

Executive summary

Overview of Public Management

in Latin America and
the Caribbean, **2025**

State innovation for managing
vital transformations



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José Manuel Salazar-Xirinachs

Executive Secretary

Javier Medina Vásquez

Deputy Executive Secretary a.i.

Officer in Charge, Latin American and Caribbean Institute

for Economic and Social Planning (ILPES)

Sally Shaw

Chief, Documents and Publications Division

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Foreword

The Economic Commission for Latin America and the Caribbean (ECLAC) has continued to refine its analysis of the fundamental development challenges facing the region in the 2020s. That analysis identifies three mutually reinforcing development traps which, to varying degrees, affect all the countries of the region: (i) a trap of low capacity to grow and transform; (ii) a trap of high inequality, low social mobility and weak social cohesion; and (iii) a trap of weak institutional capacities and ineffective governance.¹

The traps persist even after decades of progress in many economic and social dimensions. For example, between 2014 and 2023, the region's annual economic growth was just 0.9%—half the 2.0% rate recorded during the “lost decade” of the 1980s, which was largely due to the external debt crisis. It is this Commission's view that a second lost decade is currently under way in the region. This sluggish growth is not just an economic matter; it is compounded by a slowdown in the robust pace of poverty reduction observed in the region since the 1990s, the worst rate of job creation seen in recent decades, and limited fiscal space due to low tax revenue.

These regional factors, which impede progress towards a more productive, inclusive and sustainable development model, interact with recent changes in the global economy and the geopolitical landscape to create new challenges for growth, development and efforts to overcome the traps and their vicious circles. These changes include geopolitical uncertainty, rapid technological change, increasingly frequent climate shocks and growing public antipathy towards State institutions. The confluence of all these factors has brought Latin America and the Caribbean to a historic crossroads in 2026, with States facing ever more complex demands: they must respond to urgent needs in the immediate term without losing sight of long-term objectives as they steer the transformations that would restore rationale, legitimacy and purpose to development processes.

In this regard, the Commission has called for rethinking and reimagining not just what to do but how to do it, with a view to more effectively shepherding vital transformations in the region's development models.² The critical challenge is determining how to bring about these transformations, sustain them over time and adapt them to highly complex and uncertain contexts. Transforming the State is not a merely technocratic process; it is one that is deeply connected to policies and institutions and demands a combination of knowledge, operational capabilities, leadership and social legitimacy, as well as a strategic reading of the contexts in which States govern.

This backdrop gives public sector innovation new meaning. It is not a matter of modernization for modernization's sake or replicating external models; it is about devising new approaches to public action that strengthen the State's capacity to create public value, improve results and rebuild trust in democracy. Public sector innovation, taking the form of a structural function rather than a series of isolated projects, means introducing substantial changes in processes, tools, interactions and, above all, mindsets. It requires the State to learn, experiment, course correct and anticipate eventualities in order to overcome the trap of weak institutions and ineffective governance that, for decades, has hampered the region's development.

Innovation, however, is not an end unto itself. It is first and foremost a different way of governing, one that places people—citizens, users, public servants and communities—at the centre of policy design, implementation and evaluation. It entails recognizing actual needs, incorporating different types of knowledge, lowering access barriers and identifying solutions that generate public value with tangible effects on the population's daily life. Without this solid connection to people, innovation runs the risk of becoming irrelevant, overly technocratic or divorced from social needs. In other words, it is important to integrate governance issues into policy design, rather than approaching institutional and governance challenges as exogenous factors.

¹ Economic Commission for Latin America and the Caribbean. (2024). *Development Traps in Latin America and the Caribbean: Vital Transformations and How to Manage Them* (LC/SES.40/3-P/-*).

² Salazar-Xirinachs, J. M. (2023). Rethinking, reimagining and transforming: the “whats” and the “hows” for moving towards a more productive, inclusive and sustainable development model. *CEPAL Review* (141) (LC/PUB.2023/29-P/-*). Economic Commission for Latin America and the Caribbean; Economic Commission for Latin America and the Caribbean. (2024). *Development Traps in Latin America and the Caribbean: Vital Transformations and How to Manage Them* (LC/SES.40/3-P/-*).

Public sector innovation also requires a clearly defined purpose. In highly complex environments, innovation can only engender legitimacy when guided by public objectives that are clear, shared and understandable. Purpose acts as a compass, determining the order of priorities, bringing stakeholders into alignment, guiding experimentation and enabling evaluation of whether the changes introduced effectively contribute to the resolution of collective problems. Without purpose, innovation becomes diffuse; with purpose, it becomes a tool for transforming not just processes but entire systems.

Thus, this edition of the *Overview of Public Management in Latin America and the Caribbean* proposes transitioning from scattered initiatives to an integrated model of innovation in public management. This requires organizing innovation as a structural function, connected to planning, budgeting, regulation and service provision; setting aside isolated pilot projects in favour of strategic portfolios; and overcoming the institutional culture of silos through systemic and collaborative approaches. Innovation can only be scaled up and sustained when it is institutionalized, adequately funded and built on rules and practices that can outlast political cycles.

A core component of this agenda—and one of the main challenges to be addressed in the region—is innovation in planning and anticipatory governance. Latin America and the Caribbean continues to operate in large measure on a reactive and short-term basis, with its States trapped in a never-ending cycle of crisis management. Strengthening anticipatory capabilities does not mean predicting the future but rather developing practical systems for exploring trends, analysing early signs, building scenarios and using all this information to make strategic decisions in the present. Institutionalizing anticipatory capacity is fundamental in reducing costs associated with adjustments down the line, preventing the formulation of obsolete policies from the outset and enhancing State resilience to future shocks.

The adoption of an experimental and adaptive mindset, in this context, is a matter of public responsibility. It requires the creation of safe spaces in which to test ideas, learn and adjust; the evidence-based design of measurable and scalable innovations; and the deliberate and transparent management of risk. In fragile institutional systems, disciplined experimentation can help to build trust, deliver results and make innovation a source of legitimacy rather than added uncertainty.

This document derives its overarching framework from the TOPP approach (technical, operational, political and prospective capabilities). Technical capabilities enable an understanding of complex problems based on rigorous empirical data; operational capabilities translate decisions into concrete results; political capabilities facilitate agreements, support and continuity; and prospective capabilities put anticipation and strategic direction into practice. These capabilities, understood as an interdependent system, lay the groundwork for States to drive purposeful change rather than simply react to it.

The present edition calls on the region to reflect on the type of twenty-first century State it requires: one that puts people at the centre of its efforts, that innovates with purpose, that is anticipatory without sacrificing legitimacy, and that learns continuously; a State that, while not abdicating its strategic role, recognizes that governing in our time means engaging in dialogue, coordination and co-production without weakening its ultimate responsibility towards the citizenry.

Innovation for transformation, then, means strengthening the capacity of the State to make decisions today with an eye towards the future and to deliver results that meaningfully impact people's lives. This edition of the *Overview of Public Management* offers a framework for advancing from analysis to action—from the “what” to the “how”—and for building more resilient, legitimate and future-oriented institutions in Latin America and the Caribbean.

José Manuel Salazar-Xirinachs

Executive Secretary

Economic Commission for Latin America and the Caribbean (ECLAC)

Key messages

The present edition of the *Overview of Public Management in Latin America and the Caribbean* comes at a critical moment for Latin America and the Caribbean. The region is facing a structural development crisis composed of three interconnected traps: low capacity for growth; high inequality, low social mobility and weak social cohesion; and weak institutional capacity and ineffective governance. Overcoming these traps requires more than technical reforms: it requires innovation in the very manner of governing. The document's key strategic axes are summarized below.

