PUBLIC SECTOR INNOVATION TRENDS 2025

UN DESA Division for Public Institutions and Digital Government (DPIDG)

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Disclaimer

Executive Summary

Public sector innovation (PSI) has emerged as a critical enabler of government transformation, allowing institutions to respond to complex societal challenges with greater agility. As governments face increasing demands for better services PSI is no longer a discretionary pursuit. This report examines key trends, enablers, governance models, risks, and measurement approaches in PSI, providing a structured framework to guide governments in designing, implementing, and scaling innovation strategies that align with their national development priorities and the Sustainable Development Goals (SDGs).

Key Findings

- Drivers of Public Sector Innovation: Governments worldwide are leveraging PSI to modernise service delivery, improve policy effectiveness, increase efficiency, and strengthen public trust. This report highlights the different intended outcomes and motivators for PSI.
- Frameworks for Innovation: Successful PSI initiatives require structured frameworks that align innovation governance, strategy, funding, talent, and cross-sector collaboration.
- Innovation Strategies: Governments adopt different approaches to embed innovation into public administration, ranging from standalone PSI strategies to integrating innovation goals within broader national digitalisation and economic transformation strategies. The choice of approach depends on political commitment, institutional capacity, and policy priorities.
- Governance Models for PSI: The effectiveness of PSI depends on how it is structured and governed. This report explores centralised, decentralised, and hybrid models, examining their strengths, challenges, and suitability for different governance contexts.
- Internal and External Enablers of PSI: Sustainable innovation requires adequate funding, strong regulatory frameworks, skilled personnel, and an adaptive organisational culture. Equally, external factors such as digital public infrastructure, political leadership, regulatory environments, and international collaboration play a decisive role in enabling or constraining PSI.

- Risks and Challenges: While PSI presents significant opportunities, it also involves risks related to policy experimentation, regulatory uncertainty, resistance to change, and digital security. The report outlines strategies to mitigate risks, ensuring that governments can scale innovation responsibly while maintaining public trust and accountability.
- Measuring Innovation in the Public Sector: Unlike private sector innovation, which is often assessed through revenue growth or market expansion, PSI requires alternative metrics to capture its impact, scalability, and sustainability. This report examines existing innovation measurement frameworks, including OECD and UN DESA methodologies, and proposes indicators that governments can adopt to assess PSI performance, diffusion, and effectiveness.

As public sector innovation becomes a cornerstone of modern governance, governments must transition from reactive to proactive innovation strategies. This report serves as a practical guide for policymakers seeking to build resilient, data-driven, and citizen-centric public sector innovation ecosystems that drive long-term development and institutional transformation.

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List of Abbreviations and Acronyms

AI	Artificial Intelligence
CCS	Crown Commercial Service
DDaT	Digital, Data and Technology
DESI	Digital Economy Society Index
DGI	Digital Government Index
EGDI	E-Government Development Index
FCA	Financial Conduct Authority
GDS	Government Digital Service
GII	Global Innovation Index
GNI	Gross National Income
GTMI	GovTech Maturity Index
IOT	Internet of Things
KPI	Key Performance Indicator
NHS	National Health Service
OECD	Organisation for Economic Co-operation and Development
OPSI	Observatory of Public Sector Innovation
PPP	Public Private Partnership
PSI	Public Sector Innovation
SSC	Shared Services Canada
UNDP	United Nations Development Programme
UNDESA	United Nations Department of Economic and Social Affairs
WGI	Worldwide Governance Index
RPA	Robotic Process Automation

Table of Public Sector Innovation Case Studies

Example	Country	Region	Report Section
Case study 1: Singapore's Centre for Strategic Futures	Singapore	Asia	Desired Outcomes of PSI
Case study 2: Government Digital Service (GDS): Transforming UK Public Services	United Kingdom	Europe	Desired Outcomes of PSI
Case Study 3: UK's Citizen Incubator Model	United Kingdom	Europe	Desired Outcomes of PSI
Case Study 4: China's Hybrid Governance Model	China	Asia	PSI Governance Models
Case Study 5: Building Public Service Innovation Capability in Indonesia	Indonesia	Asia	Internal Public Sector Innovation Enablers
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Introduction

Scope of the Report

This report was written for the project "Strengthening Public Sector Capacities for Delivering the 2030 Agenda", managed by UN DESA's Division for Public Institutions and Digital Government (DPIDG). The project focuses on fostering whole-of-government approaches to public sector innovation (PSI), particularly in Malaysia, the Philippines, Thailand, and Vietnam. It aims to empower these governments to build inclusive, efficient, and sustainable innovation strategies aligned with the Sustainable Development Goals (SDGs). The purpose of this report is to provide an up-to-date picture of recent trends and practices in national public sector innovation strategies and plans, which can serve to frame the discussions with the project target countries.

Methodology

This report is built on a combination of in-depth desktop research and expert consultations, offering a comprehensive overview of PSI trends, frameworks, and real-world applications.

A major component of this report involved reviewing a wide range of publicly available materials, including government reports, policy documents, academic studies, and PSI-related indices. Sources included international organisations such as the United Nations, Organization for Economic Cooperation and Development (OECD), and World Bank, as well as national government strategies and independent research papers. This research helped establish a broad understanding of global and regional PSI initiatives, governance models, and emerging trends.

To complement the secondary research, insights were gathered from PSI experts, policymakers, and practitioners who have first-hand experience in driving innovation within government. These conversations helped validate findings, contextualise trends, and shed light on the practical realities of implementing PSI.

Since the report primarily relies on publicly available data and expert insights, some PSI initiatives—particularly those that lack detailed documentation—may not be fully represented.

Additionally, while we have aimed for a balanced representation of PSI efforts across different regions and income levels, much of the readily available research and data tends to focus on high-income countries with well-established innovation frameworks.

Reader's Guide

This report is structured into eight chapters, each aligned with the PSI framework introduced in Chapter 2. Each chapter follows a structured approach, beginning with an overview that sets the context, followed by an overarching framework (presented in table format) that provides a structured roadmap for the details that follow. The chapters also include relevant examples and, where applicable, in-depth case studies that align with the content of each section.

Throughout the report, examples are highlighted in bold blue and are clickable for easy access to relevant websites or articles. A comprehensive summary of all examples is provided in a table in the annex at the end of the report.

Case studies are presented in text boxes within relevant chapters and follow a structured format. They provide context on the initiative, key insights from its implementation, and lessons learned that other governments could adapt and replicate.

Chapter 01: Public Sector Innovation Overview

The world is changing at an unprecedented pace, and governments face the immense challenge of keeping up. Public systems built for stability rather than agility are now under increasing pressure to adapt quickly. This urgency has been driving the adoption of innovation across all areas of government.

The COVID-19 pandemic is an excellent example of governments' capacity for rapid innovation when necessary. In a crisis that brought economies to a standstill and claimed millions of lives, governments worked at a pace and in ways rarely seen before. Within less than a year, vaccines were developed, approved, and distributed, a feat once thought impossible. The lessons learned from this monumental effort continue to reverberate in governments worldwide, many of which have adopted the experimental approaches they pioneered during the crisis. This shift dispels the long-held notion that innovation is exclusive to the private sector, cementing the role of **Public Sector Innovation (PSI)** as a critical component of modern governance (Demircioglu & Vivona, 2021).

Public sector innovation refers to the process of generating and implementing new ideas, practices, or tools within public organisations to create value for society. The focus is on the public sector—its organisations, institutions, and employees—innovating independently or in partnership with other sectors. Innovations may be aimed at improving efficiency within public sector operations internally or enhancing services and outcomes for citizens and businesses externally. Crucially, innovation in the public sector extends beyond technology—it involves rethinking processes, designing solutions with and for citizens, and fostering organizational cultures that encourage measured risk-taking.

For the purpose of this report, public sector innovation does not refer to government interventions such as injecting large amounts of capital into the market to stimulate innovation at a national level.

Typologies of Public Sector Innovation

Public sector innovation (PSI) typically falls into two primary categories: **incremental (absorptive)** and **radical (invented)**. While radical innovation often involves disruptive, transformative change, incremental innovation refers to gradual improvements that make existing systems or processes better. Research suggests that most innovations in the public sector are incremental which reflects the complex environments in which governments operate in. Governments have no choice but to prioritise risk mitigation and stability to ensure the delivery of essential services on which citizens rely on. (Demircioglu & Vivona, 2021)

Incremental innovations focus on refining or adapting existing practices, often driven by frontline workers or public servants who identify opportunities for minor but meaningful enhancements. **Absorptive innovation**, a subset of incremental innovation, involves adopting and internalizing external ideas, policies, or technologies to improve internal operations. In contrast, **radical innovation** involves the creation of entirely new systems, policies, or technologies, often disrupting traditional operating methods (Fernández & Wise, 2010).

The Australian Public Service Commission (Australian Public Service Commission, 2011) highlights that **incremental innovation** is often the most practical approach for governments, allowing for gradual improvements while mitigating risk. This focus on incrementalism reflects the complexity of public governance, where significant disruptions can have unintended consequences for large populations. Similarly, the OECD's Observatory of Public Sector Innovation (OPSI) emphasizes that **absorptive innovation**—where governments adopt and adapt external technologies and ideas—enables faster integration of good practices, reducing development costs and time (Observatory of Public Sector Innovation, 2021).

Public Sector Versus Private Sector Innovation

Innovation in both the public and private sectors is driven by entrepreneurial individuals. Like their private sector counterparts, public sector innovators seek opportunities and experiment to create meaningful change (Stewart-Weeks & Kastelle, 2015).

While some innovation principles apply across sectors, the execution of public sector innovation operates under a fundamentally different set of rules. Private companies may for example prioritise intellectual property protection to maintain a competitive advantage. In contrast, public sector innovation is designed with scalability and broad adoption in mind, as governments are driven not by competition but by their mandate to serve the public good. The focus is on maximising impact rather than securing market dominance, which is why successful innovations are often shared across departments, agencies, and even countries to accelerate progress and avoid duplication of effort. (Demircioglu & Audretsch, Public Sector Innovation, 2024).

Another critical distinction is risk tolerance. Private sector organisations often embrace radical, disruptive innovations—frequently product-focused—to outpace competitors. Governments, constrained by statutory responsibilities and the need to ensure stability, tend to focus on incremental or absorptive innovations that refine existing processes and services (Demircioglu & Vivona, 2021).

As a result, service innovation is where the public sector really stands apart from the private sector. While businesses focus on new products and flashy tech, public sector innovation tends to focus on how services are delivered and how processes can be improved. Initiatives like **Estonia's e-Governance system** and **Singapore's Smart Nation programme** illustrate how governments prioritise accessibility and efficiency over technological novelty. These efforts improve how citizens interact with public services by creating systems that are inclusive, efficient, and citizen-focused. (Drechsler, 2018); (Mazzucato, 2021).

Unlike the private sector, where innovation is often tied to tangible products and profitability, public sector innovation frequently involves less visible changes. Process innovation improves how organisations function. The groundwork for public sector innovation lies in creating an enabling environment. This includes encouraging risk-taking, fostering interdepartmental collaboration, and promoting creativity. While these efforts may not yield immediate results, they establish the foundation for transformative, long-term change (Bason, 2018).

Later in Section 3 of this report, we explore the desired outcomes for governments to pursue public sector innovation, exploring how these approaches take shape in different contexts.

The Evolution of Innovation in The Public Sector

Public sector innovation has progressed through several distinct phases, reflecting shifts in governance priorities, societal expectations, and technological advancements. This evolution demonstrates how governments have adapted to changing contexts, transitioning from basic administrative reforms to systemic approaches aimed at addressing complex, multi-dimensional challenges.

Figure 1. Evolution of Public Sector Innovation

1950s–1970s: Bureaucratic Simplification and Administrative Reforms

The mid-20th century marked the era of bureaucratic simplification and administrative reforms. During this period, governments focused on modernising public administration to enhance flexibility, decentralisation, and efficiency. For example, **Brazil's establishment of the Bureaucratic Simplification Committee** in 1956 exemplified early efforts to streamline administrative processes and reduce inefficiencies (OECD, 2010). These reforms prioritised standardisation and procedural clarity, laying the groundwork for more targeted innovation initiatives in the future.

1980s–1990s: New Public Management (NPM)

The 1980s and 1990s introduced the New Public Management paradigm, a significant shift in public sector governance. NPM brought private sector principles into public administration, emphasising efficiency, performance measurement, and results-oriented management. Practices such as outsourcing, competition in service delivery, and public-private partnerships (PPPs) became common. While these reforms improved cost-effectiveness and accountability, they were also criticised for prioritising efficiency over inclusivity and equity (Hood, 1991). This phase reshaped public service delivery, encouraging governments to adopt a customer-focused mindset.

