Programme for Consolidating Economic Governance
and Public Finance Management Systems in the PALOP-TL Countries
(Pro PALOP-TL SAI – Phase II)

INNOVATION COMPONENT ANALYSIS AND STRATEGY RECOMMENDATION

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I. PURPOSE OF INNOVATION AND GROWTH STRATEGY

Innovation provides a way of doing work differently in order to achieve better outcomes as well as provide growth, also when it comes to projects and programmes aimed at significantly impacting a particular development area.

This document aims at reviewing the innovation component of Phase II of the ProPALOP-TL SAI programme and providing recommendations for further improving and developing this part of the programme. It will:

> ► Collect data about the innovation aspect of the programme
>
> ► Conduct proper assessment of the most innovative actions that are part of the programme
>
> ► Conduct an assessment of how well the programme is organized for innovation
>
> ► Provide suggestions for next steps from two perspectives: how the programme can better organise for innovation internally and how it can trigger innovation outside the organisation in the field of transparency and accountability in public financial management

II. METHODOLOGY

For the development of this document, the expert has employed several approaches for the analysis and for the data collection. In brief, it includes the following:

1. Conducting desk review of documents and products recommended by the management team

2. Conducting interviews for data with programme's team members

3. Applying an umbrella framework for impact innovation meant to be used by public and international institutions and non-profit organisations.

   1. Analysis approach

A. THE UMBRELLA FRAMEWORK FOR IMPACT INNOVATION

Inspired by similar business frameworks, the umbrella framework for innovation provides an alternative that targets organisation and institutions focused mostly on impact rather than profit.

Why is there a need for different than for-profit frameworks? Most of the existing business frameworks have a huge focus on market(s). Rather than directly focusing on markets and how we settle/create/exploit them (which is mostly irrelevant), the question is reformulated to how we go about value capture. A non-profit doesn't need to capture most or all of the value, it should boost its creation, ensure that its beneficiaries and its offspring capture most of the value, while at the same time profits from it in building and using capacities that it wasn't able to acquire or hire before. The lack of pressure for value capture, allows the non-

profit entity to make the best possible decision of where the value should be created – by the organisation itself or instead putting itself in a facilitation role – ensuring that external organisations have the capabilities, the resources, and the ecosystem to successfully pursue innovation in that domain or mandate. The framework doesn't have a specific focus on a particular type of innovation and the outcomes of it can be product or process innovation, disruptive or sustained, in-house or externally developed, etc. Technology is somehow part of it too, but not the main focus. As in most of frameworks and strategies, it is seen as something providing "bundles of possibilities" (Geroski, 2003) and a lot of innovation is technology-driven. The development of technological inventions and innovations is rare but not discouraged. There are a lot of notable technological inventions and innovations that have changed both public and private sectors and have sparked more innovation. Notable examples are internet and navigation systems (ARPANET, GPS were initially developed by governmental agencies in the US).
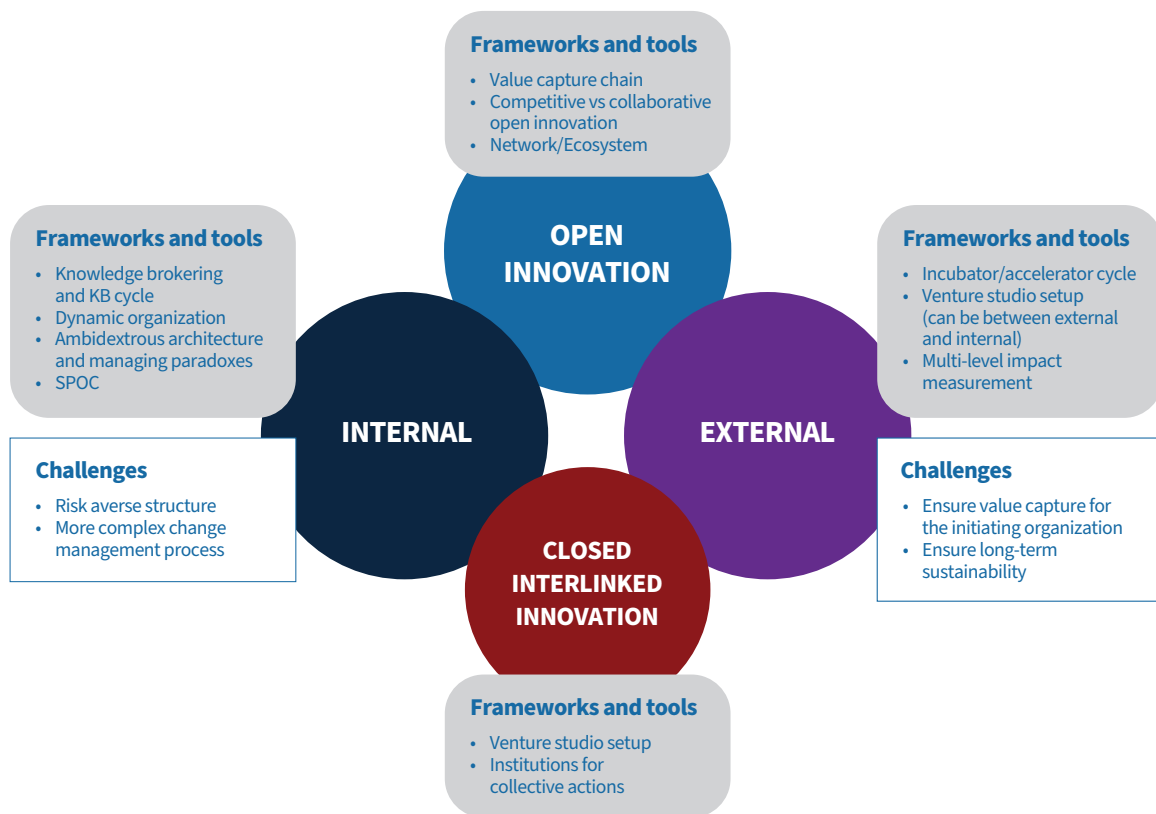
Figure 1: Experimental umbrella framework for innovation at international institutions. @Yane Frenski

