequences and therefore innovation requires high quality **risk management** and preferably the creation of safe spaces in which to test innovative processes and services. Piloting and testing is one approach to creating "safe spaces", which can entail quick trials of ideas on a small scale, with successful ones scaled up and unsuccessful ones halted.[86] However, one problem associated with piloting that is specific to the public sector is that it might challenge fairness requirements (those included in the pilot may receive better or worse services than those not included).[87]

Allocate time and resources

129.   **Allocating time and resources for innovative activities** is an important element in management for innovation. Creativity and 'out of the box' thinking are increasingly identified as key elements of innovation and in modern bureaucracies it is important to allocate resources and create spaces where diverse approaches can flourish**.** Within all public agencies**,** money matters, both to get things done and to signal what's important.[88]

Dissemination and learning

130.   A vital part of generating and disseminating innovative ideas on public service delivery is to develop mechanisms for diffusion and learning to occur. **Dissemination** can be regarded as outbound (i.e. how information is attained and spread externally) while **learning** is inbound and takes place within an organisation.[89] The UK Audit commission (2007) examined both directions with more or less the same list of methods: special launch events, local seminars, sending guest speakers, regional networking meetings, own website, national seminars, journal articles, central website, hardcopy newsletter, e-mail newsletter. Learning and the generation of ideas can be further stimulated by horizon scanning foras, staff suggestion boxes, staff foras, stakeholder feedback mechanisms etc.

131.   **Attention to views of all relevant stakeholders**, not least users, frontline staff and middle managers is a core element of learning. According to research, half of all innovations are initiated by front-line staff, middle managers and users. In the individual organisation, this requires having robust processes to channel these inputs.[90]

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84.   Mulgan and Albury (2003), cited in IDeA (2005), p. 23.

85.   Koch and Hauknes (2005), p. 23.

86 .   National Audit Office (2009), p. 7.

87 .   IDeA (2005), p. 13.

88 .   Mulgan (2007)

89 .   Bloch (2010), p. 17.

90.   IDeA (2005), p. 21.

Box 19. Examples of innovation awards

A common means to foster diffusion of best practices is quality or innovation awards to promote innovation in the public administration and in other sectors. One example is *The Italian National Award for Innovation* which rewards innovation best practices in industry and services, design, public administration, universities and the tertiary sector. It was designed to support the best innovation capacities and enhance their value on a national level, furthering the cause and culture of innovation. At the federal level in *Belgium*, exchanges of best practices are organized in different ways. The annual national quality conferences have become, in the last few years, a moment for the services to present their greatest successes. Another way is networking: several networks are active at the federal level in Belgium, such as a network of the heads of administrations and a network of the head of services responsible for personnel and organization.

Source: Country responses to questionnaire on innovative and open government, presented at the Ministerial meeting of the OECD Public Governance Committee, 15 November 2010.

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132.   **Continuous monitoring and evaluating innovation** are also part of the learning activities within an organisation. Not least analysing and learning from failures is widely regarded as important element of successful innovation. One element of monitoring and evaluation is **measuring innovation**, which is discussed in Chapter 3.

Knowledge management

133.   **Knowledge management** involves any systematic activity related to the capture and sharing of knowledge by an organization (see *learning and dissemination* above). It involves the management both of external linkages and of knowledge flows within an organisation including methods and procedures for seeking external knowledge and for establishing closer relationships with other actors. In addition to practices for gaining new knowledge, knowledge management involves methods for sharing and using knowledge (modification of definition in OECD Glossary of Statistical Terms). Coherent and more effective policies require governments to take account of all pertinent information for more informed decisions.[91] Knowledge management practices seem to have a far from negligible effect on innovation and other aspects of corporate performance[92] and the same assumption most likely holds true for public sector organisations. However, there is little systematic evidence of just how great an effect knowledge management has.

What factors might inhibit innovation?

134.   Identifying the factors that may hinder successful innovation is central to better understand and promote innovation in the public sector. However, the potential barriers to innovation are in most cases inverted enablers, i.e. a lack of the enabling factors discussed above. In the *Innobarometer survey 2010*, the most notable barrier to public administration innovation (across the EU) was the lack of resources; i.e. insufficient finances or human resources. Rigid regulatory requirements were identified by responding organisations as another important obstacle to innovation.