1990s–2000s: E-Government and Digital Transformation

The late 1990s and early 2000s marked the rise of digital transformation, as governments began leveraging technology to improve service delivery and streamline internal operations. E-Government initiatives emerged, enabling online access to essential services such as tax filing, voter registration, and healthcare. Iconic examples include **Estonia's pioneering e-Governance system** and the **UK's GOV.UK platform**, both of which revolutionised how citizens interacted with public services. These efforts aimed to enhance accessibility, transparency, and efficiency while reducing administrative burdens (Organisation for Economic Co-operation and Development (OECD), 2003) This period also marked the implementation of e-government initiatives and online services, focusing on accessibility and user-friendliness of public services.

2000s–2010s: Open Government and Transparency

As digital transformation matured, the focus shifted towards open government and transparency. This phase prioritised citizen participation, accountability, and collaborative governance. Governments implemented open data portals, participatory platforms, and access-to-information laws, enabling citizens to engage more actively in policymaking. Initiatives like participatory budgeting provided citizens with a direct say in public spending, fostering trust and co-creation between governments and their constituents (Fung, 2006). This period signalled a move towards more inclusive and participatory governance models.

2010s–Present: Systemic Innovation and Human-Centred Design

Since the 2010s, public sector innovation has transitioned to a systemic and deliberate approach aimed at addressing complex societal challenges. Governments have established innovation labs(The success of Denmark's Mindlabs and the release of Christian Bason's book "Leading Public Sector Innovation" in 2010 led to an explosion of labs in the Global North (Bason, Leading public sector innovation: Co-creating for a better society, 2010)), training programmes, and cross-agency frameworks to integrate design thinking and human-centred approaches into policymaking.

Today, public sector innovation is characterised by a focus on human-centred and future-oriented services. Governments emphasise co-creation with citizens, ensuring solutions are designed to meet real needs. Anticipatory governance models are being developed to address long-term challenges like climate change and ageing populations. At the same time, experimentation with technologies such as artificial intelligence (AI) and blockchain has gained momentum, with a focus on algorithmic accountability and ethical implementation. Emerging technologies such as AI, predictive analytics, and automation are increasingly deployed to optimise decision-making and anticipate future needs.

Chapter 02: Public Sector Innovation Framework

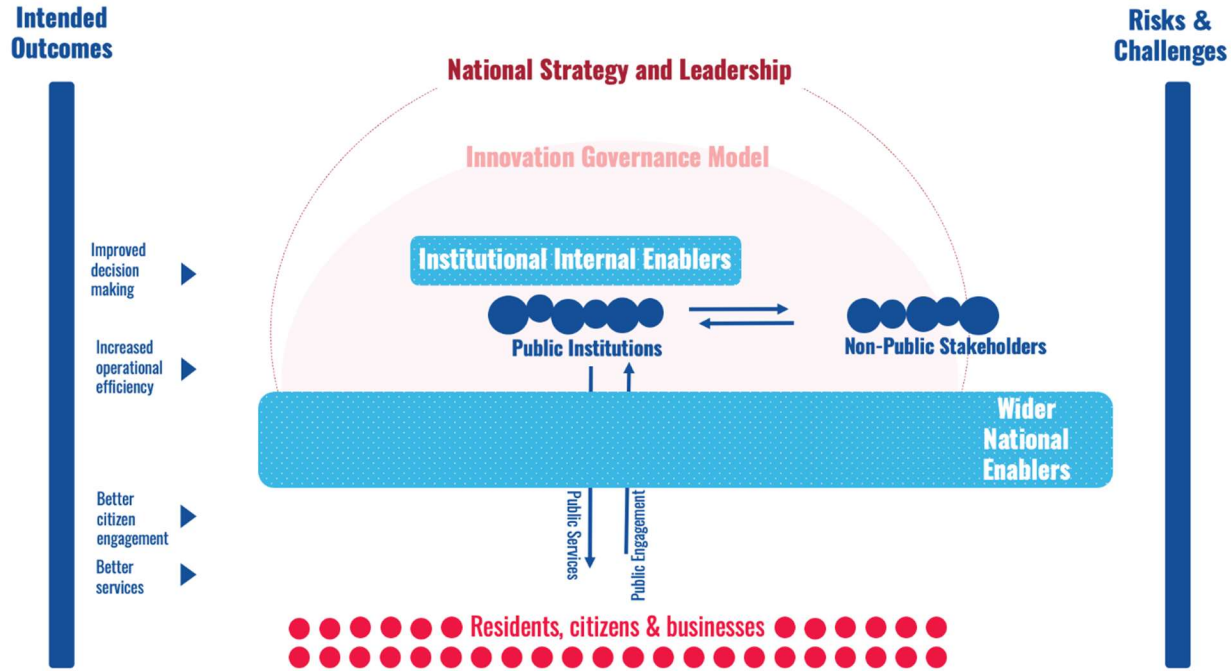
This report is structured around the PSI Framework (Figure 1), a model specifically developed for this project. It builds on existing frameworks and research, consolidating key components of PSI into a cohesive structure tailored to the objectives of this study. The focus of this report is on whole-of-government innovation for countries at the early stages of their PSI journeys, rather than governments with mature and institutionalised PSI practices.

The framework positions drivers and desired outcomes alongside risks and challenges within the PSI cycle. These elements run across the entire framework, as PSI outcomes can emerge at various stages of the cycle, while challenges and risks can arise at almost every phase.

PSI is illustrated as beginning with a national strategy, vision, and/or high-level political leadership as the initial prompt for innovation. While this may not always be the trigger for PSI in every context, this report focuses on this approach to catalyse innovation across government. This leadership prompt sets the stage for establishing broad PSI models, which in turn define how the various components of PSI are structured and interact. However, certain national enablers—broader systemic factors like infrastructure, regulatory frameworks, or political culture—may operate outside of this governance structure.

The framework also highlights how PSI is enabled—or hindered—by a mix of internal (e.g., organisational capacity, culture, and funding) and external enablers. Public sector institutions then engage with citizens through the provision of services and collaborate with non-public sector organisations through partnerships, creating a dynamic ecosystem of interaction and innovation. The sections of the report follow the structure of the framework.

Figure 2. Public Sector Innovation Framework



Chapter 03: Intended Outcomes of Public Sector Innovation

Governments worldwide are increasingly embracing innovation which is an important step forward. However, this raises a fundamental question: innovation for what purpose? Innovation is not just about creativity—it must drive meaningful outcomes to create real impact for people. Defining a government's intended outcomes from PSI is the first critical step in its journey. The key intended outcomes that motivate governments to pursue PSI are outlined below.

Improve Efficiencies

One of the most significant (and often debated) aspects of public sector innovation is improving internal efficiency—essentially delivering better services for less by helping governments run more optimally. Governments are using better designed governance and decision processes, automation and AI to streamline routine administrative tasks which in turn frees up resources to focus on designing services that are more personalized and accessible. For example, AI-powered chatbots are increasingly used to handle citizen inquiries, while automated systems process permits, tax filings, and applications, cutting through backlogs and speeding up service delivery.

Some examples below of how this is done:

- **Design-Driven Governance and Decision-Making**: Governments are using human-centred design to improve internal decision-making. By applying user research, process mapping, and service design, they are rethinking approvals and governance structures, even introducing "Governance as a Service." This approach simplifies workflows and reduces inefficiencies.
- **Automation and AI:** Governments are automating routine processes through AI and machine learning, reducing administrative burdens and freeing resources for more strategic initiatives. The **UK's UiPath robots** through Robotic Process Automation (RPA) were able to process the backlog of 30,000 pension claims in 2 weeks, a task estimated to take thousands of hours of manual work requiring many months (World Bank Group, 2021). In **South Korea, K-VoM**, an AI-powered voice analysis model is being used to

address phishing crimes, leading to faster investigations and reduced losses for citizens and greatly improving the efficiency of public services. (OECD, 2024)

- **Cloud Computing and Data Sharing:** By adopting cloud-based infrastructure, governments can streamline operations, improve collaboration across departments, and ensure seamless data access. In **Kenya,** cloud computing is being leveraged to enhance healthcare delivery in public hospitals, and this shift is driven by the need to improve data storage, sharing, and accessibility, particularly in a resource-constrained environment. It's led to an 81% reported increase in collaboration among healthcare providers, and a 2.2-fold increase in economic benefits through cost savings and optimised resource utilisation. (Ogwel, Odhiambo-Otieno, & Otieno, 2020)

- **Predictive Analytics:** Data analytics help governments anticipate needs, allocate resources more effectively, and optimize internal processes.

Better Decision Making

Technology and foresight methods improve governments' decision-making capabilities. Public sector leaders can gain deeper insights into societal needs by leveraging large datasets and advanced analytics which allows for more informed policy development and resource distribution. Foresight methods are equally important as they lend governments superpower abilities, like being able to see into the future, which allows them to move beyond reactive. These approaches minimize guesswork.

Some examples below of how this is done:

- **Data-Driven Policy:** Governments are increasingly use data to shape policies and ensure decisions are grounded in evidence. One such example is **Finland's AuroraAI** program connects public services and datasets to inform policymaking and predict future service needs (Leading the way into the age of artificial intelligence: Final Report of Finland's Artificial Intelligence Programme 2019, 2019).

- **Scenario Planning and Simulation:** Governments are using scenario planning and simulation to anticipate future challenges and make informed decisions. These approaches go beyond technology, incorporating foresight methodologies, behavioural insights, and interdisciplinary expertise to explore the long-term implications of policy choices. AI-driven simulations enhance these efforts by modelling economic shifts, environmental changes, and social trends, helping governments test responses before real-world implementation. **Singapore's Centre for Strategic Futures** uses simulation models to explore how various social, economic, and environmental changes could impact national security and economic development (Centre for Strategic Futures (CSF), 2025).

- **Real-Time Dashboards:** Internal dashboards aggregate data from multiple departments, offering leaders a holistic view of operations.

Case Study 1: Better Decision Making with Singapore's Centre for Strategic Futures

Singapore's Centre for Strategic Futures – sourced from (OECD)

Singapore's Centre for Strategic Futures (CSF) has been a cornerstone of the government's approach to long-term policy and strategy since its establishment in 2009. Now part of the Prime Minister's Office, the CSF strategically positions itself to influence government policies across sectors, ensuring Singapore remains proactive in addressing emerging challenges and capitalizing on new opportunities.

A significant outcome of the CSF's work is the **Emerging Strategic Issues (ESI)** process, initially a periodic exercise, now continuously identifies and prioritizes weak signals – subtle but impactful trends. Through in-depth analysis and collaboration with relevant agencies, the CSF sparks government-wide discussions on these issues. For example, the CSF's exploration of outer space governance highlighted the need for international norms, demonstrating its role in driving meaningful dialogue and informing policy decisions.

Key takeaways and lessons learned: Singapore's approach through the CSF offers valuable lessons for governments aiming to embed anticipatory governance into their systems:

1. **Invest in Foresight Capabilities**
   Singapore prioritizes training and tools that empower civil servants to think strategically about the future. Countries can replicate this by establishing dedicated foresight units and providing capacity-building programs for public sector staff.
2. **Create Systems for Continuous Scanning**
   The ESI process exemplifies how governments can institutionalize continuous monitoring of emerging trends. Other nations could consider implementing similar systems to identify weak signals early and develop proactive policies.
3. **Encourage Cross-Agency Collaboration**
   By fostering whole-of-government discussions, the CSF breaks down silos and ensures cohesive policymaking. Governments can enhance collaboration by embedding futures units across departments and encouraging regular inter-agency dialogues.
4. **Translate Foresight into Action**
   Singapore's direct integration of foresight into high-level strategy ensures that insights lead to tangible outcomes. Countries must align foresight processes with policy development to achieve measurable impact.
5. **Position Foresight Strategically**
   The CSF's placement in the Prime Minister's Office underscores the importance of embedding foresight within key government structures. This ensures high-level buy-in and amplifies its influence across all policy areas.

Improve Public Services

Improving the quality and accessibility of services is perhaps the most visible way innovation is transforming public administration. Governments are making public services more accessible by offering digital platforms for healthcare, education, social benefits, and taxation. The **UK's Gov.uk portal**, for example, consolidates numerous services into a single, easy-to-navigate platform, streamlining interactions between citizens and the state. Smart cities represent another facet of enhanced service delivery. Personalized services driven by big data allow governments to tailor healthcare programmes, education, and social welfare to the specific needs of different communities, ensuring more equitable distribution of resources. "The opportunity offered by the next generation of public services is nothing less than the systemic elimination of administrative burden across society" (Pope, 2024).

Some examples below (structured around Pope's book Platformland) of how this is done:

- **Better connected/less burdensome:** The once-only principle makes data entered in one service available for use in other services. It saves users time by reducing the number and the length of forms that need to be completed. So, if someone moves house, changes their name, starts a job or is granted citizenship, they don't have to report the same information again and again and again.