B. CRITERIA FOR ASSESSING THE CURRENT STATE

Using the umbrella framework, the analysis will review the status at the higher level – whether the programme's innovation efforts can be accessed across the four big areas – internal, external, as well as the cross-cutting ones – open and closed interlinked innovation. Then, for each of the applicable areas, the most appropriate framework(s) will be selected to perform the analysis.

C. METHOD FOR RECOMMENDATION

Based on the analysis of the current state, as well as the capacities built and the ecosystem developed, the document will also provide recommendations on how the innovations efforts can be sustained and moved forward. This will be reviewed in two aspects:

> ► Exit strategy for closing of the programme that includes an innovation component
>
> ► A dedicated Innovation strategy for future programme developments

2. Data collection

A. DESK REVIEW

The desk review involved the review of programme documents and outcomes.

The documents include:

> ► The programme formulation document
>
> ► The programme mid-term evaluation report
>
> ► The technology and the programme 2019 innovation strategic document

The products include:

> ► eBudget Portal
>
> ► Learning Management System and eLearning courses
>
> ► The Pro PALOP-TL SAI Model for gender sensitive budgeting

B. INTERVIEWS

Interviews were held orally, mostly in-person (or via teleconference when in-person meeting wasn't possible), allowing the interviewees to share more details about their work and respond to follow-up questions (asked when something wasn't clear in the initial response). Also, the interviewees were kept anonymous, and all privacy was preserved. Each interview took roughly 15-20 minutes to complete. All interviews were conducted between March 14th and March 22nd, 2022.

1. The list of questions that interviewees had to respond to:

2. What is innovation for you?

3. What are the most innovative actions as a part of the programme?

4. How would you rate the innovation aspect of the programme (using 1-5 range – 1 being very bad, and 5 very good)

5. Who would you like to partner with to boost innovation efforts?

6. Capabilities, capacities, skills that the team needs to acquire in order to boost programme's innovation efforts.

The interviewed team members are:

- Ricardo Godinho Gomes

- Maria Andrade

- Graca Sanchez

- Damaris Rosabal

- Pablo Abdelhay

- Andressa Fioravanti

III. REVIEW OF PHASE II INNOVATION APPROACH

We will perform the review by first reviewing the interview's input and the review of the actions and outcomes and then perform analysis using the appropriate frameworks. The steps are as follows:

1. Review of respondent's data

2. Review of actions and outcomes

3. Analysis of the innovation component based on the respondent's data and reviews of actions and outcomes by applying the appropriate frameworks

   1. Review of respondent's data

All the interviewees provided comprehensive responses to the questions.

Q1 (WHAT IS INNOVATION FOR YOU?)

In general, all respondents demonstrated relatively good understanding of what innovation is and the answers revived across 'creating something new' and 'doing something in a new way'. It is important to mention that there was also a strong focus on the output of the innovation in terms of added value, efficiency, etc. (which also showed a good understanding of the differentiation between invention and innovation). There was 50-50 ratio between those who stressed more on process innovation and those who stressed more on the product/ service innovation. For some there was still to an extend a confusion between technology and innovation but more than 80% of the respondents can clearly tell the difference between those two. The others, despite focused mainly on the technology, see the latter more as an important driver for innovation and the mean to the end rather than the end itself. Some of the interviewees also stressed on the relationship between innovation and creativity.

Another important mention was inclusion when it comes to innovation, and more concretely, enabling everyone to participate in the innovation process and bridging the gap between those who are less tech savvy, or have less time and possibilities for research and bringing of new ideas.

Q2 (WHAT ARE THE MOST INNOVATIVE ACTIONS AS A PART OF THE PROGRAMME?)

There was one action that completely stood out in the response – the eBudget platform. As second and third most mentioned item were the game-based eLearning and the Gender Responsive Budgeting component of the programme.

An important mentioning (by roughly 50% of the interviews) was the process innovation that happened during the COVID-19 crisis. All of them acknowledged the huge roll the crisis played in forcing the team to be more creative and innovate in the way they are delivering their services to the beneficiaries. Some of the good and efficient outcomes of these push during the pandemic were the webinars and the post-graduation course, and in general the ability to transmit a lot of knowledge without meeting the beneficiaries in-person. Still, they said the transition was difficult and involved a steep learning curve, especially for some of the beneficiaries.

Another interesting mentioning by a couple of respondents was that visibility when it comes to showcasing their innovative efforts, should be boosted.

