Innovation in the Public Sector - Key Issues

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Minsk
26 November 2013

The significance of innovation in the public sector

- Public expenditure between 1/3 and 1/2 of GDP in the countries of the UNECE region
- Public sector employs between 15 and 40 percent of all workers in the EU
- ⇒ PSI can thus have a large positive impact on economies given the large size of public sectors

- Economies compete for capital and talent
- ⇒ Governments need to provide top-notch services

The significance of innovation in the public sector

PSI as solution for:

- Citizens who demand better services and want to be involved
- Budget pressures to do more w/ less
- Meeting challenges such as population ageing, environmental sustainability

And:
- PSI fosters innovation by the business sector

Defining PSI

Public sector includes

"*all departments, offices and other bodies which furnish, but normally do not sell, to the community those common services, other than higher education, which cannot otherwise be conveniently or economically provided, as well as those that administer the state and the economic and social policy of the community*", as well as "*non-for-profit institutions controlled and mainly financed by government, but not controlled by the higher education sector.*" (OECD Frascati Manual)

Defining PSI

Public sector activities

- General public services
- Defence
- Public order and safety
- Economic affairs
- Environmental protection
- Housing and community amenities
- Health
- Recreation, culture, religion
- Education
- Social protection

(UN COFOG)

Defining PSI

Public sector innovation is

"a new or significantly improved service, communication method, process or organizational method" in the above sectors"

Differences between innovation in the business sector and the public sector

- Incentives and rewards for innovation

- Mechanisms to identify and grow successful innovations

- and to abort unsuccessful ones at low cost

Innovation in the business sector

- Incentives and rewards: private profits large enough to compensate for risk

- Mechanisms to identify and grow successful innovations: market competition, private capital markets

- and to abort unsuccessful ones at low cost: market competition/ bankruptcy

Challenges for innovation in the public sector

- Incentives and rewards: no private profits, low tolerance for risk and failure

- Mechanisms to identify and grow successful innovations: no market competition, budgets set based on cost or need

- and to abort unsuccessful ones at low cost: no market competition/ bankruptcy; possibly access to subsidies

Solutions for innovation in the public sector

- High-level political leadership to encourage innovation & risk taking & to steer resources to successful innovations

- Encourage experimentation and competition at lower levels of government, in order to facilitate learning from experience, to limit the costs of failure, and to scale up initiatives that have proven to work

Solutions for innovation in the public sector

- Create awards and other forms of public recognition of successful innovators to encourage innovation and to facilitate the spread of successful initiatives across the public sector

- Collect and analyse systematically the evidence from successful and unsuccessful innovations in order to identify systematic drivers and barriers to public sector innovation

Solutions for innovation in the public sector

- Mainstream innovation throughout all government departments and levels

- Create networks and knowledge platforms to support the development of critical innovation skills in public officials

For more information

www.unece.org/ceci/welcome.html

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