A. Main findings

	Finding	Description
1	Public sector innovation is no longer optional	Amid global uncertainty, fiscal restrictions and growing citizen demands, innovation has become a prerequisite for sustainable development, rather than a luxury or an administrative fad.
2	A shifting paradigm	The model must transition from administrative modernization —focused on process efficiency— to transformation management, which requires anticipation, experimentation, coordination and continuous learning capacities in highly complex environments.
3	An institutional architecture built on TOPP ^a	TOPP capabilities represent intrinsically linked dimensions of a dynamic and interdependent system. Only when they operate in tandem can State innovation be sustained and meaningful.
4	A SMARTER ^b anticipatory governance cycle	Public management involves cycling through seven integrated functions: scoping, mobilizing, anticipating, recommending, transforming, evaluating and renewing. This cycle turns foresight into action and ensures continuous learning.
5	Public sector innovation as an integrated organizational function	Public sector innovation can no longer be left to peripheral laboratories or inspired individuals. It must be a structural function of the State, with a permanent mandate, resources, governance and capacities.
6	Collaborative ecosystems are the new infrastructure of government	Co-creation with the public, the academic sector, the private sector and civil society is not ancillary but rather fundamental to the development of legitimate, robust and sustainable solutions, especially in the face of complex and cross-cutting problems.
7	Public sector innovation to strengthen (not replace) institutional frameworks	Public sector innovation creates value when anchored by regulations, budgets and practices. Without this anchor, innovation is reduced to a series of one-off, reversible initiatives. The risk of superficial innovation is just as great as the risk of inertia.
8	The objective of transformation is public trust	Public sector innovation creates political value when it tangibly improves the lives of citizens. This becomes a virtuous circle: innovation improves services, improved services strengthen trust, and trust creates more political space for innovation.

Source: Economic Commission for Latin America and the Caribbean.

^a Technical, operational, political and prospective (TOPP) capabilities.

^b The scoping, mobilizing, anticipating, recommending, transforming, evaluating and renewing (SMARTER) model (Popper, in press) builds on the SMART model by explicitly incorporating the evaluating and renewing functions to strengthen the systematic monitoring of goals. This makes it possible to not only formulate clear and measurable targets but also monitor their achievement and adjust approaches in light of findings.

B. Structural tensions facing the State

The *Overview of Public Management in Latin America and the Caribbean, 2025* recognizes that identifying the public management dilemmas facing the region is a first step towards managing tensions with strategic intelligence.

1. Tension between innovating and strengthening institutional frameworks

The central irony of State reform is that the institutions that most need to innovate are often those with the least structural flexibility to do so. Bureaucratic inertia, rigid regulatory frameworks, risk-averse organizational cultures and short political cycles in the region's administrative systems lead to fragmented change processes. Public sector innovation faces a paradox: without solid institutions, innovation is vulnerable to political capture or lack of continuity; without innovation, institutions lose legitimacy and the capacity to respond.

This does not mean that States must choose either solid institutions or innovation: the tension between the two can be resolved through deliberate management. To strengthen capacities, public sector innovation must operate from within the State, not in spite of it. The aim is not to create experimental parallel structures that compete with the apparatus of government but to transform how the State functions. To survive successive administrations and changing political climates, innovation requires bureaucratization, in the form of rules, mandates, resources and governance.

Therein lies a crucial lesson for decision makers: sustainable innovation requires institutional anchoring. Public sector innovation in the form of a laboratory that has no protected budget or legal mandate and that has not been integrated into the policy cycle is, at best, an experiment with a high opportunity cost and, at worst, ornamental. However interesting the innovation process may be, reform is only legitimate if it generates appreciable results.

2. Tension between results-based management and the legitimacy of State action

Results-based management systems have been the State's leading response to demands for greater efficiency and transparency. However, this type of management, if poorly designed, becomes an obstacle to public sector innovation: indicators that prioritize quantity over quality, the short term over the long, and products over impacts generate perverse incentives, hampering the ability to experiment, learn from mistakes and invest in capacities.

Paradoxically, in restricting its focus to the measurement of what currently exists, results-based management may fail to capture some of innovation's most valuable outcomes: knowledge-accumulation, capacity-building, cultivation of public trust and opening of pathways for long-term transformation. Overcoming this tension requires integrating results-based management into the SMARTER model, the evaluation dimension of which is geared towards continuous learning rather than occasional accountability.

This offers a clear message to institutional leaders: measurement frameworks must evolve to capture the value of innovation in all its dimensions, including strengthening of capacities, quality of co-creation processes and impact on public trust. If results-based management fails to capture the value of learning to innovate, it is only measuring a fraction of the State's results.

3. Tension between immediate needs and long-term vision

Latin America and the Caribbean is in a constant state of tension between the need to address urgent matters—social crises, climate emergencies and fiscal pressures—and the need to build strategic long-term capacities. The urgent matters systematically win out, and anticipatory, prospective and innovative capacities tend to be delayed or underfinanced as a result.

This dynamic is itself a symptom of weak institutional capacity. States with more mature institutions have learned to simultaneously manage short-term needs and build strategic capacities, integrating foresight into the public policy cycle rather than relegating it to the occasional planning exercise. The SMARTER model does precisely this: for States, anticipation is not a luxury but a core function that ensures that the decisions of today do not mortgage the possibilities of tomorrow.

C. Opportunities for transformation

In view of these structural challenges, the present report identifies a set of opportunities for transformation that, with the right combination of political will and institutional capacities, could be leveraged in the region.

1. Co-creation as a new way to govern

Co-creation by the State and multiple stakeholders —citizens, the academic sector, the private sector and civil society organizations— has a demonstrated ability to produce more pertinent, legitimate and sustainable solutions than those designed exclusively by the bureaucracy. This report documents experiences from the region that show how social stakeholder participation in policy design, implementation and evaluation not only improves the technical quality of initiatives but also generates the social capital and trust needed to sustain changes over time.

Co-creation is not synonymous with public consultation or formal participation. It entails a fundamental redesign of the relationship between the State and society, based on shared responsibility, transparency and recognition that the knowledge required to solve complex twenty-first century problems is distributed among stakeholders, not monopolized by any single institution. For decision makers, this means creating space for collaborative design in the earliest phases of the policymaking process, before a solution has been identified, rather than reducing participation to the co-signing of decisions after the fact.

2. From reacting to anticipating: the prospective State

One of the most significant opportunities identified in the report is the transition to an anticipatory State capable of reading weak signals, detecting emerging trends, building future scenarios and integrating the intelligence gathered into decision-making before problems devolve into crises. This prospective capability is not the exclusive domain of large countries, nor does it require enormous investments: it requires political will to institutionalize the function of anticipation and connect it to planning and budgeting (Medina Vásquez, 2023; Medina Vásquez et al., 2022).

When foresight is integrated into the SMARTER cycle, the State can transition from managing present circumstances to building a chosen future, allocating resources and designing instruments that align with the desired transformation pathways.

3. Digitalization as a catalyst for transformation

The digital transformation of the public sector offers unprecedented opportunities to improve the quality and efficiency of services, strengthen transparency and public participation, and generate strategic information for decision-making. However, it is important to bear in mind that digitalization only creates public value when it is integrated into a broader public sector innovation strategy, guided by a clear purpose and sustained by solid institutional capacities.