Q3 (HOW WOULD YOU RATE THE INNOVATION ASPECT OF THE PROGRAMME)

Most of the respondents rated the innovation component of the programme with 3.5 or 4 out of 5. The concrete figures are:

- 3.5: 2 respondents

- 4: 3 respondents

- 5: 1 respondent

The numbers are pretty close, and they contain no big outliers. This indicates that the team has a common understanding and assessment of the programme's innovation efforts. All the respondents also had similar justification for their assessment – the programme is very innovative given the mandate it has and the field it operates in. The main reasons for that are that it's the only programme that covers PFMS holistically by involving in tis internvetion logic all PFM actors. On the top of that, it covers 6 countries through an approach that also brings innovation to regional programmes by clustering countries not on geographical basis, but on the basis of shared needs and contexts. Still, all the respondents admit that there is more untapped potential and there is always room to improve.

Q4 (WHO WOULD YOU LIKE TO PARTNER WITH TO BOOST INNOVATION EFFORTS?)

The potential partners that had the most mentions by the interviewees (roughly 70%) are those in the academia. A second most important mentioning was the Accelerator Labs and start-ups (plus small companies), along with the civil society organisations. One interviewee also mentioned the importance of working with the actors that operate in the same are – the World Bank, the International Monetary Fund, etc.

The responses for the different type of partners can be summarized as follows:

- Academia: According to the team, countries would benefit from more work and knowledge provided by the academia. The programme has already successfully worked with the ISCTE institute in Lisbon and benefited from the cooperation by improving services and ensuring sustainability of the jointly developed products.

- Accelerator labs, startups, and private sector: the team has explored this type of partnership very little. They have worked with limited amount of ICT vendors, which allowed to bring in some new ideas, but those were one and off activities, rather than a streamlined process. The respondents who mentioned those actors, believe that there is still a lot of untapped potential for cooperation.

- CSOs: The respondents who stressed on the importance of better partnership with this kind of actor, mentioned that in a potential next phase, a completely new approach should be taken. Very often, the products and services are not tailored for them and those created for government institutions are utilised without being the perfect fit for that purpose. Some of the exceptions are products like the eBudget, which addressed the needs of the CSOs better.

Some of the interviewees stressed the importance of dedicating more time on partnerships – for collaborating with, as well as discovering and onboarding new partners.

Q5 (CAPABILITIES, CAPACITIES, SKILLS THAT THE TEAM NEEDS TO ACQUIRE IN ORDER TO BOOST PROGRAMME'S INNOVATION EFFORTS?)

The responses were focused on two main tracks for building new capacities when it comes to innovation – levelling up team's existing skills and hiring expert(s) in that field.

Respondents who mentioned the bringing new skilled people onboard as one of the ways forward, suggested that it can work like a separate component and make it evolve further in the same way it happened with the gender one for example.

Skills development was mentioned by roughly 80% of the respondents. However, most of them were stating also that more time and space have to be provided in order for that to happen.

SUMMARY

The team is well aware of the innovation efforts that are part of the programme, no matter if they are directly involved in the organisation for innovation and/or the most innovative actions. From the actions, the respondents nominated eBudget and as the most innovative and the eLearning courses as second. Most of them stressed the importance of the COVID-19 crisis as a huge trigger for a change in the way they work. They said they had to adapt quickly and identify new ways of delivering the services, mostly via digital tools that weren't not part of their work.

The relatively high score of the programme's innovation component is a clear indicator that the team is doing things differently than most of the other actors operating in the same domain. The working processes that the team managed to integrate in order to work more with the external actors and experts/entity at the boundaries of the organisation, was instrumental for understanding the great untapped potential for serving better the beneficiaries using innovative processes and products.

The programme's team didn't follow strictly any frameworks or processes to better organise for innovation, but they were employing certain practices that brought about some relatively positive results. It is still unclear whether the programme was able to leverage those efforts as best as possible without a framework utilization and the full involvement of the team. The management has mentioned that based on recommendation from the initial phase of the programme, some elements of an organisation with dynamic capabilities and knowledge brokering cycle are being used. More concretely, to ensure that the programme has put efforts in two main tracks:

- Working with organisations which area of work goes beyond what the typical beneficiaries and partners are (mostly academia and private sector were the mentioned ones) in order to facilitate a certain degree of knowledge brokering. (Billington & Davidson, 2010) (Hargadon & Sutton, 2000)

- Recruiting consultants, who work at the boundaries of the organisation – a small but important step towards the building an organisation with dynamic capabilities (Felin & Powell, 2015)

    2. Review of actions and outcomes

Given the big number of actions and outcomes the are a part of the programme, the review will focus mostly on the ones that were outlined by the team as most innovative

A. EBUDGET PLATFORM

eBudget platform is the first of its kind tool that operates in the Portuguese-speaking countries of Africa and Timor-Leste, as well as the first to operate in more than one country and provide options for comparative analysis of countries' accountability and transparency of their public financial management systems.

The tool's initial structure has been developed internally by programme's staff and consultants and the idea was to be further developed and enriched by a network of civil society organisations located in the six countries that are part of the programme.

The innovative aspect of the platform can be accessed by two traditional models. First is a non-profit tailored version of the Ansoff matrix (Ansoff, 1965) that maps a strategy by two axes – one showing the type of users (new vs existing), while the other – the type of product/service – new vs existing.

The rationale for mapping above comes from the fact that platform is a completely new product/offering to users who were partially served in the previous phase, so we can say that they are new to some extent.

We can also say that the platform is programme's first attempt in integrating open innovation principles. We can classify it as a mixture between competitive crowdsourcing vs collaborative communities type of open innovation as defined by (Boudreau & Lakhani, 2009).