- **Proactive services:** Proactive service could act on users' behalf, surfacing recommendation and automating renewals. Where appropriate, interactions could be initiated automatically with minimal involvement from a user. All services are built on rules. Even universal services have some sort of eligibility requirements (a five-year-old doesn't get a state pension). Proactive services anticipate users' needs by combining data with eligibility rules. Users spend less time trying to understand their entitlements and less time filling in forms.

- **Personalized Services**: Using big data, governments personalize services to cater to the specific needs of their citizens—**Singapore's HealthHub** tailors healthcare reminders and resources based on individual health records, promoting preventive care (Singapore

Ministry of Health). **Norway's NAV system** personalizes unemployment benefits and career counselling services, improving job placement outcomes (Euroguidance Norway).

- **Real-time services:** Real-time interactions are also common. Cars are shown moving on a map in ride-sharing apps, and prices change based on demand. If you want to buy something online, you can see immediately if it's out of stock. Making payments using a mobile wallet triggers an instant notification that the transaction has taken place. Real-time, passive interactions are beginning to appear in public services too. In India, when a user updates the address on their **Aadhaar identity credential**, they are prompted to copy the change to their digital driving licence and to other credentials too (Kulkarni, 2022).

- **Accessible services:** Government's statuary responsibilities often mean that it must continuously innovate to find ways to reach those difficult to reach and those who are most vulnerable. In many cases, this means that services must be designed be accessible not only in digital realm through improved User Experience (UX)design but must also focus on making services more accessible in the physical world too. Two examples of this are Rwanda and India. **Rwanda introduced One-Stop Centres (Imboni Z'Imiyoborere)**, streamlining public services like business registration and land titles by bringing multiple government services under one roof, reducing bureaucracy and improving citizen experience (Rwanda Development Board). **India's Doorstep Delivery of Public Services** allows citizens to access government services from the comfort of their homes without visiting any government offices. Any citizen in Delhi can book an appointment slot to receive one of the current offers of 100 services by dialling 1076 and being redirected to a centralized call centre (OPSI, 2023)

Engage with Citizens and Residents

Citizen engagement is another critical area where technology is fostering stronger connections between governments and the public. Open data initiatives, such as those facilitated by platforms like data.gov, promote transparency by making government-held datasets available to the public. This not only holds governments accountable but also stimulates innovation by allowing civic tech organisations and startups to develop solutions using public data. Participatory platforms take engagement a step further by involving citizens directly in policymaking. Additionally, governments increasingly use social media to communicate in real-time, providing updates, soliciting feedback, and responding to public concerns, thereby creating a more dynamic and responsive public sector.

Some examples below of how this is done:

- Open Data and Transparency: Publishing government data promotes accountability and drives innovation. In **Kenya, the Open Data Initiative** enhances transparency by making key education, health, and infrastructure datasets available to the public. (Centre for Public Impact, 2016)

- Participatory Platforms: Digital platforms are enabling citizens to engage in policymaking. The **Participatory Budgeting Program** lets citizens vote on local development projects in **Brazil,** ensuring government spending reflects community needs. (Demircioglu & Vivona, Public sector innovation: Incremental and radical approaches, 2021)

- Social Media and Communication: Governments are leveraging social media to communicate directly with citizens.

Case Study 2: UK's Citizen Incubator Model

UK's Citizen Incubator Model – sourced from (Green)

Eastlight Community Homes, the largest community-led housing organisation in the UK, took a bold step to empower its North Essex communities. Through the Citizen Incubator Model, they invested in an innovative approach that put local people at the center of creating solutions to their own challenges.

The programme recruited 20 Essex residents, paying them a full-time living wage for a year to lead the innovation process in their communities. Working in teams based in their hometowns, these citizen entrepreneurs tackled four community missions informed by local polling. From Halstead (population 12,000) to Colchester (population 130,000), they conducted ethnographic research, ran workshops, tested ideas, and piloted their solutions—all grounded in their lived experiences. Some of the incubator's key achievements were as follows:

- **Innovative Community Solutions**: The Citizen Incubator Model empowered residents to design and implement solutions tailored to their communities' unique challenges.
- **Transformational Pilot Projects**: Initiatives like *Trusted*, a peer-to-peer money confidence programme, emerged from this approach. In six weeks, pilot participants collectively saved £45,000.
- **Sustainable Impact**: Trusted secured funding and became a community-led organisation, expanding under the leadership of its founders, Karen and her daughter Jessica.
- **Measurable Social Return**: An independent evaluation by the University of Essex estimated a social return of £668,000 from the pilots.
- **Broad Community Engagement**: Over 5,000 residents actively participated in the programme, with an estimated reach of 100,000 people locally.

Key Takeaways and Lessons Learned: Eastlight's Citizen Incubator Model offers valuable insights for community-led innovation:

1. Invest in Local Leaders: Supporting residents with resources and a living wage empowers them to drive meaningful change within their own communities.
2. Leverage Lived Experiences: Engaging citizens directly affected by challenges ensures that solutions are relevant, practical, and impactful.
3. Focus on Collaboration: By working in teams and involving broader community input, initiatives can address diverse perspectives and foster collective ownership.
4. Measure and Share Results: Independent evaluations and transparent reporting build trust and demonstrate the tangible impact of community-driven programmes.
5. Scale Successful Models: Piloting initiatives like Trusted showcases how small-scale projects can evolve into sustainable, larger-scale solutions.

Chapter 04: Launching Public Sector Innovation

Innovation in the public sector can originate from any part of government, sometimes even evolving before a formal national strategy is in place. An example of this is **Barcelona's Smart City initiatives**, which didn't begin with the establishment of a dedicated innovation lab, but rather as a series of individual projects aimed at positioning the city as a global "knowledge city" (Phelps & Miao, 2019). These early projects were driven by a broader vision and continued to evolve until a change in government leadership brought them under a single portfolio and mandate. In 2011, the Smart City Office was established, bringing together these various initiatives and tasked with finding new ways to improve services for both residents and businesses (Gascó-Hernandez, 2018). This marked the beginning of a more unified and strategic approach, positioning Barcelona as one of a leading global model for smart cities through its public sector innovation.

What turns isolated innovation projects into lasting transformation in the public sector is a clear and ambitious national strategy that gives actors a unified mandate. For this strategy to succeed, it must be supported by a robust governance framework and driven by strong leadership. A report by LSE Cities on public innovation in European city governments found that more than two-thirds of the cities in the study had a formal strategy, which enabled them to approach innovation in a whole-of-government manner, in contrast to those without a formal strategy (London School of Economics and Political Science (LSE Cities), 2024). This finding underscores the role of a national strategy in institutionalising innovation and ensuring its adoption across government. While some strategies are deliberately designed to drive public sector innovation from the outset (as we'll see in the examples below), others emerge organically from departmental or individual efforts that prove the value of innovation in practice.

For governments eager to embark on their public sector innovation journey, there's no universal approach. The path depends on national circumstances and goals, with different governments

taking varied routes. In this section, the principles of leadership and strategy and the different innovation government models are presented.

Visionary Leadership

Public sector leaders play an essential role in driving government innovation. Strong leaders act as champions of change, advocating for new approaches and fostering a culture of experimentation, collaboration, and openness to new ideas. Leadership is not just about making decisions at the top but also about motivating others, securing resources, and creating a supportive environment where innovation can thrive.

One example of this is Estonia, the government's commitment to digital transformation has been crucial since 1999, when under the leadership of the former Prime Minister, the country began developing the foundational layers of their e-Governance platform. **Estonia's e-Governance model** has become a global benchmark, offering nearly all government services online, which has significantly reduced bureaucracy and ensured 24/7 accessibility (Centre for Public Impact, 2019). This continued long-term vision as well as cross-party support has seen different leaders champion this digital transformation and has been key to Estonia's success.

National Strategies and Frameworks

To move from vision to execution, governments often develop comprehensive national strategies (but as highlighted earlier it isn't always the starting point). Public sector innovation strategies take many forms and emerge under different policy frameworks. In some cases, governments develop explicit Public Sector Innovation (PSI) strategies (like the UAE Public Sector Innovation Framework), designed and launched with the specific goal of embedding innovative approaches within government often in response to urgent challenges or the desire to modernise public services. In other cases, PSI strategies evolve as a byproduct of broader initiatives, such as government digitisation efforts or national innovation strategies aimed at positioning a country as a global leader in a specific sector. For example, the **UAE launched the National Strategy for Innovation in 2014.** The strategy aimed to position the UAE among the most

innovative nations globally within seven years. The strategy is structured around four main tracks, and the second track was focused on Developing Government Innovation through institutionalising innovative practices within government entities, supported by modern tools and systems (Office of the Prime Minister of the United Arab Emirates, n.d.).

Innovation Governance Models

At the core of Public Sector Innovation is the organising force, which is innovation governance, which plays a critical role in ensuring innovation efforts are strategically coordinated across government. Innovation governance provides the oversight and accountability mechanisms needed to align innovation initiatives with national priorities while maintaining flexibility for experimentation. It helps ensure that innovation is not just a series of isolated projects but a sustained, systemic effort. Whether led by a central authority, distributed regionally, or implemented through a hybrid approach, effective governance ties everything together, ensuring that innovation policies and investments translate into real impact. When it comes to how best to deliver on the national strategy and mandate for innovation, there are several different ways on how to structure this. The most common are the Central Government Model, Local/Regional Model, and the Hybrid Model. A brief description of each as well as the benefits and liabilities are outlined below.

Central Government Model

The central government model consolidates innovation efforts under a single, national authority or agency. This approach is typically chosen when strong national coordination is required, standardisation across regions is a priority, or resources are limited and need to be pooled to maximise impact. Central government governance models also have different roles and mandates, with models being split broadly into two categories:

- Policy and Strategic Governance: These entities set national innovation policies and strategic direction, ensuring PSI aligns with broader government priorities.
- Operational & Implementation Governance: These structures are responsible for implementing and scaling innovation, often experimenting with new technologies, processes, or service delivery models.

What It Means:

In this model, a central body oversees innovation initiatives, sets priorities, and provides support to ensure uniformity and alignment with national objectives. It works best in countries with centralised political systems or where innovation ecosystems are still developing.

When It Works Best:

- In highly centralised systems where a unified approach is necessary.
- When addressing cross-cutting national issues like digital transformation or climate resilience.
- In contexts with limited resources, where pooling funding and expertise is essential.

Benefits

- Efficient resource allocation and more effective use of limited resources.
- Consistency and standardization through the development of consistent policies, services, and technologies across regions.
- Improved coordination of innovation efforts which can lead to clear direction, reducing the complexity of managing multiple independent initiatives.

Liabilities

- A one-size-fits-all approach may not address the unique needs of different regions, leading to less effective solutions in diverse contexts.
- Centralized decision-making can become slow or overly rigid, making it difficult to quickly develop innovation efforts that can adapt in response to rapidly changing needs.

Table 1. Central Government Innovation Governance Models

CENTRAL GOVERNMENT INNOVATION GOVERNANCE MODELS					
POLICY AND STRATEGIC GOVERNANCE		OPERATIONAL AND IMPLEMENTATION GOVERNANCE			
Ministries of Innovation or Technology	National Innovation Councils / Cross-Government Innovation Committees	Regulatory Sandboxes	Government Innovation Labs	Digital Service Units (DSUs)	Sector-Specific Innovation Units

Some governments establish innovation-focused ministries or departments, like the UK's Department for Science, Innovation and Technology (DSIT) and Singapore's Ministry of Communications and Information (MCI).	Permanent and temporary groups formed to address specific innovation challenges or initiatives, such as the UK's Innovation Expert Group (IEG) or the UAE's Innovation Committee and South Korea's Presidential Council on Science & Technology.	Managed by regulators or ministries to test new policies in a controlled legal environment such as UK's FCA Sandbox; Singapore's LEAP Sandbox; Nigeria's CBN Fintech Sandbox.	Specialised units within government that experiment with new policies, services, and processes, such as Denmark's MindLab, Canada's Impact and Innovation Unit, and the Mohammed Bin Rashid Centre for Government Innovation in the UAE.	Units that focus on improving digital public services, such as the UK's Government Digital Service (GDS), the US Digital Service (USDS), and Australia's Digital Transformation Agency (DTA).	Innovation teams, such as the UK's NHS Institute for Innovation and Improvement, focus on education or healthcare.

Local/Regional Model

The local or regional model decentralises innovation efforts, empowering local governments or regional authorities to design and implement initiatives tailored to their specific contexts. This model is particularly effective in countries with significant regional autonomy or where innovation capacity is well-distributed.

What It Means:

This approach allows for more flexibility, with innovation initiatives customised to local needs and challenges. Local entities often have the autonomy to experiment, adapt, and implement solutions that may not be viable at the national level.