Regional experience shows that implementing digitalization projects as isolated technological initiatives without overhauling processes, building human capacities or effecting cultural change tends to result in marginal improvements rather than systemic transformations. The real power of digitalization is its capacity to facilitate new forms of interaction between the State and its citizens, generate data that improve policy analysis and evaluation, and redress information imbalances that have historically limited the participation of the most vulnerable stakeholders.

D. The risks of failing to innovate: a State ill-prepared to face the current reality

The report identifies the cost of inaction as greater than the cost of public sector innovation. A State that fails to innovate does just cease forward progress; instead, it falls behind in legitimacy, loses its response capacity and becomes progressively more disconnected from the needs of a society that is changing faster than its institutions (see box 1).

Box 1

The risks of State failure to innovate

Erosion of public trust: when the State does not deliver a speedy and high-quality response to social needs, distrust grows, creating an opening for populism, polarization and the deterioration of democracy.

Widening of capacity gaps: in a world experiencing rapid technological change, States that do not develop capacities to anticipate and innovate will increasingly fall behind in their ability to regulate, plan and provide quality services.

Vulnerability to disruptions: without foresight and experimentation capacities, States' reactions to climate, technological, geopolitical and social shocks are too little too late, generating human and fiscal costs superior to the cost of prevention.

Loss of public sector talent: rigid institutional environments that are not conducive to learning or creative contribution push out the more innovative members of the civil service, deepening the capacity deficit.

The endless pilot project trap: innovation without institutional anchoring is forever in pilot mode, trapped in projects that never get scaled up, which breeds frustration, wastes resources and undermines the credibility of the modernization agenda.

Misappropriation of the innovation agenda: without clear governance, public sector innovation can be susceptible to capture by special interests or administrative models that do not respond to the actual needs of the State and its citizens.

Source: Prepared by the authors.

E. Strategic messages for decision makers: a new way to govern

The *Overview of Public Management in Latin America and the Caribbean, 2025* offers action principles for institutional leaders seeking to transform the State. Key strategic messages are presented below.

Message 1. To govern is to learn

The work of government in the twenty-first century requires institutions to continuously learn from experience, systematize lessons learned and translate them into better decisions. When mistakes are transparently and rigorously managed, they become a source of innovation, rather than cause for punishment. Systems that penalize errors hinder learning and block transformation.

Message 2. Public sector innovation is a permanent function, not an initiative

Public sector innovation generates value when it is integrated with the strategic decisions, planning processes and evaluation systems of the State. Creating a public sector innovation laboratory without integrating its function into the full public policy cycle is equivalent to establishing technical capacity that is isolated from the spaces where substantive decisions are made.

Message 3. Anticipating means governing for the future

The challenges of climate change, technological disruptions and demographic transformations cannot be managed solely with instruments developed for the past. Investing in prospective capabilities is an act of governance: anticipatory institutions make better decisions, allocate resources more efficiently and build resilience before crisis strikes.

Message 4. Collaboration takes institutional capacity, not individual initiative

Co-creation must be systematically enabled through structures, protocols, resources and governance frameworks. A State that innovates in isolation misses out on society's collective intelligence, while a State that co-creates with purpose generates more robust and democratically legitimate solutions.

Message 5. Transformation requires more than a pilot project

The greatest challenge for public sector innovation in the region is not to create new initiatives but rather to scale up and institutionalize existing ones, ensuring that they endure beyond political cycles. This requires deliberate decisions: regulatory frameworks, protected budgets, governance structures and narratives for long-term coalition-building.

Message 6. Public trust is the ultimate metric

The evaluation of all dimensions of public sector innovation —efficiency, quality, participation and transparency— hinges on a single question: does the innovation improve people's lives? Public trust is not some vague indicator but indeed the bedrock of democratic legitimacy and the determining factor behind the sustainability of long-term policies in complex and demanding societies.

Introduction

The development crisis and the innovation imperative

Latin America and the Caribbean is facing a development crisis consisting of three interconnected traps that hamper its future prospects: low capacity for growth; high inequality, low social mobility and weak social cohesion; and weak institutional capacity and ineffective governance. These structural limitations curb progress towards the achievement of the Sustainable Development Goals (SDGs), especially in an international landscape marked by geopolitical and economic transitions and external pressures (Salazar-Xirinachs, 2023; Economic Commission for Latin America and the Caribbean [ECLAC], 2024, 2025a).

This and recent analyses from other regional organizations are in agreement that Latin America and the Caribbean continues to face sustained and productive growth deficits, persistent socioeconomic inequalities and significant challenges related to the quality of democracy and the capacity of States to address complex problems, such as climate change, social exclusion, inequality and the emerging challenges stemming from technological transformations. Indeed, most indicators show that the region's pace of progress is insufficient to achieve the SDGs by 2030, which underscores the need to overhaul development models and State capacities to foster more productive, inclusive and sustainable development (Salazar-Xirinachs, 2023; ECLAC, 2024 and 2025a; Latin American Centre for Development Administration [CLAD] et al., 2025).

A particularly critical concern for Latin America and the Caribbean is the cross-cutting nature of inadequate institutional capacities and ineffective governance, which span and condition all the region's development challenges. This deficiency not only hinders the formulation and implementation of transformative public policies but also restricts States' capacity to align agreements, coordinate stakeholders and sustain the process of change over time. Consequently, it impacts policies' effectiveness, weakens crisis-response capacities and erodes public trust, which is a central pillar of democratic stability and sustainable development.³

Faced with this state of affairs, the Economic Commission for Latin America and the Caribbean (ECLAC) has called for 11 major transformations that range from fostering sustainable and inclusive growth, reducing inequality and expanding social protection to pursuing a big push for sustainability to address climate change, accelerating the digital transformation, deepening regional integration and strengthening macroeconomic conditions for development. A cross-cutting element of all these transformations is the need to strengthen institutional capacities and governance arrangements to enable effective, participatory and strategic change management. It is a matter of advancing from the identification of "what" transformations are necessary to the determination of "how" to steer them through global uncertainty and rising social tensions (ECLAC, 2024). This requires drawing lessons from accumulated experience and translating them into decisions, capacities and organizational practices that sustain transformations over time.

At its core, this approach identifies transformation management as the backbone of a renewed development model (ECLAC, 2024). From this perspective, the success of a public policy depends not only on its technical soundness but also on the capacity

³ The Economic Commission for Latin America and the Caribbean (ECLAC) defines institutional capacities as an interconnected and interdependent set of functions that enable institutions to strategically guide State action, effectively implement policies, build legitimacy and adapt to change and uncertainty (Salazar-Xirinachs and Boeninger Sempere, 2025).

of institutions and society to deliver lasting results, adapt to evolving contexts and provide policy support for the process of change. This requires four types of institutional capabilities —technical, operational, political and prospective— linked with effective governance mechanisms, legitimacy derived from social dialogue and a strategic reading of political economy (ECLAC, 2024; Salazar-Xirinachs and Boeninger Sempere, 2025).

In this context, the SMARTER model offers a guide for redesigning policies through seven interrelated functions: scoping, anticipating, recommending, transforming, evaluating and renewing (Popper, in press). Anticipating, recommending and transforming are the model's core functions; scoping and mobilizing create enabling conditions for implementation; and evaluating and renewing ensure the ability to learn, adjust and sustain, so that innovation is not reduced to a series of ad hoc initiatives.