The model below allows us to make the classification based on several factors:

► Governance (Informal and norms-based vs Formal and rule-based)

► Individuals and relationships (Cooperative vs Competitive)

► Motivation for contributors (Intrinsic important vs Extrinsic primary)

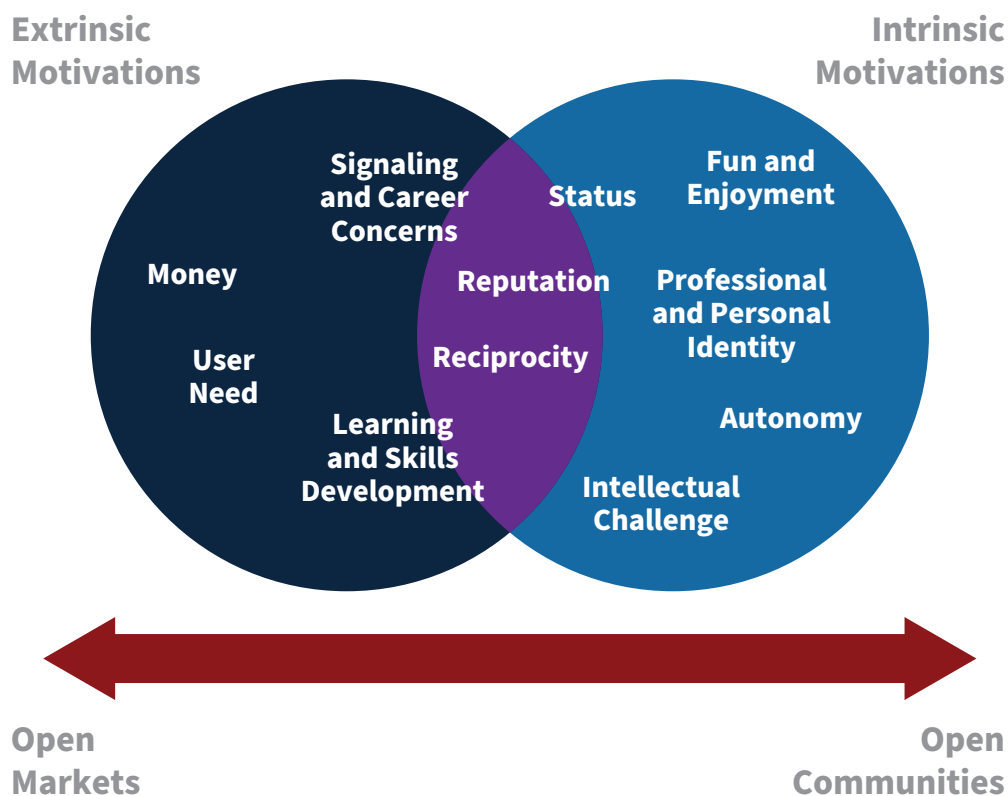► Value for platform (Enhanced demand vs Contracting with best providers)

The purple circles in the diagram below show eBudget's position as of March 2020.

The rationale for that assessment:

- The contributors are selected from all the countries that are part of the programme, and they are both supplying services for their region and overall, which represents a more collaborative approach.

- Governance is rules-based, defined by the programme, but at the same time it doesn't have very strong market relationships. So, it is can be positioned slightly to the competitive side

- The relationship is mostly collaborative but with a small competitive element when it comes to contributors from the same country (if there are more in one country)

- The motivation is a mixture between extrinsic (profit driven), and intrinsic. Some of the contributors are expecting renumerations (one of the respondents stressed on the fact that software developers, who are in high demand are normally expecting a fair renumeration too), while others have a take a big pride in supporting their country and doing something for the common good.

- Value capture is more on the competitive side, as the owner (ProPALOP-TL SAI) can use a lot of the outcomes as a way to deliver better services to its contributors.

FIGURE 2: APPROACHES TOWARDS OPEN INNOVATION: (BOUDREAU & LAKHANI, 2009).

COMPETITIVE MARKETS	COLLABORATIVE COMMUNITIES
• External innovators supply variants of mix-and-match, substitutable components	• Possible contributions of external innovators range from mix-and-match offerings to coproduction
• Governance is formal with orientation toward arm's lenght, rule-based, contractually oriented and market relationships	• Governance is informal with orientation toward highly socially embedded, norm-based interactions
• External innovators primarily have competitive relationships among one another	• External innovators primarily have cooperative relationships among one another - with a substantial amount of technology sharing and deliberate spillovers
• Profit motive is central to driving distributed innovation	• A range of extrinsic and intrinsic motivations may drive external innovators' activities
• Value capture by the platform owner is possible through direct contracting and licensing with external innovators	• Value capture by the platform owner might occur only through enhanced demand for the platform that is driven by the external innovation

Extrinsic Motivations

Intrinsic Motivations

Signaling and Career Concerns

Status

Fun and Enjoyment

Money

Reputation

Professional and Personal Identity

User Need

Reciprocity

Learning and Skills Development

Autonomy

Intellectual Challenge

Open Markets

Open Communities

The ProPALOP-TL SAI team might need to take a decision on which type of format the platform will be directed. This shall also be linked with the exit strategy where the decision will depend also on who will be the actor(s) to which the product will be phased over.