When It Works Best:

- In federal or highly decentralised systems where local contexts vary significantly.
- When addressing challenges that are localised, such as urban infrastructure or regional public health.
- In countries with well-developed innovation ecosystems at the local level.

Benefits

- Local entities can design and implement initiatives that are tailored to the unique needs and challenges of their communities, leading to more effective and relevant outcomes.
- Increased freedom to experiment, adapt, and innovate quickly without always need to receive for centralized approval for local decisions.
- Stronger sense of ownership and accountability, which can increase the chances of sustained engagement and long-term success of innovation efforts.

Liabilities

- A lack of coordination between regions across a country, resulting in duplicative efforts or inconsistent policies across different areas.
- Inequitable distribution of resources or capabilities may result in regions that are stronger in these areas thriving while others may struggle to implement meaningful innovation.

Table 2. Local Government Innovation Governance Models

LOCAL GOVERNMENT INNOVATION GOVERNANCE MODELS			
Dedicated Local Innovation Units	Embedded Innovation Teams within Local Government	Local Innovation initiatives	Prompted and supported by central government units
Standalone innovation units within local governments work across local and regional organisations to drive innovation and solve specific issues. **Example:** The **Barcelona Urban Innovation Lab** in Spain, which collaborates with city departments to co-develop urban solutions.	Local governments establish in-house innovation teams to drive change within departments. These teams often consist of **Chief Information Officers (CIOs), Digital, Data, and Technology (DDaT) professionals**, or internal consultants who work across the organisation. **Example:** The DDaT teams within various UK local authorities that implement digital service improvements across departments.	Local governments take the lead, often in networks or associations, to share knowledge, develop solutions, and promote innovation. Central government involvement is minimal. **Example:** The Local Government Association (LGA) in the UK supports councils in driving local innovation independently.	Central government supports local innovation by funding, advising, or facilitating experimentation. **Example:** The UK's Department for Levelling Up, Housing and Communities (DLUHC) has piloted "Innovation Squads"—cross-functional teams given time to improve processes creatively. The first squad developed chatbots to help staff find information faster.

Hybrid Model

The hybrid model combines elements of both centralised and decentralised approaches. It balances national-level strategic direction with the flexibility of localised implementation. This model fosters collaboration across sectors and levels of government, leveraging the strengths of both approaches.

What It Means:

National priorities are set centrally, but implementation is decentralised, with local governments or regional authorities adapting initiatives to their specific needs. This model encourages cross-sector collaboration and allows for both standardisation and flexibility.

When It Works Best:

- In mixed political systems where both national coordination and local autonomy are valued.
- When addressing challenges that require both local adaptability and national alignment.
- In countries with resources to support collaboration across sectors and levels of government.

Benefits

- A balance of flexibility and alignment, with a strong national strategic direction that also allows for local customization and adaptability to specific needs and contexts.
- Improved cooperation between national and local governments, as well as across different sectors, enhancing the overall impact of innovation efforts.
- Optimized resource use that ensures that resources are directed where they're most needed while maintaining alignment with national objectives.

Liabilities

- Increased coordination complexity due to the need for clear alignment between central and local authorities, which can lead to delays or inefficiencies.
- Potential for inconsistent implementation that can lead to variations in how national policies are carried out, creating gaps or inconsistencies across regions.

Table 3. Hybrid Innovation Governance Models

Hybrid (National Frameworks with Local Innovation Ecosystems)

Cross-sector Innovation Initiatives	National-Regional Innovation Networks
Collaborative opportunities for both national and local governments, along with private sector actors, to work together on innovation projects. These initiatives operate under national strategic guidelines but allow for local actors to tailor solutions based on their unique needs. The UK's Ministry of Housing, Communities and Local Government's (MHCLG) Future Council pilot programme is one such example.	Networks that are often coordinated at the national level, providing a strategic framework, but allow regional governments the flexibility to prioritize initiatives that address local challenges. China's hybrid model is a good example of this and is elaborated in the case study below.

Case Study 3: China's Hybrid Governance Model

China's Hybrid Governance Model: Balancing Centralisation and Decentralisation – sourced from (Fuller, 2019)

China's hybrid governance model combines strong centralised leadership with decentralised implementation, creating a dynamic framework for public sector innovation. This model allows for top-down alignment of national priorities while enabling local governments to experiment and adapt policies to their unique contexts. The balance between these two approaches is what makes China's governance structure particularly effective for fostering innovation. Its key components are:

1. **Centralised Vision and Coordination**
    - **Unified National Priorities:** The central government sets a clear vision and strategic priorities, often articulated through the Five-Year Plans and national policies like the *Innovation-Driven Development Strategy*. These priorities guide the entire country toward shared goals.
    - **Resource Allocation:** Centralised control ensures efficient allocation of resources, directing funding, expertise, and infrastructure support to priority areas.
    - **Policy Oversight:** The central government monitors local initiatives to ensure alignment with national goals, maintaining coherence across diverse regions.
2. **Decentralised Implementation and Experimentation**
    - **Policy Laboratories:** Provinces and cities are empowered to act as "laboratories" for innovation, piloting new ideas and policies tailored to their unique challenges. For instance:
        - One city leads in urban and economic reforms.
        - Another city is a pioneer in healthcare innovation.
    - **Local Adaptation:** Regional governments can adapt national directives to suit local conditions, ensuring solutions are both effective and contextually relevant.
    - **Iterative Policymaking:** Local experiments are evaluated, refined, and scaled nationally if successful, creating a feedback loop that combines learning and execution.
3. **Accountability and Performance Management**
    - **Metrics for Innovation:** Local leaders are assessed on their ability to meet innovation-related targets, which incentivises them to prioritise creative problem-solving and align with national goals.
    - **Vertical Oversight:** The central government ensures that local innovations remain consistent with broader policy objectives while encouraging healthy competition among regions.

Key takeaways and lessons learned:

1. **Efficient Resource Management:** By centralising vision and resources, the government ensures a focused and coordinated approach to innovation, avoiding fragmentation.
2. **Adaptability and Agility:** Decentralised experimentation allows local governments to address specific challenges and test policies in controlled environments, fostering innovation at scale.
3. **Strategic Alignment:** Continuous oversight ensures that local initiatives contribute to national objectives, maintaining cohesion even in a diverse and vast country like China.
4. **Iterative Improvement:** The system's emphasis on piloting and refining policies reduces the risks associated with large-scale implementation.
5. **Combine Strategic Direction with Local Flexibility:** A strong central vision provides alignment, while local adaptation ensures relevance and effectiveness.
6. **Encourage Pilots and Experimentation:** Empower local governments to test policies and provide mechanisms to scale successful initiatives.
7. **Establish Accountability Mechanisms:** Introduce performance metrics that align innovation efforts with national priorities and encourage competition among regions.
8. **Invest in Feedback Loops:** Foster continuous learning by evaluating pilot projects and using insights to refine and scale policies.

Chapter 05: Internal Public Sector Innovation Enablers

Public sector innovation is either enabled or constrained by specific internal (primarily organisational) factors. These factors include (1) Funding and resource allocation, (2) Legal and regulatory frameworks, (3) Human resources, and (4) Organisational Culture (visualised below in Table 4). Later, we will explore external enablers—those that operate at a broader national level, fall outside the immediate governance framework of PSI, or exist within a much wider policy ecosystem. Throughout this section, we examine these four internal enablers, their various models, and how they can either facilitate or hinder public sector innovation.

Table 4. Public Sector Innovation Enablers

PUBLIC SECTOR INNOVATION ENABLERS			
FUNDING AND RESOURCE ALLOCATION	HUMAN RESOURCES	LEGAL AND REGULATORY FRAMEWORKS	ORGANISATIONAL CULTURE

Funding and Resource Allocation

The lack of funding is one of the most significant barriers to public sector innovation (Cinar, Trott, & Simms, 2019). Governments operating under resource constraints often face difficult trade-offs when allocating budgets, yet many have developed creative approaches to financing innovation. The most common funding mechanism for public sector innovation is institutional government funding, which takes various forms depending on national priorities and financial structures. In addition to direct budget allocations, governments also leverage public procurement and public-private partnerships (PPPs) to fund and scale innovative initiatives, particularly in areas where collaboration with the private sector can enhance efficiency and impact.

Beyond domestic sources, international and multilateral funding provides early-stage support for governments looking to de-risk innovation investments. For instance, UNDP has seeded, started-up and scaled public innovation labs in Armenia, Georgia, North Macedonia and Moldova (UNDP, 2017). These mechanisms supplement national budgets, facilitate knowledge transfer, and encourage the adoption of global best practices.

Table 5. Funding Public Sector Innovation

Institutional Government Funding				**Public Procurement**	**Public Private Partnerships (PPP)**
Dedicated Innovation Funds	Embedding Innovation in Departmental Budgets	Performance Based Funding	Cross agency pooled funds		

1. Institutional Government Funding

Institutional government funding is one of the most critical ways governments can drive innovation from within. By leveraging their own resources and tailoring funding mechanisms to fit specific needs and contexts, governments can prioritise creativity, experimentation, and improvement where it matters most. Across different contexts, we've seen a variety of approaches that have worked well in embedding innovation into government processes. Each of these approaches underscores that funding public sector innovation isn't about finding a one-size-fits-all solution. It's about designing mechanisms that fit the context and goals of each government.

Dedicated Innovation Funds

Governments can establish dedicated innovation funds to support experimentation and risk-taking within public sector organisations. These funds provide ring-fenced financial resources that agencies or departments can apply for, ensuring that innovation is not deprioritised in favour of routine operations.

How It Works: Government agencies submit proposals for innovative projects that align with national or institutional priorities. A central innovation body or ministry reviews application and allocates funding based on feasibility, potential impact, and alignment with policy objectives.

Impact: Dedicated innovation funds encourage bold experimentation by removing financial risks from individual agencies, allowing them to pilot new approaches before full-scale implementation.

Embedding Innovation Directly into Departmental Budgets

Rather than creating separate funds, some governments embed innovation spending directly into departmental budgets, making it a routine and sustainable part of government operations.

How It Works: Departments allocate a portion of their annual budgets to innovation activities, ensuring that innovation is not treated as an afterthought. These funds can be used for research, digital transformation projects, or internal process improvements.

Impact: This approach institutionalises innovation by making it part of the standard budget process rather than an optional add-on. Agencies have greater predictability and flexibility in using these funds for ongoing experimentation.

Examples:

- **UK Government Communications Service (GCS)** requires departments to allocate 10% of their campaign budgets towards innovative approaches (Digital Transformation Agency, 2024).
- **UAE's National Innovation Strategy** introduced a 1% budget reallocation policy, requiring all government agencies to reduce spending by 1% and redirect those funds towards innovation projects. More information about the process of obtaining that funding can be found in Annex 3 of this report. (United Arab Emirates Cabinet , 2014)

Performance-Based and Challenge Funds (Including Social Impact Bonds)

Performance-based and challenge funds introduce competition-driven funding mechanisms, encouraging agencies to innovate while ensuring measurable results. Specific Social Impact Bonds (SIBs) can also be considered under this category when they are leveraging public/private sector investment in outcome-driven public programmes run primarily by public institutions.

How It Works: Depending on the modality of the funding. Sometimes, agencies must submit proposals for funding, often competing with other departments or municipalities. Other times, funding is tied to performance metrics, ensuring that investments drive tangible improvements.

Impact: By tying funding to performance outcomes, these funds create an incentive structure that ensures accountability and aligns investments with policy goals. Meanwhile, SIBs introduce new financial resources into public sector innovation while ensuring that funds are directed toward impact-driven initiatives.

Examples: Brazil's Challenge Funds have been particularly successful at empowering municipalities to develop local solutions. The UK's Project Spark takes a more internal approach, inviting civil servants to submit innovative ideas and funding the best ones for development.

Cross-Agency Pooled Funds

When innovation requires collaboration across multiple sectors or departments, cross-agency pooled funds combine resources to tackle complex policy challenges.

How It Works: Multiple government departments contribute to a **shared innovation fund**, which supports projects that span multiple policy areas (e.g., health, education, digital transformation).

Impact: Cross-agency pooled funds foster collaboration, reduce duplication of efforts, and encourage a whole-of-government approach to solving public sector challenges.

Example: For example, New Zealand's Better Public Services Programme pooled resources to support innovation across agencies, encouraging collaboration and breaking down silos. The programme identified ten specific result areas, each with clear, measurable targets. These areas ranged from reducing long-term welfare dependence to improving interaction with government services online. For each result area, a lead Chief Executive was appointed, responsible for

coordinating efforts across relevant agencies. To support innovation and collaborative projects, the BPS Programme encouraged the pooling of resources. This approach allowed agencies to share funding, expertise, and tools, facilitating more integrated and efficient service delivery. (Boyd & Rodney , 2016)

2. Public Procurement

Public procurement for innovation is a powerful tool that governments can use to drive change. Innovation doesn't always have to come from within; governments can leverage their procurement budgets to bring in fresh ideas and solutions from external sources. By procuring innovative services from startups and emerging companies rather than relying solely on legacy vendors, governments can use existing budget allocations to introduce new approaches and technologies into their systems.