The *Overview of Public Management in Latin America and the Caribbean, 2025* views public sector innovation as the backbone of the State's response to the development crisis. In this view, public sector innovation is not a magic bullet or the implementation of a technical toolkit but rather a different way of thinking about and performing the public function of government, based on continuous learning, rigorous experimentation, multi-stakeholder co-creation and the anticipation of possible future scenarios.

Three features distinguish this vision of public sector innovation from narrower interpretations of the term. First, it is systemic: public sector innovation does not mean implementing ad hoc initiatives or adopting specific technologies; it means redesigning the State's institutional architecture so that the function of innovation is built in and distributed throughout. Second, it is purpose-driven: rather than innovation for innovation's sake, this vision aims to generate public value, reduce inequality and support progress on the SDGs. Third, it is politically aware: it is understood that public sector innovation is not neutral, that it involves disagreement over priorities, redistribution of resources and power, and that its sustainability depends on building political and social coalitions that support it.

The COVID-19 pandemic shone a spotlight on these capacities, or lack thereof. The countries that responded most effectively were those with robust information systems, inter-institutional coordination capacities, agile decision-making mechanisms and an organizational culture of learning. In the wake of the pandemic, a critical opportunity emerged to pursue an agenda of State reinvention focused on well-being and equity.

Against this backdrop, the *Overview of Public Management in Latin America and the Caribbean, 2025* seeks to provide guidance to policymakers, technical teams, academics and social stakeholders committed to transforming the State. It offers a road map for public sector innovation with purpose, collaboration and sustainability, in pursuit of well-being for all the societies of the region and in advancement of the 2030 Agenda. At the same time, it explicitly acknowledges the political, institutional and fiscal determinants in Latin America and the Caribbean, in particular high levels of polarization, fragmentation and public distrust. Far from offering unrealistically optimistic prescriptions, the report recognizes that public sector innovation can only fulfil its potential if it directly addresses these structural challenges, ensuring that action starts there.



CHAPTER

Public sector innovation as a catalyst for change

- A. Basic definitions and conceptual evolution
- B. From the classic modernization approach to the transformation management model
- C. Public sector innovation as an integrated organizational function: a strategic State capacity to steer progress towards a desired future
- D. The relationship between public sector innovation, public trust and public value

A. Basic definitions and conceptual evolution

The concept of public sector innovation has evolved significantly in recent decades. In its earliest iterations, it was primarily associated with bringing new technologies to public administration or management reforms in order to improve operational efficiency. This approach was a descendant of the prevailing New Public Management theory of the 1980s and 1990s, which favoured reducing costs, measuring results and adopting private sector practices.

The vision presented in the *Overview of Public Management in Latin America and the Caribbean, 2025* is significantly broader and deeper. It defines public sector innovation as the process by which governments create, adopt or adapt new or significantly improved solutions—including processes, services, products, regulations, forms of organization and interaction with the public—to respond more effectively to public problems and challenges, generating sustainable public value and strengthening State capacities.

This definition has several strategic implications. First, public sector innovation is not limited to digitalization or technology: it encompasses changes in how the State identifies problems, designs solutions, coordinates stakeholders and learns from experience. Second, it is not an end unto itself but rather a means of generating public value, understood as the effective response to citizens' needs and desires. Third, its sustainability depends on institutionalizing changes, or incorporating them into regulations, budgets, practices and capacities so that they can weather changing circumstances and political cycles.

Recent trends show that the central role of the SDGs in guiding public sector innovation, especially at the subnational level, is undeniable. The SDGs have provided a common language and a shared frame of reference, enabling local and regional governments to address complex, cross-cutting challenges. Their clear structure facilitates the communication of priorities, supports stakeholder alignment and lends legitimacy to experimentation within the public sector. By linking innovative initiatives with recognized global targets, the SDGs have created political space for pilot testing, exploring new methodologies and intensive data use, strengthening systems of measurement and evidence-based decision-making (United Nations, 2023, 2025).

The SDGs have also fostered inter-institutional, cross-sectoral and territorial collaboration, encouraging the sharing of solutions and mutual learning. This framework has advanced emerging public policy areas—such as the circular economy, climate resilience and digital inclusion—helping to strengthen institutional capacities to integrate innovation into policy design.

B. From the classic modernization approach to the transformation management model

Even when meaningful progress has been made in terms of modernizing administrative processes, adopting technologies and professionalizing the civil service, the countries of the region have been unable to sustain structural transformations or overcome the development traps of low growth, inequality and weak institutions. This points to the need to reevaluate the incremental model of administrative modernization, with its focus on processes and efficiency, and to move towards an approach that views institutions as adaptive systems capable of leading strategic change.

Under the transformation management model proposed by ECLAC, the focus is less on what to transform and more on how to create favourable institutional and governance conditions and build TOPP capabilities, with due attention to political economy and social dialogue, to enable viable, sustainable and socially legitimate transformations.

It shifts the emphasis of public action from administrative efficiency and the provision of predefined services to the State's capacity to drive deliberate and sustained structural change, guided by a long-term public objective. Major development challenges—such as the energy transition, the reduction of inequality and the inclusive digital transformation—require social and institutional learning processes in which the State operates strategically rather than in a merely administrative capacity. In this regard, public sector innovation is not limited to technology uptake or procedural modernization; it entails organizing State action to explore alternatives, navigate uncertainty, coordinate stakeholders and strengthen adaptive capacities, integrating the State's innovation function into the policy cycle, resource allocation, and learning and evaluation systems, in line with a sustainable disruptive growth model that seeks to bring about structural transformations (see box I.1).

Box I.1

The sustainable disruptive growth model and the four types of change

The sustainable disruptive growth model identifies different types of change in the public sector, as set out below.

Transitory change: pilot projects, prototypes or proofs of concept that generate knowledge but can be discontinued without having built enduring capacities.

Strengthening or anchoring of change: the path of transformation is determined by rules, agreements, mandates, initial funding and coordination arrangements that reduce the risk of reversal.

Deep transition: sustained reconfiguration of capacities, practices, infrastructure and incentives; change progresses but is not yet a stable standard.

Deep consolidation (institutionalization): change becomes integrated into regulations, budgets, governance and capacities and is sustained beyond projects and political cycles.

This typology is of strategic value, as it enables decision makers to identify the current phase of each change process and the best instruments for advancing towards deep consolidation.

Source: Prepared by the authors, on the basis of Popper et al., 2025.

Distinguishing between these four types of change has direct implications for managing public sector innovation. In general, change in the region remains in the first category: a proliferation of innovative pilots that are never scaled up, successful projects that are never replicated and reforms that are enthusiastically undertaken only to disappear when governments change hands. The strategic challenge is to deliberately design the transition from transitory change to institutionalization, making explicit anchoring decisions at each stage of the process.

C. Public sector innovation as an integrated organizational function: a strategic State capacity to steer progress towards a desired future

One of the most important points made in the report is that public sector innovation is not something to be carried out on a marginal or exceptional basis; it should be approached as an organizational function that is built into the architecture of the State. This requires that several conditions be met simultaneously.

First, public sector innovation requires an institutional mandate; it must be explicitly recognized as a systemic government responsibility, rather than being assigned to specialized agencies that are peripheral to the State apparatus. Second, it requires specific capacities: anticipation and foresight to interpret changes and guide decisions; policy design and iteration to bring new methods of experimentation and learning to the policy cycle; and portfolio management to strategically link different initiatives, moving from incremental improvement to transformative innovation. Third, it requires governance, with coordination structures to ensure that innovation initiatives are consistent with the strategic priorities of the State. Fourth, it requires resources, in the form of stable budgets that are not dependent on external funding or competitive bidding processes, so that the innovation function can be sustained over time.