135.   Some of the factors that may constitute barriers to innovation operate at all government levels, from the top of the policy-making hierarchy down to the service delivery. An aspect of this is **incentive structures**, both for individuals and the organisation itself. It has been argued that there is a prevalent tradition of higher penalties for failed innovations than rewards for successful ones in the public sector. A related potential barrier that has received attention is **short term budgets and planning horizons**. When public sector organisations are faced with a requirement of for example 2 or 3 % efficiency gains a year,

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91.   OECD (2009a), p. 21.

92.   OECD (2004)

the need to innovate may be seen as less necessary and more as an "optional extra".[93] Also, budgetary conditions may entail that organisations don't have an incentive to innovate, because efficiency improvements could result in a loss of funds.

136.   Another potential barrier is **a culture of risk-aversion**. The public sector is obliged to provide acceptable and often uniform standards in key services, to maintain continuity for the public and is accountable to tax payers through local authorities and Parliament. These concerns may induce a culture of risk aversion and an aversion to failure, which impedes and blocks innovation[94].

137.   While the barriers discussed above are potentially relevant at all government levels, others may be more prevalent at specific government levels. Borins (2001) divides obstacles to implementing innovations into three main classes:

- **Barriers that arise from within the bureaucracy/organisation**: Some of the more distinct internal organisational barriers that have received attention and that may prevent or delay innovation are: Lack of sufficient human or financial resources, lack of management support, staff resistance, lack of incentives as well for the organisation as a whole as for individual staff to innovate and a risk averse culture within the organisation. Obstacles may also be of an inter-organizational nature, stemming from difficulties in coordinating organisations, potentially due to turf fights and "silos".

- **Barriers that arise primarily in the political environment**: These include inadequate funding/recourses, budgetary rules, legislative or regulatory constraints, lack of incentives for organisations to innovate and political opposition as well as lack of political commitment.

- **Barriers that exist in the external environment**: One potential barrier featured in the Innobarometer 2010 survey is uncertainty in terms of to which extent innovations will be accepted by users in particular, but also the prospect of general public scepticism or even opposition. Being subject to media scrutiny might also curb the willingness to take chances. External interests may be conflicting. Another barrier may be difficulties in reaching the programme's target group.

138.   There are also barriers that apply to specific approaches to innovation. One such approach is coproduction. Barriers to coproduction have recently been surveyed by the OECD through a common questionnaire to OECD countries. The most widely cited obstacles to coproduction was lack of resources, professionals' lack of the knowledge and skills needed to co-produce and lack of evidence of the potential benefits of coproduction.[95]

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93.   IDeA (2005), p. 24.

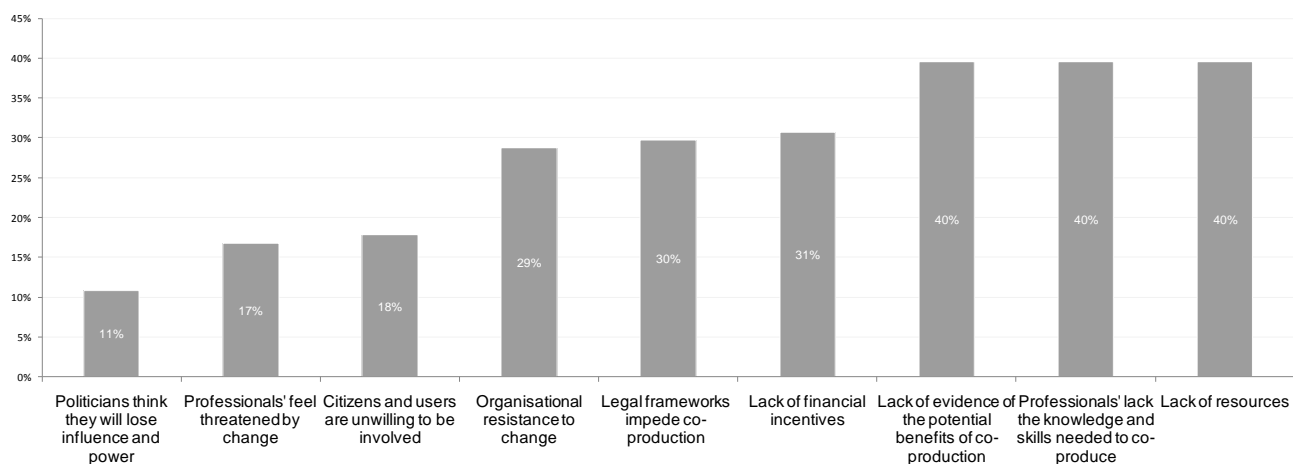94.   Mulgan and Albury (2003), OECD Nesti (2010)