This approach not only leverages existing governmental budgets to bring innovation into the public sector but also supports the growth of emerging technology markets, creating opportunities for businesses that might not otherwise access such funding. By positioning themselves as lead customers for emerging technologies and services, governments can stimulate innovation ecosystems and encourage market development.

Key advantages:

- Encourages knowledge transfer from the private sector
- Leverages existing governmental budgets to bring innovation into the public sector

Potential Liabilities:

- Challenges in scaling pilot projects, as governments may struggle to transition from small-scale experimentation to full adoption

- Government agencies may lack the technical capacity to properly assess, procure, and implement cutting-edge solutions, increasing the risk of ineffective or misaligned procurement decisions.

Example: South Korea's Public Procurement Service (PPS) actively fosters innovation by prioritizing startups and small businesses in its procurement processes. Through initiatives like the "Inno-Biz" program, the government collaborates with certified innovative SMEs to address public sector challenges, providing funding and contracts to develop tailored solutions, aligning public needs with private-sector innovation (Lee, 2009).

3. Public-Private Partnerships (PPPs)

Public-private partnerships (PPPs) unlock innovation by tapping into private sector resources and expertise. These partnerships can extend the public sector's budgets for innovation. We explore this in greater depth in Chapter 06.

Key advantages:

- Reduces direct financial burden on government budgets
- Encourages knowledge transfer from the private sector

Potential Liabilities:

- Risk of over-reliance on private actors, reducing long-term public sector capability
- Alignment challenges between public interest and private sector profit motives
- Potential conflict of interests

Example: South Korea's R&D Platform for Investment and Evaluation (R&D PIE): This initiative brings together public and private sector actors to co-invest in innovative research and development projects. It enables more effective resource allocation by using data-driven decision-making to identify promising innovations and scale them efficiently. The project showcases how PPPs can optimize public sector investments while tapping into private sector expertise and capital (Organisation for Economic Co-operation and Development (OECD), 2025).

Human Resources

Innovation is ultimately a series of actions and decisions taken by individuals or teams over time – which means the people involved are the most critical factor in its success. A distinction should be made here between capability and capacity. Some civil servants might have the capabilities but not the capacity to work on innovative projects and the opposite is also true. Therefore, upskilling is only one part of this but the other part of it is providing civil servants with the space to experiment and explore. Without that room to innovate, even the most capable teams will struggle to deliver meaningful change.

1. Capability

Innovation in the public sector often demands skill sets that are not traditionally found within government institutions. As a result, when establishing public sector innovation ecosystems, governments must take a multi-pronged approach—identifying existing talent, recruiting externally to fill gaps, and providing opportunities for civil servants to develop the necessary skills. The challenge lies in striking the right balance: leveraging the deep institutional knowledge of existing public servants while introducing fresh perspectives and methodologies from outside. A prime example of this approach comes from Denmark's MindLab, one of the world's first public innovation labs. As Kit Lykketoft, MindLab's previous Deputy Director, recalls:

"When thinking about how to staff the Lab, we decided we needed skill sets not commonly found in the public sector at the time. We also needed people who understood how the public sector works."

MindLab decided to build capacity with a mixture of interdisciplinary and cross-functional skillsets: public administration, social research, and design. An early job posting called for individuals who wanted to "revolutionize the public sector." This brought in a flood of applications. The professional backgrounds of employees were varied but "all had some idealism, wanted to change something in the world," explained Lykketoft (The GovLab, 7). So, what are these skills and how do public sector organisations build their capability?

Essential Skills for Public Servant Innovators

Various frameworks for innovation skilling within the public sector have been developed by organisations such as Bloomberg Philanthropies, the OECD, and national governments like the UK's Digital, Data and Technology (DDaT) framework. Analysing these frameworks reveals that the skills required for public sector innovation broadly fall into four key groups illustrated in the table below

Table 6. Essential Skills for Public Servant Innovators

Essential Skills for Public Servant Innovators			
ANALYSIS	DESIGN	TECHNOLOGY	STORYTELLING
Including data analytics and foresight capabilities	Particularly service design and user-centred approaches	Encompassing digital literacy and emerging tech understanding	The ability to communicate complex ideas and rally support for them

Developing these skills requires a long-term, multipronged approach that supports public servants throughout their careers. It starts with strategic recruitment, whether by bringing in the right talent from within government into innovation teams or attracting people with non-governmental experience into the public sector. Then, there's the need to develop internal talent by systematically offering growth opportunities—such as short-term placements in different departments, design academies, and other learning initiatives. A third key element is clear performance management and career progression, ensuring public servants can map their skill sets to well-defined competencies at each level and benefit from structured career development, including 360-degree performance reviews. Table 7 below summarises this multi-pronged approach.

Table 7. Strategies for Developing Public Service Innovation Skills

Strategies for Developing Public Service Innovation Skills		
Strategic Recruitment	Internal Talents Development	Performance management and Career Progression
Bringing in talent from within government into innovation teams or attracting individuals with non-governmental experience into the public sector.	Providing structured learning opportunities such as short-term departmental placements, design academies, and continuous training initiatives along with coaching and mentorship.	Ensuring civil servants can map their skills to well-defined competencies at each career level and benefit from structured evaluations, including **360-degree performance reviews**.

Open Government Products Singapore has demonstrated strong practices in recruiting, developing, and growing the right talent. In 2022, it became the first government agency to be recognized as one of Singapore's Best Workplaces, underscoring its success in fostering an innovative and supportive work environment (Singapore, 2022). We expand on this further in the case study below, with additional details available in the appendix.

Open Government Products (OGP) – Fostering a High-Performing Public Service Team (sourced from Interview with Rahul Daswani, Head of People and Culture at Open Government Products)

Open Government Products (OGP), a division within Singapore's Government Technology Agency (GovTech), exemplifies how a government entity can cultivate a high-performing team to drive public sector innovation. Established as an experimental development team, OGP focuses on building technology solutions that address public sector challenges, aiming to accelerate the digital transformation of the Singapore Government. These strategies have contributed to OGP's recognition as one of Singapore's good workplaces, highlighting the effectiveness of their approach in building a high-performing team.

Key takeaways and lessons learned:
OGP's approach offers valuable lessons for governments looking to build and sustain high-performing teams in public sector innovation such as:

1. Transparent Performance Management: OGP implemented a performance management system that emphasises transparency and fairness, moving away from traditional hierarchical evaluations. By adopting Profit.co's Performance Management Module, OGP developed a model that:

- Incorporates qualitative feedback from multiple sources rather than relying solely on numerical performance scores.
- Encourages peer-to-peer and supervisor reviews, fostering a culture of continuous learning and improvement.
- Aligns individual goals with organisational priorities, ensuring that employees' contributions are recognised and valued.

2. Career Ladders for Structured Growth: OGP provides clear career pathways with well-defined expectations and progression benchmarks at every level. This ensures that employees can map their career trajectory based on their skills, competencies, and impact. Key features include:

- Transparent performance expectations for each role and level.
- Distinct milestones and benchmarks defining competencies and impact expected at each career stage.
- Options for senior employees to progress as either individual technical experts or managers, allowing for specialisation in areas such as recruitment, team structuring, or project leadership.

3. Cross-Department Mobility & Skills Exploration: To encourage cross-functional expertise, OGP allows employees to explore new departments and roles through a structured six-month trial period, offering:

- A salary freeze during the trial period to ensure unbiased career decisions.
- A formal assessment at the end of six months, determining the employee's new level and salary if they choose to transition permanently.
- The option to return to their original role if the new position isn't the right fit.
- Open pathways for employees to transition into completely new domains, such as an HR professional moving into product management.

2. Capacity

Public servants may have both the motivation and the skills to innovate but the reality of their jobs often means they simply don't have the capacity to do so. With pressing deadlines and statutory obligations, innovation can often seem like a luxury they cannot afford. However, building capacity for innovation is crucial for improving public service delivery and addressing complex societal challenges.

That's why innovation cannot be treated as a side project—it must help civil servants deliver on their existing objectives and Key Performance Indicators (KPIs). Pursuing innovation without a clear mandate often results in working two jobs, making it unsustainable. While some grassroots initiatives succeed and pave the way for broader adoption, this approach is not scalable. Innovation is a means to an end, not an end, and should be tied to performance metrics, supported by leadership, and embedded within existing mandates.

But sometimes, the solution lies in augmenting capacity rather than merely managing it. One way to support public servants in innovation is by expanding their capacity through external expertise and additional support. For example, **Canada's multiple civic tech initiatives** illustrate how collaborations with external stakeholders and innovation communities can bring fresh perspectives to government service delivery and without overburdening public servants. The "*How can civic tech help improve government service delivery?" report includes five case studies illustrating successful collaborations* (Burton, 2025) .

Case Study 5: Building Public Service Innovation Capability in Indonesia

Thematic Innovation Clinic in Pontianak City – sourced from (OECD-OPSI, 2024)

In 2022, Pontianak City, Indonesia, launched the **Thematic Innovation Clinic**, an initiative designed to foster innovation within local government operations. The program, aimed at improving public services and enhancing the city's rankings in the Regional Innovation and Regional Competitiveness Indexes, provides a model for embedding innovation into governance structures.

The clinic collaborates with key partners, including **Pontianak's Regional Development Planning Agency (BAPPEDA)**and **Tanjungpura University's Institute for Research and Community Service**, to support over 4,000 civil servants. Its focus on **building innovation skills** and **expanding professional networks** ensures that government staff are equipped to address complex challenges creatively. Using a **design thinking framework**, the clinic emphasizes user-centric problem-solving, which has led to remarkable results.

Between 2022 and 2023, the initiative catalysed significant growth in local innovation:

- **Number of innovations:** Increased from 165 to 196.
- **New ideas developed:** 168, of which 47 were validated for implementation.
- **National recognition:** Three innovations from Pontianak were included among Indonesia's 99 flagship public service innovations in 2023.

A critical factor in the program's success is its **collaborative approach**. By uniting civil servants, academics, startups, and other stakeholders, the initiative has created a vibrant innovation ecosystem. This inclusive model fosters knowledge-sharing, continuous learning, and a culture of experimentation.

Key takeaways and lessons learned:
Pontianak City's experience provides valuable lessons for other nations aiming to embed innovation within their local governance systems:

1. **Leverage Partnerships for Impact**
   Collaboration with academic institutions and community organisations, such as Tanjungpura University, expands expertise and resources. Governments can replicate this by engaging universities, think tanks, and startups to co-create solutions.
2. **Prioritise Capacity Building**
   Training civil servants in innovation skills, like design thinking, ensures public sector employees are equipped to tackle challenges. Governments should invest in structured capacity-building programs that promote creativity and adaptability.
3. **Adopt User-Centric Frameworks**
   Design thinking, which focuses on understanding user needs and iterative problem-solving, can drive impactful innovations. Governments should embed similar frameworks to improve service delivery and citizen satisfaction.
4. **Measure and Validate Progress**
   Pontianak tracked innovation growth and validated 47 ideas for implementation. Other governments can establish metrics to assess the development and scalability of their innovation initiatives.
5. **Celebrate Successes**
   Recognizing and promoting successful innovations, as seen with Pontianak's inclusion in Indonesia's 99 national flagship public service innovations, inspires continued efforts. Governments can create national platforms or awards to highlight and scale innovative solutions.

Policies, Legal and Regulatory Frameworks

Administrative policies and legal and regulatory frameworks are important, they are the often-uncredited drivers for innovation that we tend to forget about. If done well, they, can create an environment where innovation is encouraged, protected, and incentivised. They can influence nearly every aspect of public sector innovation, from adopting new technologies to delivering public services. They provide the necessary flexibility for governments to test innovative approaches while ensuring ethical and responsible implementation. These frameworks also help institutionalise funding and embed performance metrics tied to innovation, making them integral to long-term innovation strategies. Without them, public sector innovation efforts may struggle with legitimacy, consistency, or scalability. Different types of legal and regulatory approaches are available, and they enable innovation in distinct ways, as outlined in the table below.