B. ELEARNING COURSES

The innovative aspect of the eLearning courses can be analysed in two different perspectives - the content view and the delivery view. From a content point of view, the huge difference between ProPalop-TL SAI courses and the alternatives by other providers are that they are very applied and based on both evidence and theory. They provide a lot of comprehensive guidelines and good practices and theories. They have a strong component of professional practice reality. One of the main reasons for that is that they are built on community of practices and trainings.

The delivery can be also split into two parts - media and modality. From a modality point of view, the courses have been used in one hand as standalone and self-placed online content delivery, as well as in blended format where facilitators are first trained and then trainees are receiving instructions by the facilitators.

In terms of media - the Phase I of the programme used a very traditional instructional format and content delivery. The Phase II saw something very innovative for the field of PFM - online game-based learning approach that allows users to be more engaged and interactive, and thus be more efficient in their knowledge acquisition .

The eLearnings are a new product for the same type of users (see more in the summary for how it maps on the Ansoff's matrix).

C. GENDER RESPONSIVE BUDGETING

The gender responsive budgeting is a new tool that has evolved in the first phase of the programme and then developed further in the second where it has seen an exponential growth and has become an integral part of the programme. What makes it unique is that team has used a holistic approach from the very beginning to promote GRB where all PFM actors are involved in the process. All PFM actors are involved in the process. "The fact that the programme uses techniques of budget analysis and scrutiny to mainstream gender and it connects oversight and formulation and implementation is very innovative" according to the team.

What makes the tool also very interesting for analysis is that it's one of those solutions that don't require technology to drive innovation.

For GRB we can also say that it offers a new type of solution for more or less the same type of users (see more in the summary for how it maps on the Ansoff's matrix).

D. INNOVATIVE PRODUCTS SUMMARY

Inspired by similar business frameworks, the umbrella framework for innovation provides an alternative that targets organisation and institutions focused mostly on impact rather than profit.
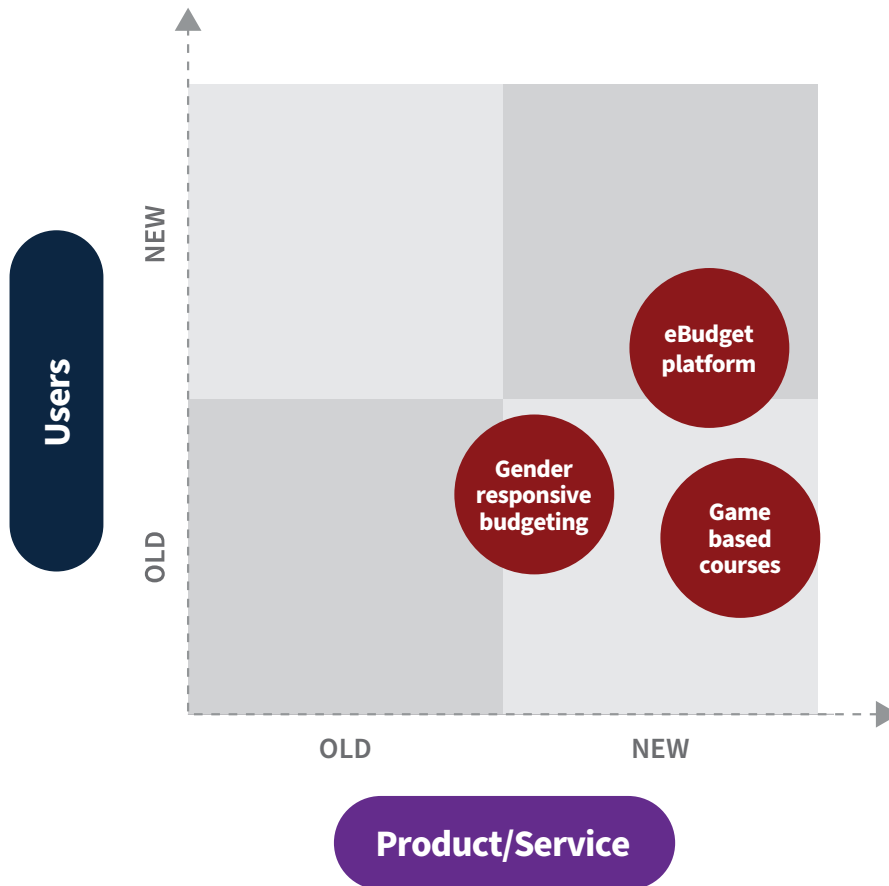
3. Review programme's organisation for innovation

To analyse the programme of how it organises for innovation, the strategy document will use a frame called SPOC (Seidel, 2021) that encourages analysis along three criteria – System (processes and routines that are employed), People (roles taken by individuals, staffing decisions), Organisation(ways in which the workspace and relationships are arranged) and Culture (spoken or unspoken values and beliefs). The table below assesses the programme by these criteria using a rationale (the items marked in green are elements successfully integrated, while the red marked ones are ones that are deemed missing)