95.   OECD (2011c)

Figure 13.   Factors representing barriers to co production

As a % of cases reported by countries across all service categories

Source: OECD survey on "Innovation in Public Services: Working Together with Citizens for Better Outcomes", 2010; 22 OECD countries, Brazil, Egypt, Russia and Ukraine responded to the survey.

CONCLUSIONS

Understanding and framing innovation in the public sector

139.   Governments are facing increasingly complex challenges requiring new thinking and innovative approaches. Given these pressures, governments have been searching for solutions to maintain and increase responsiveness to citizen needs in a context of decreased resources. Doing things differently has for many of them not been an option but has become an imperative.

140.   This report provides some elements of response, discussing the potential for innovation in public service delivery, providing the context and definitions, the rationale for innovation as well as identifying the types of innovation, the actors and the differences between public and private sector innovation. The report acknowledges the diversity of approaches to innovation in service delivery. The approaches range from using digital technology, to partnering with the private sector, civil society and citizens to implement user-centred service delivery. Governments usually draw on a mix of tools. The picture is however still fragmented and more knowledge is needed to capture the diversity of approaches and to better understand the challenge to their implementation.

141.   A difficult element is the challenge to measure innovation in the public sector. This challenge is not unique to the public sector, as the OECD Innovation Strategies provides numerous examples of the challenges and the need to collect further data on the private sector. Some of the data for the public sector remain illustrative and patchy, and while there is a growing evidence of emerging innovative approaches to public service delivery, this remains difficult to quantify. Aggregate evidence on the extent to which the public sector innovates remains limited. Measurement tools are still under development. In order to promote public sector innovation, more knowledge and better measurement tools are needed. A further monitoring of innovative practices could help to fill these gaps, as well as broadening the range of internationally agreed concepts and comparable metrics.

142.   Partnerships with private or not for profit actors – which have a risk taking and innovation-driven culture – represents one option for fostering innovation in public sector organisations. In these new forms of delivery, government often acts as leader, coordinator or facilitator *within* diverse structures, roles and relationships amongst and between multiple stakeholders. New forms of partnership with citizens, users and NGOs have emerged in response to a need for increasing service responsiveness and for achieving greater value for money in service delivery.

Towards a strategic framework to overcome barriers and promote innovative solutions

143.   This report also offers a comprehensive framework to foster innovation in the public sector. More specifically, it identifies 10 policy areas for action in the field of public governance (see table, framework for promoting innovation). While governments possess a wide range of enabling tools to foster innovation – the right mix often remains context-dependent. The enabling tools will assist governments to plan their approaches However, it is important for policy makers not to be too mechanistic or over rational about how change is delivered. Any models developed need to take account of the complexities and uncertainties of modern life and that not everything can be planned[96]. Innovation is also about risk and uncertainty.

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96.   Bourgon (2008).

Table 1. Framework for promoting innovation in the public sector: key policy initiatives

1. Political incentives	Providing support from the top Leadership
2. Economic Incentives and Financial Aspects	Providing funding for innovation Incentives towards innovative practices Link with budgeting and performance tools Link with human resource management and individual incentives
3. Capacity for strategic leadership	Strategies to support innovation in the public sector Dedicated public sector innovative organisations
4. Single government approach to innovation	Coordination to overcome fragmentation and reap economies of scale Cross disciplinary teamwork
5. Human resource management	Implications for staff flexibility and competence development Performance related pay Engage with public sector staff on the dynamics of change Disseminate and facilitate learning, and knowledge management Promote a change of culture
6. Regulatory aspects	Cutting red tape inside government to unleash innovative forces
7. Open and Inclusive Government	Partnering with citizens (cf. roadmap for successful implementation of coproduction).
8. E government and ICT	Strengthen e-government readiness Allocate time and resources
9. Communication	Communicate to users, facilitate acceptance of alternatives and innovative modes of delivery
10. Risk management	Identify and manage risks in a way which does not stifle innovation.