Data comparison shows that governments that approach innovation as a structural capacity—not an ad hoc project or an initiative of a specific ministry— support more systematic learning, make better-informed decisions and implement more adaptive policies. Finland, Singapore and Denmark are among the countries that have institutionalized this function, with significant results. In Latin America and the Caribbean, experiences like Chile’s Government Laboratory, Brazil’s GNova Lab and Peru’s ecosystem of innovation laboratories show that this institutionalization is both feasible and effective in the region.

D. The relationship between public sector innovation, public trust and public value

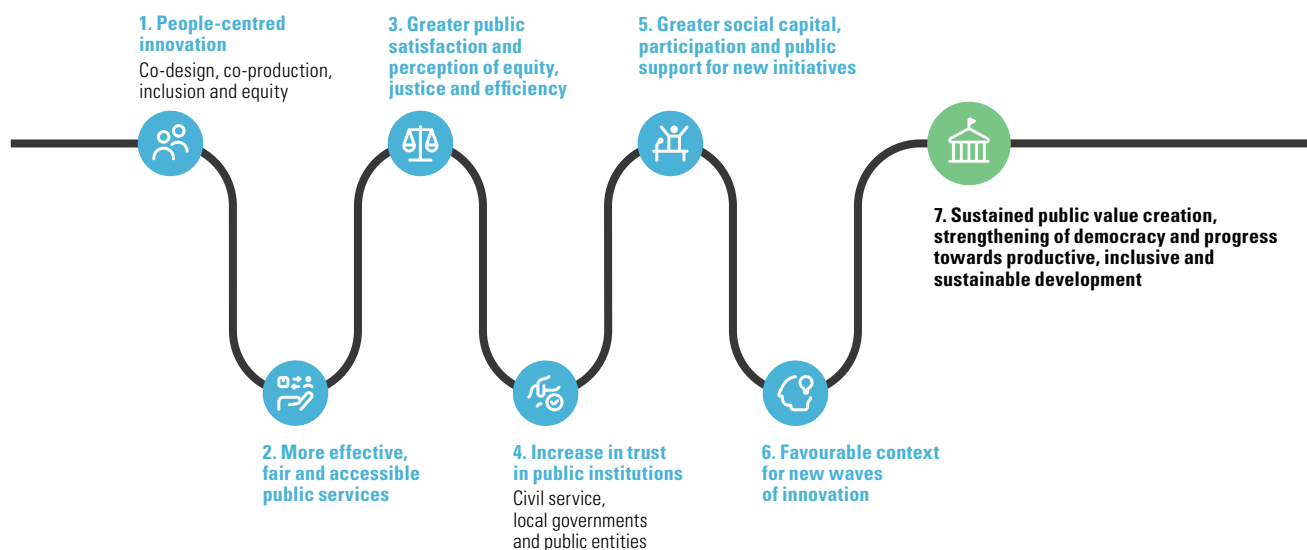
The strategic relationship between public sector innovation, public trust and public value is key to understanding why innovation is a matter not only of efficiency but of democratic legitimacy. In societies characterized by distrust towards institutions—a concerning trait of Latin America and the Caribbean, where indices of institutional trust are among the lowest in the world— public sector innovation can be a powerful mechanism for rebuilding the relationship between the State and the citizenry.

The logic is as follows: when the State engages in visible and effective innovation, with concrete improvements to the services that the public uses on a daily basis, it demonstrates its capacity to learn, adapt and respond. Demonstrating this capacity engenders trust, and trust, in turn, makes room for political and social action on deeper and longer-lasting reforms. Thus, public sector innovation is not just a tool for increasing efficiency; it is a mechanism for strengthening democratic legitimacy (OECD, 2024a, 2025).

These findings have prompted the proposal of a renewed theory of change that expands the traditional approach focused exclusively on designing and improving services. Under this strategy, public sector innovation is understood as a systemic process involving the coordination of technical, institutional and political capacities with democratic governance in order to create sustainable public value and strengthen public trust. Thus, progressing from one-off measures to lasting results requires the combination of design, implementation, lessons learned and legitimacy in a coherent public action framework (see diagram I.1).

Diagram I.1

Renewed theory of change: from service design to sustainable public value

**Source:** Economic Commission for Latin America and the Caribbean.

In this framework, public sector innovation is understood as a strategy to create sustainable public value through people-centred processes that seek to improve service efficiency, increase public satisfaction and strengthen trust in institutions. The real criterion for evaluating its success is therefore not the number of digitalized services or the creation of new laboratories, but the actual impact on people's lives, the reduction of inequalities and the bolstering of the State's capacity to address present and future challenges, distinguishing real public sector innovation from mere institutional staging.



CHAPTER



Governance and purpose in public sector innovation

- A. How to innovate at the State level. Different models in Latin America and the Caribbean
- B. Innovation and the transition towards a SMARTER public management model

A. How to innovate at the State level. Different models in Latin America and the Caribbean

There is a wide range of governance models for public sector innovation in Latin America and the Caribbean, owing to different institutional experiences, State capacities and political contexts. This heterogeneity is not a problem to be resolved through the adoption of a single model, but rather a source of collective learning: systematizing actual experiences in the region makes it possible to identify approaches, institutional arrangements and tools that can be adapted to contexts in which similar challenges exist.

Analysis is focused on six countries in the region —Brazil, Chile, Colombia, the Dominican Republic, Jamaica and Uruguay— that have advanced public sector innovation systematically, beyond one-off initiatives. This national-level approach identifies the key elements of public sector innovation systems in central government, in spite of subnational and local differences. These experiences are used to draw lessons for identifying crucial enabling factors to sustain innovation capacity in the public sector.

The analytical framework proposed by the Observatory of Public Sector Innovation of OECD was adopted as the standard model for analysis. It allows for the study of innovation opportunities in public sector systems, taking into account contextual factors that enable or inhibit development, including drivers, barriers and tensions. This framework promotes the comprehensive and systemic vision needed to improve and sustain governments' innovative capacity.

It is a practical resource for understanding the determinants of government capacity to foster and implement innovation, functioning as a diagnostic tool for public sector capacities. It allows multilevel analysis —of the individual, the organization and the system—, linking four thematic areas: purpose, potential, capacity and impact.

The individual level refers to team dynamics and focuses on public servants and their characteristics, motivations, skills and experiences, while the organization level refers to events within public sector organizations relating to internal culture, leadership, strategies and resources, among other factors. The system level of the public sector refers to a wider perspective of innovation that in addition to the previously mentioned factors encompasses environmental and global influences on innovative capacity, meaning that it is broader in scope and complexity (Kaur et al., 2022).