Table 8. Policies, Legal and Regulatory Frameworks Overview

Policies, Legal and Regulatory Frameworks					
Flexibility for Experimentation - **Regulatory Framework**	Mandating Innovation in Performance Evaluations - **Administrative Policy**	Institutionalising Public Sector Innovation Training - **Administrative Policy**	Regulating Budgetary Allocations for Experimentation - **Regulatory Framework**	Regulating Decision-Making and Administrative Processes - **Regulatory Framework**	Legislating for Digital Government and Innovation - **Legal Framework**

1. Regulatory Flexibility for Experimentation (Regulatory Framework)

Rigid legal frameworks can often prevent new approaches from being tested. Regulatory flexibility can allow governments to try new ideas in controlled environments, ensuring that innovation is encouraged while maintaining oversight. Denmark launched **Free Municipality Experiments in Denmark** in 2012, a series of experiments aimed to reduce bureaucratic and legislative barriers to municipal innovation. This program allows selected municipalities to operate with greater autonomy and flexibility in delivering public services. The last round of Free Municipality Experiments in Denmark (2021–2024) has aimed to significantly reduce bureaucratic constraints by exempting selected municipalities from 60–70% of existing legislation

in key welfare areas, including primary education, daycare, and eldercare. This initiative, described as a "wild idea" by Danish Prime Minister Mette Frederiksen, seeks to enhance service quality by allowing municipalities to innovate free from most regulations, retaining only essential constitutional and EU law protections. These experiments have led to substantial innovations resulting in legislative proposals for broader welfare reforms (Guribye & Hjelmar, 2024). Other governments can adopt similar strategies by embedding experimental provisions in their legal systems or creating exemptions for pilot projects. This will encourage risk-taking while maintaining a level regulatory oversight.

2. Policies Mandating Innovation in Performance Evaluations (Administrative Policy)

To embed innovation into government operations, public servants must be incentivised to think creatively and challenge the status quo. Performance evaluations that include innovation-focused metrics help align civil servants' responsibilities with broader public sector modernisation goals. In addition to **Singapore's Open Government** Case Study at the end of this section, **South Korea has successfully implemented performance-related pay** for civil servants, fostering a competitive, performance-driven public sector with core competencies like planning, execution, and innovation as evaluation criteria. (Kim, 2014)**.** The initiative normalised innovation as a central aspect of public service by aligning innovation with career advancement and recognition. As a result, participation in innovation initiatives increased, and public servants were more actively engaged in driving change.

3. Policies Mandating Public Sector Innovation Training (Administrative Policy)

Ensuring that public servants have the skills and confidence to lead innovation efforts is a critical enabler of long-term success. Governments that invest in structured capacity-building programmes ensure that innovation becomes part of everyday public service delivery rather than a one-off initiative. **Singapore** introduced a comprehensive public service innovation framework that prioritises capacity-building for civil servants. This framework, known as the **Public Service Innovation Process Framework (PSIPF)**, was developed by the Innovation Lab within Singapore's Public Service Division (PSD). A core component of this framework is mandatory training in innovation methodologies, such as design thinking and agile practices. The result was a scaled

culture of innovation, where employees felt empowered to contribute meaningfully to public sector transformation (Public Service Division (PSD), Singapore, 2019).

4. Regulating Budgetary Allocations for Experimentation (Regulatory Framework)

As we saw in the previous section, one of the biggest challenges governments face when driving innovation is securing sustainable funding. Regulatory frameworks that institutionalise funding for experimentation help governments move beyond short-term projects to sustained transformation. One such example is **Canada's Directive on Experimentation**, introduced in 2016, which required government departments to allocate a portion of their program funds to testing new approaches and measuring their impact. The goal was to embed measurement, evaluation, and innovation into program and policy design across the public service. Deputy Heads were responsible for setting a percentage of program funds for experimentation and reporting their efforts in the 2017-18 Departmental Plan. Departments were also expected to share the results publicly —whether positive, negative, or neutral—and to develop strategies to build a stronger evidence base, supported by the Treasury Board Policy on Results.

By 2017, around two-thirds of departments referenced experimentation in their plans, though many had yet to commit to a specific percentage. In the first year, about 26% of departments provided concrete examples of experimentation. While the directive has raised awareness and led to some tangible initiatives, its long-term impact on policymaking and service delivery is still being assessed (Quaggiotto & Alhashmi, 2017).

5. Regulating Decision-Making and Administrative Processes (Regulatory Framework)

Bureaucratic inefficiencies and rigid decision-making structures can stifle public sector innovation. Governments that streamline administrative processes and decentralize decision-making create more agile institutions capable of responding effectively to emerging challenges.
In May 2018, the **Australian Government commissioned a review** to assess whether the Australian Public Service (APS) was fit for purpose. The process engaged over 11,000 individuals and organisations and included more than 400 consultations. The conclusion wasn't that the APS

was broken, but that maintaining the status quo would be inadequate to prepare for the challenges of the next decade.

One key recommendation, Recommendation 32, called for streamlining management and adopting good-practice ways of working to reduce hierarchy, improve decision-making, and better utilize APS expertise and resources. The implementation guidance emphasized minimizing organizational layers to enable decision-making at the lowest practical level, ensuring spans of control suited to the nature of the work, and maintaining flexible structures that could adapt to change. It also reinforced the need for job classifications aligned with work levels to support a more responsive and effective public service (OECD, 2020) .

6. Legislating for Digital Government and Innovation (Legal Framework)

PSI legislation establishes the foundation for secure and efficient digital government services, it safeguards the citizens and their rights and is as important to innovation in the public sector as of the other components. Circling back to Estonia as an example, it had a robust legislative framework that supported digital transformation early on. Key legislation includes the Personal Data Protection Act (1996), the Public Information Act (2000), the Digital Signatures Act (2000), and the Electronic Communications Act (2004) which allowed Estonia to lead in digital signatures, online voting, and comprehensive e-services.

Organisational Culture

We conclude this section of the report with a deliberate focus on culture—not only because of its intrinsic importance but also because culture is influenced and moulded by all the other enablers. A strong culture of innovation does not emerge in isolation; it is shaped by funding mechanisms, legislative flexibility, leadership commitment, and investments in capacity and capability. When these elements align (along with others we will discuss), they create an environment where innovation is encouraged and can thrive.

A recent article by the UK Cabinet Office, *Embedding a Culture of Innovation* (Cabinet Office, UK, 2024), highlights four key building blocks required to foster such a culture:

- **Communicate:** Clearly articulate the importance of innovation and ensure alignment across teams.
- **Role Model:** Leaders must actively demonstrate innovative behaviours and embrace change.
- **Upskill:** Equip employees with the necessary knowledge and tools to innovate effectively.
- **Embed:** Integrate innovation into everyday workflows, processes, and decision-making structures.

These four building blocks reinforce the essential enablers we have discussed—funding, legislative frameworks, capacity and capability, and leadership—demonstrating that an innovation-friendly culture is not just about training and skills but about the entire system working cohesively to support change Communicating and modelling the desired change helps make innovation mainstream—more the norm than the exception—while also creating psychological safety, which is crucial for a thriving innovation culture.

Innovation requires courage to challenge the status quo. These behaviours, even in the private sector, are only possible when employees feel psychologically safe—where they trust that taking risks and experimenting will not lead to punishment or reputational harm. This is particularly critical in public sector environments, where rigid hierarchies and bureaucratic norms can create barriers to new ways of working. Frederic Baervoets, Manager of *NIDO*, Belgium's public sector innovation lab, describes this dynamic in his OECD-OPSI article *Innovate by Learning New Dance Moves on a Safe Dance Floor* (Baervoets, 2024). Research from **La Bora Gov, Brazil's public sector innovation lab,** challenges the common assumption that civil servants resist change or lack innovation skills. Findings indicate that the primary barrier to public sector innovation is not a skills deficit but the absence of an enabling environment. Public servants often face micromanagement, rigid hierarchies, and overwhelming operational demands, leaving little space for experimentation or long-term strategic thinking. While many capacity-building programmes equip officials with innovation tools and methodologies, these efforts remain ineffective if civil servants lack the psychological safety and autonomy to apply them. La Bora Gov

addresses this gap by creating a neutral space where public officials can collaborate, test new ideas, and strengthen socio-behavioural competencies essential for innovation. This approach highlights the need for institutional reforms that foster a supportive, adaptive, and learning-oriented culture within government (OECD Observatory of Public Sector Innovation (OPSI), 2021).

Chapter 06: WIDER NATIONAL PSI ENABLERS

Infrastructure

Public Sector Innovation (PSI) does not exist in a vacuum. Even when governments do everything right, external factors beyond their direct control play an influential role in shaping the success of innovation efforts. These factors may not always be specific to PSI, but they create the conditions that enable or hinder its impact. It's crucial to design with a country's external limitations and opportunities in mind to ensure the PSI approach is leaning on its strengths and mitigating the risk of its barriers. The table below outlines key external factors that can influence PSI, including technological enablers such as digital public infrastructure, connectivity, cloud computing, and cyber security, which provide the foundation for scalable innovation. It also highlights societal and governance-related factors, such as trust and citizen engagement and digital literacy which shape public sector adoption and acceptance of new approaches.

Table 9. Wider National PSI Enablers

EXTERNAL FACTOR	WHAT IT INCLUDES	WHY IT'S IMPORTANT TO PSI
Trust and Citizen Engagement	Open government initiatives, participatory policymaking, transparent data-sharing practices, and mechanisms for citizen feedback in service design and governance. Also includes measuring public trust levels through surveys, sentiment analysis, and digital participation metrics.	Enables co-creation of innovative solutions, fostering a culture of public sector experimentation and ensuring that innovations align with citizen needs.
Digital Literacy	Access to digital tools, training programmes, and policies to bridge the digital divide, ensuring all citizens, including marginalised groups, can engage with public sector innovations. Also includes national assessments of digital skills levels among citizens and public servants.	Ensures that public sector innovation reaches all citizens, preventing digital exclusion and maximising societal benefits from new technologies.

Digital Public Infrastructure	Foundational digital systems that enable government innovation, such as digital IDs, e-government platforms, and interoperable data exchanges.	Establishes core systems that enable governments to digitise administrative processes, streamline service delivery, and facilitate data sharing across agencies
Connectivity infrastructure and digital access	High-speed broadband, 5G networks, and nationwide internet access to ensure seamless digital service delivery and public sector collaboration.	Expands access to innovation, supports smart city initiatives, and allows governments to pilot new service delivery models in real time.
Cloud Computing and Scalable Digital Infrastructure	Reliable cloud services and data centres to store and process large volumes of public sector data efficiently.	Allows governments to rapidly test, scale, and iterate innovative projects, facilitating agile policymaking and real-time public service innovation.
Cyber Security	National frameworks, regulations, and investments in cybersecurity to protect public sector digital infrastructure from cyber threats, ensuring data integrity and public trust.	Creates a secure foundation for innovation which allows governments to experiment with new technologies such as AI, blockchain, and open data without risking security breaches.

Public Sector Innovation Partnerships

Like infrastructure, partnerships exist partially outside the PSI governance structure since they involve non-governmental counterparts and governmental counterparts that are only tangential to PSI. However, like infrastructure, they can either significantly enable PSI or, if lacking, hinder its progress. In the context of PSI, partnerships are crucial because governments alone can only do so much; government efforts must be complemented by external expertise and resources. Governments should be seen not as sole problem-solvers but as facilitators that bring together diverse stakeholders—including the private sector, civic ecosystem, and academia—to co-create solutions. The nature and structure of these partnerships will be shaped by the country's unique academic, private sector, and civic landscapes. Factors such as the strength of industry clusters, the presence of research institutions, and the maturity of digital and technological ecosystems will influence how partnerships are formed and sustained. In some contexts, collaborations may be driven by large multinational corporations or tech startups, while in others, grassroots civic initiatives and research-led innovation hubs may play a more prominent role. Table 10 outlines key mechanisms through which the public and private sectors collaborate to drive public sector innovation.

Table 10. Public Private Sector Innovation Partnerships

PPP MECHANISM	DESCRIPTION	EXAMPLE
Co-Funding Innovation Projects	Governments and private sector partners share costs and risks to co-develop innovative solutions for internal challenges.	Singapore's Public Sector Co-Innovation Partnership Programme
Blended Finance Models	Combines public and private investments to fund projects that might otherwise be too risky for the private sector alone.	South Korea's R&D Platform for Investment and Evaluation (R&D PIE)
Innovation Labs and Sandboxes	Creates controlled environments where private companies collaborate with governments to test and refine new technologies or processes.	The UK's GOV.UK Pay service
Outsourcing and Shared Risk Models	Private companies are contracted to handle specific innovation projects, with shared risk and oversight by the government.	Various government-private collaborations in tech pilots
Capacity Building Through Private Sector Expertise	Private sector partners provide training, tools, and methodologies to public sector employees, ensuring sustainable innovation.	Estonia's X-Road data exchange system

Case Study 6: Courthouse Efficiency in Brazil with OpenAI

Case Study: Public-Private Partnerships Power Brazil's AI-Driven Legal Reform – sourced from (OECD, 2016) (Reuters Technology, 2024)

How Brazil Did It

Facing unsustainable court-ordered debt payments projected to reach 70.7 billion reais ($13.2 billion) by 2025, Brazil turned to an innovative solution in 2024: a public-private partnership with OpenAI and Microsoft Azure. This collaboration addressed a pressing fiscal challenge by leveraging private sector expertise to introduce advanced technology into public sector processes.