System	People	Organization	Culture
The programme is integrating an innovation component and employing an innovation expertise. Given that it can be considered experimentation at the moment, the programme is ensuring that there is an entry innovation strategy, as well as a review towards the final stage of the programme. The team has also employed several problem-solving methodologies to ensure better innovation outcomes like the use of design thinking in shaping the eBudget platform. **Given the early stage of incorporating innovation, the programme is still lacking an overarching system that allows for a more structured innovation process starting from identifying a problem to implementing the right solution.**	The team has secured a consultant to help with the general innovation strategy and review. People are selected with an expectation to contribute with new ideas on how improv the services provided to beneficiaries. The programme has recruited people with various backgrounds which allows for exchanging of ideas and knowledge brokering. **The human resources dedicated for innovation are still very limited. The hired consultant's innovation responsibilities are a fraction of the whole service he is providing to the programme.**	For most of the innovative activities the programme relies on people, who are at the boundaries of the organisation (consultants and contractors), who operate in many areas outside the organisation, which boosts the introduction of new ideas. The team is already employing some basic practices of knowledge brokering by developing partnerships with actors outside the traditional institutional ones like academia, private sector and CSOs. The whole team (including the senior management) resides an open workspace and has an open and informal way of communicating, which allows for a fast and efficient flow of information – an important feature of creative and innovative environments. **The team is not provided with dedicated time and facilities for innovation activities like research, exploration, and experimentation.**	Given the ambitious aim for a programme at that size to incorporate an innovation component, the senior management has built solid grounds for the development of culture of innovation. The team sees innovation as the main force for improving their work and offering better services to their beneficiaries. Another positive sign for that is the pervasive positive attitude towards experimentation and exploration (the programme was the first one to deploy resource for several cross-cutting issues in-house) **He team seems to need more time and room for research and experimentation (aka the "Enable the creativity space/time oasis")**

IV. RECOMMENDATIONS FOR NEXT STEPS

1. Internal

The recommendations' part that relates to the internal view, is mainly shaped based on the SPOC analysis, but it also includes elements from the concepts like dynamic organisation and ambidextrous organisation.

A. SYSTEM

The programme has already successfully employed some processes and practices for mainstreaming innovation into certain activities. The use of design thinking that was recommended in the initial strategy in 2019 proved successful for the development of some tools like the eBudget platform.

However, in order to make a step further, the programme can benefit a lot from an overarching tool like the Knowledge Brokering Cycle that can allow the team to have an overarching framework, which is not focused on just one activity. The programme is already successfully employing some knowledge brokering practices. In fact, the team is already developing strong relationships with external parties that go beyond the traditional institutional partners

and beneficiaries – namely, the academia, private sector, and civil society organisations. This allows for expanding the sources of new information, which could be an extremely valuable trigger of new ideas.

The knowledge brokering cycle is a concept theorised by (Hargadon & Sutton, 2000) that is inspired by innovation factories like the company IDEO in the Silicon Valley and the original innovation factory by Thomas Edison. It's made up of four intertwined work practices: capturing good ideas, keeping ideas alive, imagining new uses from old ideas, and putting promising concepts to the test.

In this part, the strategy will review this tool and identify how the Pro PALOP-TL SAI can benefit from it.

FIGURE 4: THE KNOWLEDGE BROKERING CYCLE MODEL. (HARGADON & SUTTON, 2000)

1. Capture good ideas

As mentioned already in the SPOC review (and further elaborated in the organisation and people parts of the recommendation below), working with external parties and experts at the boundaries of the organisation can be extremely beneficial for knowledge brokering. In order to put some structure into that approach and make it more efficient, the following process could be employed:

- Enable partners and people tracking: make lists of existing and potential organisations and people you are working with (or willing to work with), and add their areas of expertise, what are the areas where they can have an added value, what are the assumptions they can challenges, what are the resources they can contribute to. Make an evaluation every year for each partner and assess what is the added value and whether you have made the best out of that partnership.

- Ensure your team is having enough time and space for generating and capturing ideas (more on that in the organisation and people section) and keep a good track of those ideas even if they seem impossible, irrelevant, or out of scope at the beginning.

2. Keep ideas alive

One of the most important criteria for a successful implementation of an idea is the right timing. Often good ideas might seem irrelevant or impossible to pull out at the time they are born. Therefore, it is important to keep ideas alive and give them a chance once the right time has come. The most common mistake by organisations (both in the private in public sectors) is that they are performing well in the first step of capturing good ideas but fail to keep them alive and make a good use of them at the right moment. To avoid that mistake, below are a few suggestions on how Pro PALOP-TL SAI can keep good ideas alive:

- Create an easily accessible digital inventory that also has a good visibility. One way to do that is to integrate it into an existing tool that the programme is using regularly using (like the website for example). It could look like a Wishlist module or a reminder of an idea after a certain time has passed from the time it has been entered into the system

- Create an analogue board in the office with artefacts from the work/ideas (posters, photos, etc.)

3. Imagining new uses for old ideas

This is where the actual innovation happens. "Old ideas can become powerful solutions to new problems if brokers are skilled at seeing analogies" (Hargadon & Sutton, 2000). In order to facilitate that process, the team can do the following:

Facilitate ease of flow of information between all the members. This could be done in 'many ways through companywide gatherings, formal brainstorming sessions, and informal hallway conversations'. The programme has a head start with the open workspace in which it operates.

4. Putting promising ideas to the test

This is the most obvious step, but there are few things to be considered:

- The process should be iterative. In most cases, a well applicable product or service has gone through several prototypes before the right formula has been discovered

- The iterations must be done in as little time as possible in order to discharge the options that certainly don't work and filter the best ones. It should work like a funnel.

B. PEOPLE

From people's perspective the strategy will follow the organisation's approach towards innovation of viewing it as a cross-cutting issue that shall be integrated both substantive units, as well as horizontally.