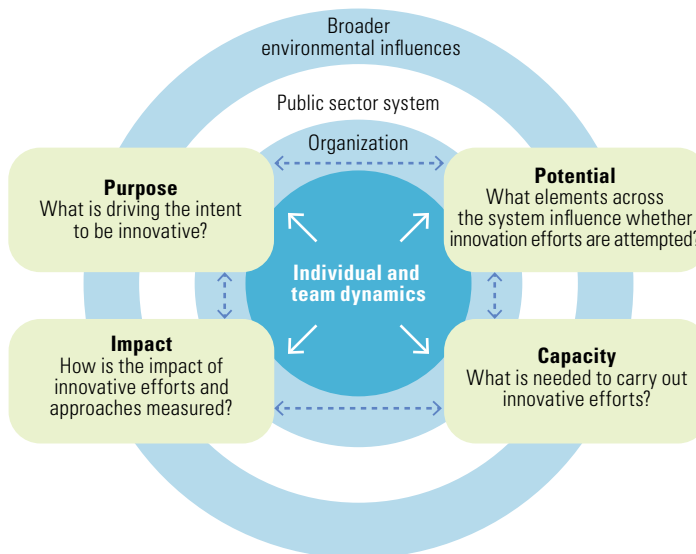
Although the three levels are holistically intertwined, the analysis of the cases presented prioritizes that relating to the system, given its importance for understanding the structural aspects that shape innovation environments and their alignment with the themes of the *Overview of Public Management in Latin America and the Caribbean, 2025*. This approach is especially suitable for analysing public sector innovation as a new form of governance that incorporates co-creation with the public and other stakeholders, along with mechanisms such as experimentation and learning. The model's flexibility allows this type of contextual focus (Kaur et al., 2022).

The four dimensions of the framework allow a breakdown of the complexity of public sector innovation (see diagram II.1):

- Purpose: the motivations, mandates and strategies driving innovation at the three levels and their alignment with public value.
- Potential: the conditions that make innovative efforts probable or feasible.
- Capacity: the resources, processes and mechanisms needed to implement innovative initiatives.
- Impact: the effects of innovative efforts and the way in which lessons learned inform future practices.

Diagram II.1

Organisation for Economic Cooperation and Development analytical framework of innovative capacity



Source: Kaur, M., Buisman, H., Bekker, A. and McCulloch, C. (2022). Innovative capacity of governments: a systemic framework. *OECD Working Papers on Public Governance* (51). OECD Publishing. <https://dx.doi.org/10.1787/52389006-en>.

This framework is complemented by the technical, operational, political and prospective (TOPP) capabilities approach proposed by ECLAC, which widens and deepens this perspective by placing public sector innovation within a broader paradigm of institutional capabilities. These dimensions form a functional system that allows the translation of knowledge into robust policies, effective implementation of these policies, building of legitimacy and anticipation of future scenarios. While the OECD framework defines the innovation environments and types, the TOPP capabilities approach ensures that these public sector innovations become viable and sustainable policies, integrating governance, political economy and strategic vision.

Together, these approaches enable a shift from the logic of one-off projects to the building of robust institutional ecosystems in which public sector innovation is not an exceptional effort but a structural function integrated into State architecture. By clearly incorporating the dimensions of context and a focus on results, the institutional, political and territorial conditions in which public sector innovation is developed are recognized, along with the need for translation into concrete and measurable impacts. This synergy is key for governments of the region to be able to innovate with purpose, implement with efficiency, build legitimacy and anticipate future scenarios in complex and highly uncertain conditions.

1. Brazil: innovation for more just and inclusive transitions

Brazil shows how a large federal State can coordinate innovation at the national level with clear political will and supportive institutional architecture. The creation in 2023 of the Ministry of Management and Innovation in Public Services marked a strategic pivot towards State capacity-strengthening. Likewise, instruments such as the federal government's long-term plan for sustainable, fair and prosperous development—*Estratégia Brasil 2050*— and the 2024–2027 Multi-year Plan developed with the participation of more than 1.4 million people through digital media and more than 34,000 people at in-person events held in all the country's State capitals provide a strategic dimension to guide public policies.

The National School of Public Administration and the Ministry of Management and Innovation in Public Services have promoted impact assessments and the creation of public policy laboratories to test solutions before scaling them up, and some institutions have formally incorporated “agile project management.” The emphasis of GNova Lab, the government innovation laboratory, on developing solutions that employ methodologies such as design thinking and co-creation, is notable. Red InovaGov, run by the National School of Public Administration since 2016, is a digital community and inter-agency multisectoral platform created to encourage cooperation and knowledge-sharing on innovation in public administration in Brazil, including federal entities, innovation laboratories, academic institutions and international organizations.

The challenge for Brazil, like all countries that have made significant progress in public sector innovation, is to overcome interministerial fragmentation and integrate demand instruments (public procurement) with supply instruments (credit, research and development and regulation). These strategies must also be expanded to encompass State-owned firms and subnational governments, strengthening the system’s vertical and horizontal coordination (Mazzucato, 2024).

2. Chile: innovation based on knowledge, participation and inclusion

Chile illustrates how public sector innovation can address a crisis of public trust. Amid deep distrust of political and public institutions, the country has steered its modernization agenda towards rebuilding the State’s legitimacy by providing better-quality services that are more transparent and that involve greater public participation. The State Modernization Agenda and the Digital Transformation of Administrative Procedures Act reflect this strategy.

Innovation is also encouraged through the Public Procurement of Innovation Policy, adopted under the Ministry of Finance’s Exempt Decree No. 523 of 2024, which aims to develop innovative solutions based on public demand, improving services provided to the public.⁴ This policy is complemented by Act No. 21634, which updates the Administrative Contracts for Service Provision Framework Act No. 19886 and others, and incorporates new procurement procedures —such as contracts for innovation and the competitive dialogue procedure for innovation— designed to address public sector challenges with innovative solutions.⁵

Since 2024, the Ministry of Finance has served as the modernizing arm of the State, grouping together three key entities: the Government Laboratory, the Secretariat of State Modernization and the Secretariat of Digital Governance. The Secretariat of Digital Governance is a technical unit tasked with coordinating and advising State entities in the strategic use of digital technologies, formulating technical guidelines for digitalization, coordinating implementation of technological standards and developing digital platforms for use by other public entities.

The Chilean Government Laboratory, created one decade ago, is a key pillar of the institutional framework for public sector innovation. In these 10 years, the Laboratory has evolved from promoting initiatives to solve complex public sector problems to strengthening institutions that seek to mainstream innovation in all the work of the State and has also become a regional reference.

⁴ <https://www.bcn.cl/leychile/navegar/imprimir?idNorma=1211730&idParte=&idVersion=2025-03-12>

⁵ <https://www.bcn.cl/leychile/navegar?i=1198903&f=2024-12-12&p=10475274>

3. Colombia: innovation as policy that cuts across government management

Colombia is a key example for the region given its territorial approach to public sector innovation. The National Development Plan 2022–2026 “Colombia, world power of life” places public sector innovation at the heart of State transformation with the aim of ensuring democratic rights, opening up public policymaking processes and strengthening ties between the State, the citizenry and communities. The Plan treats innovation as a strategic tool to solve public sector problems, close gaps and bring about territorial transformation, in order to allow national and local entities to effectively meet social needs, especially those of historically excluded sectors.

The National Planning Department has institutionalized public sector innovation by creating the Office of Government and International Affairs and the Public Sector Innovation Team, which steer various initiatives: (i) support for national and territorial entities with regard to participatory foresight, experimentation and citizen-centred design to resolve public sector challenges; (ii) formulation of guidelines and support for entities in mainstreaming clear language in the public sector; (iii) measurement of the public sector innovation capacities of national and territorial entities; and (iv) preparation of policy guidelines for strengthening public sector innovation and the national ecosystem.