Instead of relying solely on government resources, Brazil allocated just 1% of the projected debt expenses to fund the development and deployment of an AI-driven system. This system, powered by OpenAI's capabilities and hosted on Microsoft Azure, proactively managed thousands of lawsuits. It identified potential risks early, provided real-time trend analysis, and allowed government lawyers to act pre-emptively, all while maintaining ethical oversight through human supervision.

The partnership delivered measurable results, cutting legal expenses by up to 30% and easing significant financial strain on the federal budget. Beyond cost savings, the initiative set a benchmark for how public-private partnerships can foster transformative change in the public sector

Key takeaways and lessons learned:

Brazil's successful approach underscores the critical role of public-private partnerships (PPPs) in driving public sector innovation. Here are key takeaways:

1. **Maximise Existing Resources Through Partnerships**
   By collaborating with OpenAI and Microsoft Azure, Brazil accessed cutting-edge AI technology and expertise that would have been challenging to develop in-house. This model shows how governments can leverage private sector capabilities to accelerate innovation without overextending internal resources.
2. **Focus on High-Impact, High-Need Areas**
   Brazil targeted a specific, measurable problem—rising court-ordered debt costs—that could be directly addressed with private sector support. Other governments can adopt this approach by identifying critical pain points and engaging private partners to co-develop solutions.
3. **Share Risk and Rewards**
   Public-private partnerships distribute financial and operational risks, making ambitious projects more feasible. Brazil's investment of just 1% of projected costs demonstrates how governments can share the burden of innovation while reaping significant benefits.
4. **Ensure Accountability in Collaboration**
   Partnerships succeed when roles, responsibilities, and oversight mechanisms are clearly defined. Brazil maintained human oversight of the AI system, ensuring transparency and accountability—principles that are essential in any public-private collaboration.
5. **Position Partnerships as Catalysts for Broader Change**
   Brazil's partnership wasn't just about AI; it was about demonstrating a model for how governments and private companies can co-create solutions. By aligning private sector innovation with public sector goals, Brazil paved the way for more effective and efficient governance.

Chapter 07: Risks and Challenges

Despite the growing momentum for innovation in government, numerous challenges persist. These challenges range from bureaucratic resistance and outdated infrastructure to skills shortages and shifting political priorities. Drawing from global research, including UN DESA reports, the UN E-Government Survey, the OECD's Observatory of Public Sector Innovation (OPSI), and the World Bank's GovTech Maturity Index, this section highlights key barriers to public sector innovation and strategies to overcome them. Table 11 outlines the main challenges examined in this section.

Table 11. Challenges to Public Sector Innovation

CHALLENGES TO PUBLIC SECTOR INNOVATION						
Resistance to change	Silos in government and coordination challenges	The use of legacy systems and outdated infrastructure	Lack of staff skills and capacity constraints	Trust and citizen engagement challenges	Political leadership and institutional continuity	Challenges with inclusivity

Resistance to Change

A major challenge in public sector innovation is resistance to change, deeply embedded in bureaucratic structures. Civil servants often perceive innovation as disruptive, threatening established workflows, job roles, and hierarchies. The UN DESA's Compendium on Public Sector Innovation (United Nations Department of Economic and Social Affairs (UN DESA), 2023) highlights that rigid institutional cultures, fear of failure, and deeply entrenched administrative procedures discourage experimentation. The OECD's Public Sector Innovation Imperative (Organisation for Economic Co-operation and Development (OECD), 2015) similarly underscores that governments with high levels of risk aversion struggle to adopt new approaches.

Silos in Government and Coordination Challenges

Government agencies often operate in silos, leading to fragmented policies, duplicated efforts, and inefficient service delivery. The UN E-Government Survey (United Nations Department of Economic and Social Affairs (UN DESA), 2022) highlights that a lack of cross-departmental coordination results in poor information-sharing and limited integration of services. The World Bank's GovTech Maturity Index identifies weak inter-agency collaboration as a key obstacle to successful digital transformation (World Bank, 2021).

Countries have adopted whole-of-government approaches to innovation by establishing cross-agency innovation units that promote collaboration. Singapore's approach institutionalizes inter-ministerial working groups to drive innovation transformation efforts (Prime Minister's Office Singapore (PMO), 2017). Similarly, the United Kingdom's Government Digital Service (GDS) facilitates interoperability between agencies, ensuring seamless service delivery.

To break down silos, governments must:

- Establish central innovation units that coordinate efforts across ministries.
- Mandate cross-agency collaboration through policy frameworks.
- Leverage digital platforms to facilitate inter-agency communication and data sharing.

The Use of Legacy Systems and Outdated Infrastructure

Public sector innovation is frequently constrained by outdated IT systems that are expensive to maintain, inflexible, and incompatible with modern digital services. The UN E-Government Survey (United Nations Department of Economic and Social Affairs (UN DESA), 2022) identifies legacy infrastructure as a key challenge in low- and middle-income countries, where governments struggle to transition from paper-based to digital governance.

Governments are addressing this challenge through cloud-first policies, open-source solutions, and interoperability standards. The United Kingdom's Cloud First Policy requires agencies to prioritise cloud-based solutions over on-premises legacy systems. Meanwhile, **Vietnam's**

National Digital Transformation Program (OpenGov Asia, 2025) mandates the digitisation of government records, reducing dependency on legacy systems.

Key strategies to overcome this barrier include:

- Investing in modern digital infrastructure to replace outdated systems.
- Adopting open-source solutions to improve interoperability.
- Implementing data governance frameworks for seamless service integration.

Lack of Staff Skills and Capacity Constraints

A significant challenge in public sector innovation is ensuring that civil servants have the necessary skills to lead and sustain innovation efforts. (United Nations Department of Economic and Social Affairs (UN DESA), 2022)notes that while digital transformation is advancing, skill shortages—particularly in data analytics, service design, and technology adoption—are holding back progress.

To address skill gaps, governments must:

- Embed innovation into professional development frameworks.
- Launch dedicated training academies focused on digital transformation.
- Create talent pipelines through partnerships with universities and the private sector.

Trust and Citizen Engagement Challenges

Public trust in government is a critical enabler of innovation. It shapes both the willingness of citizens to engage with new policies and the success of public sector transformation efforts. The UN E-Government Survey (United Nations Department of Economic and Social Affairs (UN DESA), 2022) highlights that while digital services improve accessibility, concerns around data privacy, security, and surveillance remain barriers to adoption. Countries with low digital trust experience higher resistance to e-governance initiatives, reform efforts, limited public cooperation, and difficulties in scaling innovation initiatives.

To build and maintain trust, governments must demonstrate credibility and inclusiveness across both digital and analogue spheres. This involves not only safeguarding data and ensuring

transparency in digital systems but also engaging meaningfully with communities, addressing systemic inequities, and improving day-to-day interactions between citizens and the state.

Good practices for building trust include:

- Strengthening institutional integrity through transparency in decision-making, procurement, and performance reporting.
- Encouraging participatory policymaking through digital and offline platforms that allow citizens to contribute to decision-making.
- Improving service delivery by ensuring efficiency, accessibility, and responsiveness in public services.
- Ensuring independent oversight of government innovation initiatives.
- Adopting transparent AI and data governance policies to address concerns around digital surveillance and misuse of personal data.

Political Leadership and Institutional Continuity

Frequent political transitions often disrupt long-term innovation efforts. OECD and OPSI highlight in their "How do we Make it Happen?: Implementing Public Sector Innovation" report that shifting leadership priorities often result in the discontinuation of promising projects, leading to wasted resources and loss of institutional knowledge (Organisation for Economic Co-operation and Development (OECD) Observatory of Public Sector Innovation (OPSI), 2019).

Countries that successfully maintain innovation momentum institutionalise strategies through long-term policy commitments. South Korea's 10-Year Digital Government Master Plan (World Bank , 2022) ensures that digital transformation remains a national priority, regardless of political shifts. Similarly, Finland's cross-party agreements on digital governance (OECD, 2021) safeguard continuity in innovation initiatives.

Key strategies to sustain innovation through leadership changes:

- Embedding innovation in national development plans.
- Ensuring broad political support for key initiatives.

- Creating independent innovation agencies to sustain long-term projects.

Challenges with Inclusivity

Ensuring equitable access to innovative public services remains a challenge, particularly in rural and underserved communities. The World Bank's Digital Dividends Report (World Bank, 2016) highlights that while urban areas benefit from robust digital infrastructure, rural populations often face significant access gaps.

To address these risks effectively, governments must establish clear metrics and evaluation frameworks to track the impact of their innovation efforts. The next section explores how PSI can be measured and assessed to ensure sustained progress.

Chapter 08: Measuring Innovation and Scale

Measuring public sector innovation is complex, as innovation in government does not always immediately yield tangible outcomes; it may take years. Evaluating societal outcomes is particularly challenging due to the interconnectedness of systems and the difficulty of isolating specific causal effects. Governments typically assess innovation by tracking improvements in efficiency, cost savings, and service enhancements for citizens. They also consider the bigger picture – like the long-term impact on society and the economy and whether the culture within public institutions is evolving to support ongoing change. Governments worldwide have adopted various frameworks and methodologies to measure and monitor public sector innovation. Below are some notable examples of how different governments are measuring their innovation efforts.

Table 12. Measuring Innovation Methods

Approach	Description	Example
Measuring the Indefinable	Capturing intangible aspects of innovation, such as cultural change and internal collaboration, through qualitative and quantitative data.	**New Zealand Innovation Barometer** – Provides government agencies with insights into their innovation maturity, comparing trends across different departments and sectors. (New Zealand Government, Department of Internal Affairs, 2020)
Tracking Efficiency Gains	Quantifying cost savings from reduced bureaucracy, digitisation, and streamlined processes.	**Estonia's e-Government System** – Tracks savings from reduced paperwork and improved efficiency in public service delivery. (Vainsalu, 2017)
Assessing Organisational Culture & Design Thinking Adoption	Evaluating the extent to which design-led approaches are embedded within public sector institutions.	**Denmark's MindLab** – Measured innovation by tracking cultural shifts within agencies and the number of design-thinking projects undertaken. (The GovLab, 2016)
Open Government Progress Monitoring	Using digital dashboards to track the implementation and effectiveness of open government commitments.	**OECD's Open Government Monitoring** – Provides a systematic way to assess progress in open governance and citizen engagement. (Organisation for Economic Co-operation and Development (OECD), 2017)

In addition to national frameworks, many governments use internationally recognised indices to benchmark their innovation performance. Although these indices might not appeal to the specific context and desired outcomes of a county's PSI initiatives, they do provide a broad starting point for countries to identify areas of strength and weakness, global good practices and track progress. Below is a comprehensive list of indices that are tied to public sector innovation. Below is a comprehensive list of indices related to public sector innovation.

Table 13. Public Sector Innovation Indices

Index	Brief Overview	Organisation	Links
UCLA Public Sector Capabilities Index	Evaluates city governments' innovation and problem-solving capacities, focusing on skills like community engagement and digital platform usage. Expected launch in 2025.	University College London (UCL) Institute for Innovation and Public Purpose (IIPP)	Link

Worldwide Governance Indicators (WGI)	Measures governance quality in six areas, including government effectiveness and regulatory quality, with an indirect focus on innovation.	World Bank	Link
Global Innovation Index (GII)	Measures countries' innovation capabilities across public and private sectors, focusing on research, development, and policy support.	World Intellectual Property Organization (WIPO)	Link
Government AI Readiness Index	Evaluates government readiness for AI implementation, emphasizing digital infrastructure and ethical considerations.	Oxford Insights	Link
OECD Digital Government Index (DGI)	Assesses digital transformation across OECD countries, including citizen-centric services and open data policies.	Organisation for Economic Co-operation and Development (OECD)	Link
United Nations E-Government Development Index (EGDI)	Evaluates global digital capabilities in online services, telecom infrastructure, and human capacity.	United Nations Department of Economic and Social Affairs (UN DESA)	Link
European Commission's Digital Economy and Society Index (DESI)	Tracks EU countries' progress in digital services, skills, and technology integration.	European Commission	Link
GovTech Maturity Index (GTMI)	Measures the maturity of digital public services and GovTech infrastructure, targeting low- and middle-income countries.	World Bank	Link

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Annex 1 Table of Public Sector Innovation Examples

Example	Country	Region	Gross National Income (GNI) per Capita Classification	Overview
Estonia's e-Governance system	Estonia	Europe	High income	A fully digital government system allowing citizens to access public services online, including e-residency, e-taxation, and online voting, significantly reducing bureaucracy.
Singapore's Smart Nation programme	Singapore	Asia	High income	A national initiative integrating AI, IoT, and data analytics into governance, improving urban mobility, healthcare, and digital identity services.
Brazil's establishment of the Bureaucratic Simplification Committee	Brazil	Latin America and the Caribbean	Upper middle income	A government-led initiative to streamline bureaucratic processes, improve regulatory efficiency, and enhance ease of doing business.
UK's GOV.UK platform	United Kingdom	Europe	High income	A unified government digital service providing easy access to public services, consolidating multiple government websites into a single platform.
Robotic Process Automation (RPA) for backlog of 30,000 pension claims	United Kingdom	Europe	High income	Automated system using RPA to process delayed pension claims efficiently, reducing backlog and improving service delivery.
South Korea's K-VoM, the AI-based voice analysis model designed to combat voice phishing crimes	South Korea	Asia	High income	AI-powered voice recognition technology used to detect and prevent fraudulent phone scams, improving public safety.