1. Cross-cutting innovation resource person

In order to make sure that the processes in place are working, team members are onboarded in the best possible way and the culture is in place, so that innovation flourishes, the programme will benefit from an innovation expert that provides a continuous support that is not only limited to strategy development, review and evaluation, but is also in charge of executing that strategy.

2. Substantive people with an innovation mindset

The substantive people can be the leading source of innovation in a programme if the organisation setup is organised in a way that stimulates that.

To make the best use of the substantive team when it comes to generating new ideas and implement them, they should be trained in the processes and encouraged to embrace the organisational culture. Achieving that goal should start already from the onboarding stage. The onboarding can include the following:

- In-person trainings on the innovation system and organisation that are integrated in the programme

- Innovation exercises that allow the new member to quickly embrace the innovative culture (this could include challenges to embrace the failure tolerance, games to encourage them to break assumptions, or enforcing creative space/time). Those exercises shall involve not only the management and the innovation expert(s) but also other team members in order to encourage peer learning and boost cultural influence.

3. Working with experts at the boundaries of the organisation

As mentioned already, working with people at the boundaries of the organisation allows for bringing new ideas, more access to information and different points of view. In the case of Pro PALOP-TL SAI, those include:

- Short-term consultants: These types of consultants often work on multiple contracts

for various organisation in parallel or switch contract providers regularly. This can be a good opportunity for knowledge brokering.

- Academia representatives: During their research efforts, the academia people manage to acquire a lot of valuable information and analyse. This could be a very valuable source of new inputs.

- Leaders and influencers: these high-profile and visibility personalities developing new approaches and ideas in the areas of intervention of the project have proven to be excellent assets in brokering new ideas.

C. ORGANISATION

1. Innovation as a cross-cutting issue.

The programme has already done the initial steps for integrating innovation as a cross-cutting issue. To take this further, the team shall employ the innovation system at each of the existing areas and actions. This requires a better and more frequent collaboration between the innovation expert(s) and the substantive ones.

2. Work with external parties

Working with external parties (academia, civil society organisations, companies, etc.) has a similar knowledge brokering effect to the approach of working with people at the boundaries of the organisation as mentioned above. There are various ways of improving interactions with external parties:

- Conducting joint training initiatives

- Engaging academia and private sector actors via challenges (e.g., hackathons)

- Organising co-creation workshops on particular topics by involving academia, CSOs and even private sectors

- Contracting vendors that work on innovative solutions

3. Creative time/space

Create space and time for team members to work on research, exploration, and experimentation. There are a few options to do that:

- Dedicate an exploration time (10-20% or ½ - 1 day a week) of their time where they can work on their own initiatives

- Create once in one (or once in few months) workshops/bootcamps/retreats where new ideas can be developed.

4. Ambidexterity

Ambidextrous organisation refers to a an organisational setup at a firm, which needs to manage both exploit (the business that is profitable but lacks potential and is at risk of

losing competitive advantage) and explore (the business that that has a great innovation potential but is a high risk as it requires the firm to sail in uncharted waters) activities simultaneously, that allows the company to not jeopardise existing profits while exploring new opportunities (O'Reilly & Tushman, 2016). At an international (and other institutions and non-profit organisations) it is somewhat easier to achieve ambidexterity as profitability is not an issue and as long as the organisation keeps similar level of quality to the provided services, the collision with exploration will be less worrisome. Still, there are some important elements to take into account:

- First (as mentioned above), the beneficiaries shouldn't experience decline of services due to the exploration component. If this is required, it should be communicated to the beneficiaries in the best possible way, and even (whenever possible) involve them in the process

- Exploration requires extra resources, which requires a good justification for those extra resources to the donor. Explore activities have a huge fail rate and therefore proper understanding and communication of the benefit of such an explore activity in a case where expectations are not met, shall be in place.

- Another important action the team has to take in order to ensure ambidexterity is in place, is to work on a good collaboration between the innovation expert(s) and the substantive ones and avoid the situation where those work in silos. Management should be able to manage paradoxes and ensure that none of the exploit and explore units are felt isolated or unimportant

D. CULTURE

As mentioned in the SPOC analysis in the review part, the team has managed to build solid ground for developing a culture of innovation. In order to leverage that and build a sustained culture of innovation, the team can focus their efforts addressing the following important aspect:

1. **Unleashing creativity:** One of the interesting outcomes of the interviews was that most of the team members understand well the importance of creativity as something that triggers innovation. To most of them it was also clear that creativity is not a special skill that only selected ones possess, but a state of mind that needs to be reached. The following recommendations can help unleash creative potential:

- Enable the creative space/time oasis. According to a study (Howkins, 2001) only 15% of managers interviewed say that they get the best ideas during work hours. The other places include home, during commute, in the bath/show, during leisure activities. All those are places where one feels safe and has their mind free from stressful business activities. Providing enough time and space to allow calm and productive brain activity can bring a lot of benefits.

- Enable a lot of input: In order to generate valuable output, the first part of the work is to enable a lot of input to flow in. Enabling the team members to do more work with external

actors, to gain experiences from different contexts (geographical, cultural, intuitional, functional, etc.) can be extremely beneficial

2. **Tackle the barriers to innovation:** A lot of teams are disabling innovation to flourish due to fear of disrupting the status quo. So far, the Pro PALOP-TL management was able to create a very good environment in that sense and innovation is widely accepted to improve work and deliver better outcomes. It is strongly recommended to keep that positive element in the future, especially when recruiting new people and onboarding them.

