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NOTE

From:	Presidency
To:	Permanent Representatives Committee/Council
Subject:	*Preparation of the Council ("Competitiveness") of 2-3 December 2013*
	Public Sector Innovation: Follow-up to the European Council of October 2013 - Policy debate

Delegations will find attached a Presidency note with a view to the Policy debate on Public Sector Innovation at the Competitiveness Council on 3 December 2013.

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Public Sector Innovation

Policy Debate Paper

In the EU today, the public sector accounts for a very significant part of the economy (about 50% of GDP and 25% of employment). Given the importance of the sector and the current financial context as well as the societal challenges that we are facing, it is essential to do 'more with less' and also do it better. Europe is hard-pressed to modernise its public administration and foster more innovation within its public sector in order to excel, remain internationally competitive and accomplish the Europe 2020 strategy goals for its citizens.

This need for mobilisation has been recognized in successive European Annual Growth Surveys, including the most recent, which identifies public sector modernisation as one of its five priorities and urges for the good progress made thus far to be sustained. The public sector is also an essential part of the Innovation Union flagship initiative of the Europe 2020 agenda: commitment 27 addresses public sector innovation and the barriers to development and scaling up of initiatives, as well as the need to bring together new learning experiences and networks for public sector leaders at a European level.

Much is already done or under development at the EU level to promote innovative approaches to how the public sector operates and delivers value to citizens and business. This includes:

- enhancing administrative efficiency (e.g. support for institutional capacity building, the development of Smart Specialisation strategies, the Smart Regulation agenda);

- increased use of ICT tools (e.g. eGovernment Action Plan and Large Scale Pilots for interconnected services, Electronic ID Interoperability Platform, SOLVIT);

- prizes (e.g. the European Public Service Award, the Prize for Innovation in Public Administration, the Award for Public Procurement of Innovation);

- enhanced cooperation and coordination among peers (e.g. the Interoperability Solutions for European Public Administrations, the Internal Market Information system, the European Innovation Partnerships);

- and scoreboards to measure progress (e.g. the European Public Sector Innovation Scoreboard, the Judicial Efficiency Scoreboard).

Moreover, the topic of innovation in public administrations is receiving increasing attention globally, including the OECD's recent Observatory on Public Sector Innovation. Many of the EU Members States have also made it a priority in their drive for modernisation, building up the innovation capacity of their administrations and opening up new or improved services and new opportunities for businesses. This was also discussed at the Informal Competitiveness Council in July 2013 in Vilnius, which tackled the importance of making public administrations more responsive to the needs of SMEs (an area where innovation can play a key role) and the role that digital public administrations can have in fostering growth. Moreover, the October 2013 European Council concluded that the modernisation of public administrations should continue through the swift implementation of e-services (e.g. e-health, e-invoicing, e-procurement) and that open data is an untapped resource with a huge potential.

In an attempt to bring all these policy strands together in a coherent, strategic overview, the European Commission established in 2013 an independent expert group to provide a comprehensive analysis of the key issues hampering innovation in the European public sector and to recommend EU and Member State-level actions to address these issues. The group's 11 members are leading experts, academics and practitioners in this field. The report from the group, issued in November 2013[1], conducts a comprehensive gap analysis of current actions and emerging trends. It finds four broad categories of barriers to innovation:

- weak enabling factors or unfavourable framework conditions (e.g. resource constraints, difficulties to coordinate);

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[1] **Powering European Public Sector Innovation:Towards A New Architecture, Report of the Expert Group on Public Sector Innovation**

- lack of innovation leadership at all levels (e.g. lack of innovation skills, restrictive work environments, slow dissemination of ideas);

- limited application of innovation methods and processes (e.g. infrequent use of design methods, focus on traditional project management);

- and insufficient use of measurements and data for evaluation (e.g. ineffective use of benchmarking, evaluation data rarely collected).

The report also identifies four design principles that, if embraced, would overcome these barriers:

- the co-design and co-creation of innovative solutions (with other Member States, other parts of government, businesses, the third sector and citizens);

- adopting new and collaborative service delivery models (across public, private and non-governmental actors);

- embracing creative disruption from technology (the pervasive use of social media, mobility, big data, cloud computing packaged in new digital government offerings);

- and adopting an attitude of experimentation and entrepreneurship (government itself needs to become bolder and more entrepreneurial).

Based on this analysis, the report comes up with three cross-cutting recommendations and nine specific ones, each with a hypothetical scenario of implementation.

Questions for the Ministers' discussion:

- How can innovation be used to deliver on modernising public administration?

- Which of the recommendations of the expert group report would be prioritised by your Ministry?

- What should be the role of the EU with respect to the recommendations of the report and where would the Member States take the initiative?

RECOMMENDATIONS OF THE EXPERT GROUP

CROSS-CUTTING RECOMMENDATIONS

Firstly, there should be a **Public Sector Innovation Platform** to act as a coordinating body, ensuring maximum leverage of the resources and activities applied across the EU in order to drive strategic and systematic innovation within Member States and the EU institutions. There should also be **a three-year Public Sector Innovation Mainstreaming Programme** to carry out a comprehensive review process of major EU initiatives, leading to proposals for concrete changes that will help catalyse innovation as an integral part of existing processes across the Member States and EU institutions. A **New Public Sector Innovation Movement** should be incited, starting with the launch of a series of small-scale, highly networked activities that build on how social movements form and scale-up.

SPECIFIC RECOMMENDATIONS

Leading Innovation:

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

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

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

Enabling Innovation:

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

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

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

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

Informing Innovation:

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

9. Establish a **European Citizens' Scoreboard** for public services, thereby providing benchmarks which would allow performance measurements and comparisons, with the objective to generate information for evidence-based decision-making.