Cloud Computing in Kenya's public hospitals	Kenya	Africa	Lower middle income	AI-driven public service model providing citizens with proactive and personalised digital services based on life events and individual needs.
AuroraAI	Finland	Europe	High income	AI-driven public service model providing citizens with proactive and personalised digital services based on life events and individual needs.
Singapore's Centre for Strategic Futures	Singapore	Asia	High income	A think-tank within the government using scenario planning and foresight techniques to prepare Singapore for long-term policy challenges.
Statistics Netherlands	Netherlands	Europe	High income	A government agency using real-time data analytics and predictive models to inform economic and social policymaking.
Real Time Governance Society	India	Asia	Lower middle income	A digital governance platform providing real-time data to government officials to monitor infrastructure, public service delivery, and emergency response.
NAV system	Norway	Europe	High income	A comprehensive welfare and employment service integrating AI and automation to provide citizens with personalised career and social support services.
HealthHub	Singapore	Asia	High income	A digital health platform offering personalised medical records, preventive care reminders, and integrated healthcare services for Singaporean residents.
Real-Time Economy Vision	Estonia	Europe	High income	A framework for automating financial and business transactions, reducing bureaucracy, and improving economic efficiency through real-

				time data exchange.
RDB One Stop Centre	Rwanda	Africa	Low income	A centralised business registration and investment facilitation hub, reducing regulatory complexity for entrepreneurs and investors.
Doorstep Delivery of Public Services	India	Asia	Lower middle income	A program allowing citizens to access government services such as documentation and licensing through home delivery, reducing bureaucratic inefficiencies
Government Digital Service (GDS)	United Kingdom	Europe	High Income	The agency responsible for leading digital transformation in the UK government, overseeing initiatives like GOV.UK and digital identity verification.
The Open Data Initiative	Kenya	Africa	Lower middle income	A national initiative to enhance transparency and public engagement by making key government datasets openly accessible online.
The Participatory Budgeting	Brazil	Latin America and the Caribbean	Upper middle income	A model enabling citizens to vote on local government spending priorities, increasing democratic engagement and transparency.
Ministry of Happiness	United Arab Emirates	Middle East and North Africa	High income	A government body dedicated to measuring and improving national happiness and well-being through data-driven policies and social programs.
Citizen Incubator Model	United Kingdom	Europe	High Income	A government-backed initiative fostering civic innovation by providing citizens and entrepreneurs with funding, mentorship, and policy support.

Government Communications Service (GCS)	United Kingdom	Europe	High Income	The UK's central body managing government communications, digital campaigns, and public engagement strategies.
UAE's National Innovation Strategy	United Arab Emirates	Middle East and Africa	High Income	A government-wide strategy focusing on AI, digital transformation, and research-driven innovation to position the UAE as a global innovation leader.
Digital Transformation Agency	Australia	Oceania	High Income	Leads the Australian government's digital transformation efforts, ensuring seamless public service delivery through digital platforms and cloud services.
Project Spark	United Kingdom	Europe	High Income	A UK initiative using AI and automation to modernise public service operations and improve decision-making.
Better Public Services	New Zealand	Australasia	High Income	A government reform initiative improving public service efficiency, citizen engagement, and cross-agency collaboration.
Public Procurement Service (PPS)	South Korea	Asia	High income	A digital platform streamlining procurement for government agencies, increasing transparency and reducing corruption risks.
Thematic Innovation Clinic	Indonesia	Asia	Upper middle income	A government-led initiative providing targeted innovation support to improve service delivery in key public sectors.
AI-Driven Legal Reform	Brazil	Latin America and the Caribbean	Upper middle income	Uses artificial intelligence to automate legal document processing, improving judicial efficiency and access to justice.
Public Sector Co-Innovation Partnership	Singapore	Asia	High income	A collaborative initiative between the government and private sector to co-develop innovative public service solutions.

R&D Platform for Investment and Evaluation (R&D PIE)	South Korea	Asia	High income	A national platform that facilitates research and development investments through data-driven decision-making and evaluation tools.
X-Road data exchange system	Estonia	Europe	High income	A secure digital infrastructure that enables seamless data exchange across government institutions and private sector entities, reducing redundancy and enhancing efficiency.

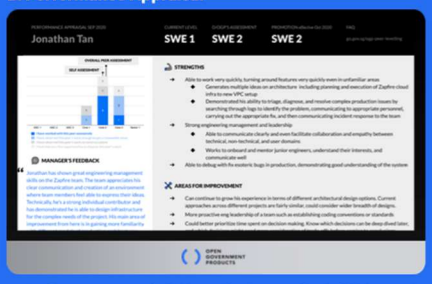
Annex 2: Open Government Singapore Corporate Flyer

A. Career Schema

Level	Role & Job Description	
1	**Associate Software Engineer:** Trainees with an aptitude for engineering, but lack some basic skills; for students/mid-career switchers who have done basic coding courses	
2	**Software Engineer:** Entry-level engineers who have training and skills, but are unfamiliar with working in a production environment	
3	**Senior Software Engineer:** Independent individual contributors	
4	**Lead Software Engineer:** Fully proficient individual contributors who provide technical leadership	**Engineering Manager:** Fully proficient lead-level engineers focusing on team development
5	**Staff Software Engineer:** Champions for engineering progress	**Senior Engineering Manager:** Fully proficient engineers who are also competent people managers
6	**Principal Software Engineer:** Paragons of critical engineering leadership	**Engineering Director:** Managers who are proficient enough to manage other managers

- **Distinct milestones and benchmarks** defining competencies and impact officers should have at each stage of their career
- **Options for senior employees** to progress as individual technical experts or managers (e.g. focus on recruiting, organising, etc.)

B. Performance Appraisal



- **Performance appraisals thematically organised:** (a) Manager's feedback, (b) Strengths, and (c) Areas for improvement.
- **Feedback** from peers of **various seniority and functions** based on **objective, standardised assessment metrics**

7.9/10
level of clarity OGP officers have on what they can do to progress and develop

7.7/10
level of fairness of OGP's performance appraisal process from post-appraisal survey

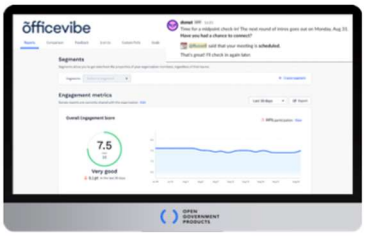
OUR WORK ENVIRONMENT EMPOWERS AN AGILE WORKFORCE

OGP achieves >85% workplace satisfaction by integrating tools and modalities for focussed work, team engagement and social interactions, into our hybrid workplace.

Keep up to date with colleagues' work
- Regular *Team Syncs & Weekly updates*

Build genuine relationships with colleagues
- *Donut-matching, #Social Channels*

Distinct demarcation between work & home
- *Separate Work & Personal Apps*
- *Work App snoozes at 6pm*



100%
of OGP officers believe that OGP enables easy collaboration even in remote settings

87%
of OGP officers find OGP an enjoyable work environment

WE CREATED A SYSTEM FOR CONTINUOUS LEARNING & DEVELOPMENT

Each OGP staff spends >40 hours of learning per month to upskill and build cross-functional competencies.

- Dedicated **whole-day self-learning** for officers to pick up **technical or job-specific skills each week**
- Avenue for officers of **different teams to share learnings** across the whole organisation
- **One month** dedicated to **upskilling** with employees sorted into **learning groups** with **assigned domain expert**
- Officers apply learnings while **working in cross-functional teams** to **brainstorm** and **prototype solutions** to public sector problems

Successful Hackathon Products: SCAMSHIELD homer

40 hours
average learning time for OGP officer each month

100%
of OGP managers are held accountable through their performance appraisal for their team's learning & development

Annex 3: UAE PSI Framework

(Mohammed Bin Rashid Centre for Government Innovation, 2015)
https://ibtekr.org/wp-content/uploads/2024/11/Innovation-Framework-Report-ENG.pdf

ANNEX 4: Georgia's Innovation Lab

Case Study: Georgia's Innovation Lab and the 112 Emergency Service Redesign
Background: A Shift Towards Innovation
In the early 2010s, Georgia experienced a significant shift in governance, bringing a younger generation of leaders into public administration. This shift created momentum for modernization, particularly within the Public Service Development Agency (PSDA), which saw innovation as a key driver for improving government services. With support from the United Nations Development Programme (UNDP), the Swiss Agency for Development and Cooperation (SDC), and the Swedish International Development Cooperation Agency (SIDA), a dedicated Research and Innovation Division was established within PSDA.
As part of these efforts, a Service Lab was created to develop user-centric solutions, primarily serving the Ministry of Internal Affairs (MOIA). While PSDA covered the lab's salaries, international donors provided training and capacity-building initiatives focused on foresight methodologies, human-centered design (HCD), and data-driven decision-making.

Challenge: Lack of Accessible Emergency Services for the Hearing Impaired
One of the most critical projects that emerged from the Lab's work was the redesign of Georgia's 112 Emergency Service to accommodate individuals with hearing impairments. Prior to this intervention, there was no accessible way for the deaf and hard-of-hearing community to contact emergency services, leaving them particularly vulnerable in crisis situations.
The Lab collaborated with the Union of the Deaf of Georgia to conduct research and co-design a more inclusive solution. Through workshops, prototyping, and iterative testing, they identified several key barriers:

- There was no mechanism for individuals with hearing impairments to call 112.
- Written text-based emergency messages were not structured in a way that aligned with sign language syntax, making communication inefficient.
- Emergency operators were not trained in sign language, further complicating the response process.

Solution: Co-Designing an Inclusive Emergency System
The Service Lab and 112 Emergency Service teams co-developed and tested a series of solutions in collaboration with the deaf community:

1. A video calling service allowing individuals with hearing impairments to directly connect to a trained emergency operator via video call, ensuring real-time two-way communication.
2. Employment of sign language operators to serve as emergency responders.
3. Redesigning SMS-based communication so that emergency text messages aligned with Georgian Sign Language patterns, ensuring better comprehension.
4. Providing professional uniforms for video call operators to enhance their credibility and authority in crisis situations.

Impact: A More Accessible Emergency Service

The redesigned 112 Emergency Service was launched in 2015, and within just seven months, the platform saw tangible results:

- 270 individuals with hearing impairments registered for the service.
- The platform handled 147 emergency video calls and 94 SMS-based emergency messages (UNDP, 2016).
- In 2016, the initiative received the European Emergency Number Association's Innovative Service Award, recognizing it as a pioneering model for accessible emergency services (GovInsider, 2016).
- The initiative enhanced the safety and independence of Georgia's deaf community, demonstrating the power of inclusive design in public services.

Structural and Sustainability Challenges

While the Service Lab's work had a profound impact, it faced significant institutional barriers:

- PSDA (back office) and PSH (front office) were not fully integrated, partly due to concerns about corruption and bribery within intergovernmental payment mechanisms.
- The Lab had no discretionary budget to develop new projects beyond donor-funded activities.
- There was no mechanism for other ministries to pay for the Lab's services, even though demand was high.

Despite these challenges, the success of the 112 Emergency Service redesign showcased the value of human-centered innovation in public services. The project not only improved emergency response capabilities but also set a precedent for future inclusive digital government initiatives in Georgia.

Key Takeaways and Lessons Learned

1. User-centered innovation delivers real impact. Engaging end-users—in this case, the deaf community—in the design and testing process ensured that the solution was both functional and effective.
2. Institutional barriers can limit scalability. Despite high demand, the lack of a financial mechanism for inter-ministerial collaboration hindered the long-term sustainability of the Lab's work.
3. Public-private collaboration strengthens innovation. International donors (UNDP, SDC, SIDA) played a crucial role in capacity building, providing the Lab with methodologies and training in foresight, HCD, and data analytics.
4. Recognition helps scale good practices. Winning an international award helped validate the initiative, encouraging other governments to explore similar inclusive digital services.

This case study is based on an interview with Mariam Tabatadze, one of the Service Lab's first employees and currently a UNICEF staff member.

By bridging user needs, innovation methodologies, and international collaboration, Georgia's 112 Emergency Service redesign serves as a model for accessible public service delivery worldwide.

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