3. **Embracing failure:** Again, given that the senior management has embraced innovation as an important tool for delivering better results, failure is already understood as a learning process, which is the right approach in innovative and creative environments. To keep this culture, it is always important to ensure failure as a way of learning is well communicated with donors and beneficiaries and when possible, they are also involved in the process. A good set of guidance on how to deal with embracing failure is provided by one of the most famous scholars in the field of innovation Gary P. Pisano in his publication The Hard Truth About Innovative Cultures (Pisano, 2019)

4. **Nurturing mindset:** Good ideas come with time. It is important for each team member not to turn down other's ideas immediately but create an environment where they improve on other people's ideas. How about, similarly, no team member seeing its ideas with property and resisting the idea of other improving them?

2. External

The external part of the umbrella framework for innovation is not focusing on how the organisation/programme is working with external partners, but rather how it is fostering innovation efforts outside the programme/organisation for the mandates it is working on. Teams working on that should strive for the establishment of instruments that ensure a sustainable implementation of solutions that go beyond the lifecycle of the project or the programme.

With more solutions like this, the programme can significantly boost its exit strategy and ensure not only that more programme outcomes will continue to be available to the beneficiaries, but it can always allow for a better scalability of those solutions and extended reach to more potential beneficiaries.

Needless to say, the biggest challenge with solutions that are developed (both inside and outside) is ensuring long-term sustainability, especially from a financial perspective. The exit strategy methodology developed for the Phase II of the Pro PALOP-TL SAI defines two main principles for continuing an activity (this excludes the most obvious one in some cases – the discontinuity or PHASE OFF):

- PHASE OUT – ensuring that the outcome is self-sustained

- PHASE OVER – transferring the activity to another actor

The external innovation methodology always works towards a PHASE OVER approach but follows a different philosophy. It starts from a very beginning of the programme and follows the idea that solutions to be created are set with a huge ownership by the actor that is supposed to run it after the end of the project/programme and they are co-created or fully created by them with the project/programme being an enabler.

The most commonly used tools for that are impact versions of what the private sector and entrepreneurship leaders call incubators, accelerators and venture studios. There are some differences between those three:

- Incubator is an organisation that supports very early-stage start-ups. Often, people who are joining it (sometime as teams, sometimes as individuals) have only a vague idea about what are they going to work on. The incubator provides training on all aspects of entrepreneurship, some (but not always) seed funding, as well as a good network that allows the team to develop their idea into a working prototype

- Accelerator is similar to incubator but the teams that join are usually more advanced in their solution and have at least a working prototype developed. They receive training, money, and access to network to grow, expand and scale their solution

- The venture studio has a bit of a different format. It is usually a branch of a company or consortium of several companies, and instead of having teams coming and going all the time, the venture studio is keeping more less similar group of individuals and team(s) that work on innovative solutions. If a certain venture doesn't work, the people that are a part of its team, start new ventures or join other teams that are part of the venture studio.

When we talk about international institutions or other non-profit organisations, the formats above can take different shapes and it is a managerial decision in which direction the created ventures will go – to a for-profit solution that tackles a problem within the mandate of the organisation and tries to improve the triple bottom line, or to a creation of social enterprises, which aim is to solve problems while finding ways to be financially sustainable but no necessarily profitable. Both options have pros and cons. On one hand, a for-profit enterprise can be profitable, but compromise the initial idea by trying too hard to generate profits, while on the other, a working business model can sustain the venture for a longer period. With the social enterprises, the challenge is somewhat reversed – The strong focus on impact will ensure the beneficiaries are first priority but the struggle to find a financial sustainability can jeopardise the existence of the enterprise.

An institution-led accelerator/incubator/venture studio with the idea to develop solutions for the mandate it operates, shall include the following services to the joining entities and individuals:

- Extensive training on the mandate and the domain in which the institution/programme is operating

- Extensive training on entrepreneurship and business development, including product innovation, business model innovation, marketing, etc.

- Network of potential donors and investors

- Network of institutions and organisations that can provide the teams with substantive knowledge

- Some initial pre-seed funding (if the institutional regulations allow that)

The Pro PALOP-TL SAI has done some initial steps for fostering innovation in the field of transparency and accountability in the public financial management outside the organisation. It has been done through the implementation of the eBudget platform. We can still consider this a transition product, or what the umbrella framework will categorise as a tool for open innovation.

Creating initiatives that address all the aspects of the programme through an external innovation can be a huge step at this moment. Therefore, the most obvious thing to do would be to use the eBudget platform as a pilot for creating a sustained model for innovation targeting transparency and accountability in the public financial management outside the programme /organisation structure.

In order to run the pilot with the eBudget platform, the strategy will recommend the following steps:

- Continue providing substantive training to the organisations that are already part of the platform and allow more organisations to join

- Integrate social entrepreneurship training and encourage organisations to identify business models that can work both in a non-profit and in a for-profit model

- Provide some pre-seed funding that allows those organisations to run the initiatives for some time after the programme has ended

- Link the organisations with potential funding sources beyond what the programme can provide (donors, business angels, venture capital)

- Link the organisations to other institutions and organisations that can provide domain knowledge

- Try to find aggregation opportunities that allow for cost optimisation and economies of scale

- Track their progress and see at which stage the organisations fail to provide the services

After the end of the pilot, depending on the results, the programme can consider initiating a more comprehensive format that goes beyond the eBudget platform and allows for external parties to develop innovative solutions for fostering transparency and accountability in public financial management.

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