144.   Still the table above may help to identify a number of policy areas for action in relation to positive dynamics for innovation in the public sector. They may serve as a checklist for policy makers, supporting structured approaches when implementing new or innovative practices.

Innovation: delivering on the promises

145.   This report represents a first explorative step in providing a better understanding of innovation in public service delivery. The report identifies sources and dynamics of innovation in the public sector, and offers a schematic mapping of key sources of innovation in the public sector.

146.   Still, at a time when government resources are tightly constraint, the issue arises as to whether innovation can contribute to increased efficiency, and whether it is really feasible to "do more with less". This is critically important at a time when countries are looking for ways to reduce public sector expenditure and achieve cost savings. Governments will need to identify the **partnership structures** and organisation which will help innovation to deliver on its promises and the kinds of governance arrangements needed.

147.   A key element is to have a clear business case for innovation, and an understanding of the costs and benefits of various innovative approaches. This is the case for e-government, for partnering with citizens and civil society in service delivery and also for PPPs. Still, further empirical evidence is required on what is to be gained, and how to achieve value for money when diffusing innovation. The need for further **cost-effectiveness analysis**, identifying the direct and indirect costs and benefits of innovation in the public sector as a whole could help policy makers achieve better outcomes under improved economic condition. Evidence as to what works in what circumstances, will help governments assess the potential risks and benefits and the areas with greatest potential.

Proposal for follow up work

148.   The OECD can help in terms of:

- *Collecting and disseminating of innovative country practices in the public sector*. This can be achieved through the creation of an **Observatory on Innovation in Public Services** with a mandate to systematically monitor, collect and analyse country practices and distil policy lessons for decision makers. Such a database could provide a basis for identifying and developing measures of innovation. It would need to take a bottom up approach, identifying the existing data in ranges of countries, and collaborating with some of the existing research networks.

- *Assessing the impact of innovation in public services in terms of cost effectiveness* and user satisfaction through rigorous *comparable data and measures*. Initial studies could focus on the areas with the greatest need and potential for innovation, as well as innovative public sector practices such as ICTs, and E governments, and areas such as health and social protection.

ANNEX 1 – CONTRIBUTING OECD WORKSTREAMS

149.   While drawing on the general thrust of materials delivered for the Public Governance Ministerial Meeting (OECD 2011b), the synthesis report in particular builds on the contributions from the reports below.

Contribution	Area
Designing and delivering user centric e-government strategies	E-Government, GOV/PGC/EGOV(2010)10
Partnering with citizens and civil society for innovative service delivery	Citizen involvement, GOV/PGC(2011)5
Strategies to Improve service delivery in rural areas	Rural policy, *Strategies to Improve Rural Service Delivery,* OECD Publishing, Paris, France
How to attain value for money: comparing PPP and traditional infrastructure public procurement	Budgeting, Journal on budgeting Volume 11, Issue 1 (forthcoming)

150.   The synthesis also benefited from input from recent reports on public governance issues, in particular the following[97]:

- *Multilevel Governance of Water Policy in OECD countries,* GOV/TDPC/2011(1)

- *Getting it right: Restructuring the government workforce*, GOV/PGC/PEM(2010)4

- *Public Servants as Partners for Growth*, GOV/PGC/PEM(2010)5

- *Fostering diversity in the public service*, GOV/PGC/PEM (2009)1

- *Ageing and changes in public service delivery*, GOV/PGC/PEM (2009)7

- OECD (2010), *Why Is Administrative Simplification So Complicated? Looking beyond 2010, Cutting Red Tape,* OECD Publishing. Paris. France.

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97.   The report also builds on OECD (2005b), *Modernising Government, the Way forward* and the result of a special session of the Committee on *"Innovating for Accessibility in Public Service Delivery"* in April 2007.

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