In the period 2022–2025, the National Planning Department’s Public Sector Innovation Team made progress in areas such as the methodological redesign of the public sector innovation capacity index incorporating a territorial approach and the update of data dashboards⁶ and of measurements for 2022, 2023 and 2024, as well as in comparative analysis;⁷ the update of guidelines on clear language with the 2025 document *Lenguaje claro para la apertura democrática*, with a focus on rights and ensuring the right to access to public information;⁸ the preparation of guidelines for participatory foresight;⁹ support for participatory public policymaking; and preparation of the draft decree to establish the Intersectoral Public Sector Innovation and Knowledge Management Commission and the National Public Sector Innovation and Knowledge Management Network.

These are not just practical instruments to support innovation processes carried out by public servants; they also improve territorialized and differentiated decision-making, strengthen innovative advances and advance the closure of social and territorial gaps.

4. Jamaica: innovation to strengthen social protection and the education system

The desire to innovate in Jamaica’s public sector is driven by an ambitious government agenda embodied in the Vision 2030 Jamaica development plan, which aims to make the country equitable, safe and prosperous. Priorities include reducing crime, ensuring sustainable economic growth, protecting the environment and strengthening education.

The overall strategy is centred on long-term planning, multisectoral participation, use of digital technologies and improvement of public management to achieve inclusive and resilient development. In 2024, Jamaica was declared a “STEM island” by its prime minister, reflecting the government’s commitment to fostering innovation, boosting economic

⁶ https://www.dnp.gov.co/LaEntidad_/subdireccion-general-prospectiva-desarrollo-nacional/direccion-gobierno-ddhh-paz/Paginas/medicion-de-la-innovacion.aspx

⁷ See National Planning Department (2022, 2023).

⁸ See National Planning Department (2025).

⁹ Through the toolbox and the document *Ejercicio participativo de futuros y recomendaciones de política pública* (National Planning Department, 2024).

growth and empowering citizens by focusing on science, technology, engineering and mathematics. This initiative includes building specialized STEM schools and investing in digital infrastructure, for example for the provision of free Wi-Fi access in public spaces.

Jamaica's capacity to innovate is based on the adoption of agile technologies, the institutionalization of innovation in formal bodies and specific policies, and an increasing openness to data-sharing and multisectoral collaboration. For the country, strengthening capacity is not only understood as the creation of systems, institutional frameworks or technological tools, but also as a means of achieving sustainable transformation and concrete results. Hence, especially in the field of education, Jamaica is pursuing progress in information systems, technologies and management models explicitly focused on improving equitable access, quality of learning and educational outcomes. From this perspective, public sector innovation is understood as an instrument for creating measurable impacts on human development and in people's lives.

The country has innovated in social protection through investments in interoperable systems for the provision of public services linked to the social protection network and through the strengthening of social security administrative infrastructure, including the incorporation of unemployment insurance into internal management systems. Such initiatives expand the scope of digital transformation beyond administrative efficiency to encompass more integrated, resilient and people-centred service provision. There have also been proposals to create artificial intelligence ecosystems through collaboration with universities and support for innovation centres and technology parks.

The impact of innovative efforts in Jamaica is examined through performance evaluation frameworks to determine the effectiveness of programmes and policies, and is sustained through the continuity of long-term efforts, although mechanisms must still be strengthened to ensure legitimacy and evaluation capacity throughout the system.

5. Dominican Republic: innovation for fulfilment of the sustainable development agenda

In recent years, the Government of the Dominican Republic has incorporated innovation as a strategic pillar of national planning, laying the institutional foundations to drive it forward. A key milestone was the adoption, in 2012, of Act No. 1-12 establishing the 2030 National Development Strategy and recognizing innovation as a pillar of the vision for the country, with the aim of building a coordinated, innovative and sustainable economy. The Innovation and Digital Development Cabinet was created under this framework, and is tasked with coordinating science, technology and innovation policies with the public sector's digital transformation, strengthening productive modernization and generation of value added.

The establishment of that Cabinet as a strategic and consultative body, under Decree No. 338-23, is a clear sign of the political momentum to advance innovation and digital development. Likewise, the 2030 National Innovation Policy outlines ambitious objectives, such as an increase in research, development and innovation investment to 1% of GDP and the creation of a fund to support innovation along with a public-private national incubator network. Another example is the creation of the Public Innovation Lab of the Dominican Republic, within the Administrative Office of the President, as a space to develop innovative projects focused on creating public value and improving the quality of public services.

The National Monitoring and Evaluation System, established pursuant to Act No. 1-12, is part of the National System for Planning and Public Investment. Its main aim is to systematically review the achievement of goals and targets through evaluation of the effectiveness, efficiency, quality, impact and sustainability of policies, programmes and projects.

The lessons learned from these evaluations are disseminated and inform future public sector efforts, policies, services and practices. The adoption of the 2030 National Innovation Policy and its alignment with the General Plan to Reform and Modernize Public Administration reflect a coherent and continuous strategy to integrate innovation in the future.

6. Uruguay: innovation to drive current and future development

In Uruguay, innovation is understood as a structural function of the State targeting social well-being and sustainable development. This approach is reinforced by international commitments and national policies that integrate innovation into the country's strategic planning. Uruguay is noted for the coherence of its public sector innovation ecosystem, supported by a coordinated institutional architecture that combines open government, digital transformation, innovation in services and strategic foresight. The Agency for the Development of Electronic Government and the Information and Knowledge Society, the National Agency for Research and Innovation, and the Planning and Budget Office make up a system of complementary institutions that address different dimensions of the State innovation ecosystem, without duplicating each other's work.

Since 2020, the country has been pushing a public sector reform agenda based on democratic principles that links innovation with the creation of public value. One example of this effort is the Public Service Innovation Programme, promoted by the National Agency for Research and Innovation in partnership with the laboratory of the Inter-American Development Bank (IDB Lab). This programme is focused on implementing open innovation processes in Uruguay's public entities, in order to improve public service access, quality and affordability. Various tools are used to implement the programme, including public sector innovation consultancies, internal innovation contests, public sector innovation workshops and materials, public sector challenges and a public sector innovation compass.¹⁰

At the local level, some of the 19 departmental governments have developed specific policies and measures to foster innovation in different areas of public management. Since 2021, the Division for Decentralization and Institutional Strengthening of the Planning and Budget Office have spearheaded and backed several of these initiatives through training mechanisms and financial support.¹¹

Public procurement of innovation addresses two fundamental aspects of public policy. First, it fulfils the procurement needs for which no solutions currently exist on the market. Second, it promotes development of the innovation industry through incentives to strategic national providers.

7. Purposeful public sector innovation: regional lessons and capacities to sustain transformation

The comparison of experiences shows that there is no single model in use. However, the existence of a long-term strategic vision, supported at the highest political level and coordinated with modern regulatory frameworks and international initiatives, creates the conditions to test and sustain transformation.

¹⁰ <https://innovacionpublica.anii.org.uy>

¹¹ <https://www.opp.gub.uy/es/fortalecimiento-institucional>

The consolidation of innovation ecosystems also requires solid institutions and permanent teams with a clear mandate to coordinate agendas beyond political cycles, as well as laboratories and spaces for experimentation that allow solutions to be scaled up. Enabling mechanisms such as interoperability, open data and digital platforms, along with strategic and mission-oriented public procurement, strengthen the State's role as innovation seeker. However, challenges remain in the systematic evaluation of capacities and institutionalization of anticipatory innovation. Integrating innovation throughout the public management cycle—from design to evaluation—is key to sustain adaptive, anticipatory processes aiming for continuous improvement, and to ensure coherent and lasting transformation in the region.

B. Innovation and the transition towards a SMARTER public management model

To enable the transition towards a smarter and more adaptive public management model, innovation must no longer be a one-off effort but rather a guiding principle throughout the public policy cycle. This means integrating innovative approaches from the strategic planning stage until the evaluation and feedback phase, ensuring that each step of the governmental process incorporates mechanisms for learning, anticipation and continuous improvement.

For this reason, the SMARTER results-based management model has grown increasingly important in recent years. It is based on specific, measurable, achievable, relevant and time-bound objectives and also includes evaluation and renewal mechanisms to ensure continuous improvement.

1. Innovation in planning for development¹²

Public sector innovation is crucially facilitated by long-term visions developed through collective and participatory approaches that enhance the legitimacy, direction and resilience of the process. Having clearly outlined goals allows the different public and social stakeholders to explore purposeful and mission-oriented innovations. Planning is the first stage of the public management cycle: the vision of development determines the policies required for achievement and the indicators to measure progress within the established time frames (ECLAC, 2024).

Just as planning for development facilitates public sector innovation, its own processes have begun to incorporate innovations to transform the State's interaction with the public and the private sector. These include active participation in the co-creation of solutions; the use of digital tools to improve service quality; promotion of access to information, accountability and results-based management; decision-making based on sound information; inter-institutional collaboration to provide more efficient and equitable services; and the incorporation of foresight and participatory governance practices in public institutions, with the aim of optimizing planning and policy outcomes.

There are currently long-term planning instruments in 21 of the 33 countries of the region—visions, strategies or national development plans—, reflecting significant progress towards more strategic and sustainable approaches. Brazil¹³ and Paraguay¹⁴

¹² The analysis is based on information available in the Regional Observatory on Planning for Development in Latin America and the Caribbean (<https://observatorioplanificacion.cepal.org/en>).

¹³ <https://www.gov.br/planejamento/pt-br/assuntos/planejamento/Brasil2050>

¹⁴ <https://www.paraguay2050.gov.py/processes/pnd2050?locale=es>

recently extended their national long-term planning instruments to 2050, joining countries such as Colombia, Costa Rica and Peru. Other countries, such as Guatemala and Uruguay, are currently updating their planning instruments.

These countries' long-term plans reflect clear convergence towards modern, digital and people-centred public management models. Together, they indicate a strategic pivot towards building public sector innovation ecosystems that coordinate technology, social participation, institutional quality, sound information and inter-institutional cooperation for sustainable impact.

2. Innovation in budget preparation

Public budgets are among the most important tools for guiding development, strengthening trust in institutions and reducing social and territorial inequalities. Although change is gradual and requires institutional stability owing to the regulatory and highly structured nature of these budgets, in Latin America and the Caribbean, there are increasing innovations aimed at transforming budget management to better address public priorities, increase transparency and improve the effectiveness of spending.

In particular, innovations have been notable in three areas: (i) the shift from line item budgets —focused on inputs such as wages, goods and services— to programme budgets and, in some cases, to results- or performance-based budgets; (ii) incorporation of budget markers or labels that highlight cross-cutting priorities, such as gender equality, child welfare and climate action; and (iii) the gradual strengthening of institutional capacities for budget transparency, control and monitoring, along with the gradual expansion of spaces for public participation, especially at the local level. Together, these trends reflect regional progress towards budgets that are more aligned with the SDGs and with a vision of public spending as a strategic instrument to drive structural transformation.

However, significant challenges remain. These include improving participation throughout the budget cycle, strengthening institutional capacities for monitoring, and consolidating more integrated and suitable budget information systems. An innovative budget does not depend solely on new techniques or platforms, but also on institutions that are capable of learning, anticipating and addressing public priorities and development challenges. Consolidating these capacities is crucial for enabling the governments of Latin America and the Caribbean to use the budget to drive structural transformation, build trust in institutions and increase the well-being of their populations.

3. Innovation in management of public investments

Public investment is a pillar of development in Latin America and the Caribbean, given its role in narrowing territorial gaps, improving infrastructure and strengthening services. Although national systems have traditionally been standard-driven and have evolved slowly, the past decade has been marked by modernization efforts aiming for greater efficiency, transparency, participation and sustainability.

The push for public oversight has been notable: in Chile, there are committees to monitor regional public investment (created in 2022 and expanded in 2023) and in Peru, there is a committee to monitor investments (founded in 2019) that includes public and private sector stakeholders throughout the project cycle. Meanwhile, digitalized and interoperable project banks have been consolidated: in 2021 Argentina integrated its public investment project bank (BAPIN) into its financial system; since 2024, Chile has made progress on an integrated bank incorporating georeferencing and comparison of

social data; and Peru has a project bank that includes digital records, online monitoring and risk management modules. IDB InvestmentMap platforms, which are used in 18 countries, enable monitoring of locations, progress and financing; they include innovations such as georeferenced maps in Colombia, participation modules in Panama and petition channels in Honduras. In the Dominican Republic, InvestmentMaps 2.0 (2025), promoted by the Ministry of Finance and Economy with support from IDB, incorporates advanced interoperability, improvements in data quality and an artificial intelligence chatbot to answer questions and enable physical and financial monitoring, strengthening accountability.

Progress has also been made in results-based management and sustainability. Several countries have adopted green taxonomies, thematic bonds and budget markers to align investment with climate action. Colombia has taken the lead in these efforts, followed by Mexico, Chile and Paraguay. Ex ante evaluation increasingly incorporates disaster and climate change risks—with progress in Chile, Colombia, Costa Rica, Ecuador, Guatemala, Honduras, Mexico, Panama, Paraguay, Peru and Uruguay—and multi-criteria prioritization has expanded in countries such as Argentina, Costa Rica, the Dominican Republic, Honduras, Mexico, Paraguay and Peru. Ex post evaluation is advancing with solid experience in Chile, Mexico and Peru, and new efforts in Argentina and Guatemala, closing the learning cycle. Innovations such as Paraguay's pre-investment fund (FOPREP) established in 2021 to finance pre-investment studies strengthen early technical quality. As a whole, the region is increasingly integrating anticipatory approaches—multi-year plans and the social price of carbon—to guide investments towards low-emissions and resilient performances, shaping more transparent, efficient systems aligned with twenty-first-century challenges, despite the difficulties that persist with regard to financing and capacities.

4. Innovation in monitoring and evaluation systems

The establishment of monitoring and evaluation functions in Latin America and the Caribbean has followed various institutional formulas adapted to the political and administrative arrangements of each country, reflecting the different paces and degrees of consolidation of development processes. Monitoring and evaluation systems in the region vary depending on institutional structure—whether they report to planning entities, government centres or finance ministries; main objectives, including setting the budget, improving public management, identifying priorities and enhancing transparency and accountability; object of analysis, which may include plans, investment projects, public programmes or institutions; and methodologies used, depending on both the object of evaluation and the institutional capacities to manage monitoring and evaluation measures (ECLAC, 2025b).

There is currently clear consensus in the region on the importance of developing these functions with the public sector to make public policy decisions based on sound information and thus achieve inclusive and sustainable development targets. It is therefore necessary to establish a culture of evaluation in public institutions, which is itself based on building monitoring and evaluation capacities, and to allocate resources for that purpose (ECLAC, 2025b, 2025c).

Public sector innovation in monitoring and evaluation in Latin America and the Caribbean is evident in the institutional, regulatory and methodological dimensions. These transformations address structural challenges in the region's monitoring and evaluation systems, including the need to increase the participation of non-governmental stakeholders, strengthen the effective use of information produced by those systems and consolidate institutions that sustain these functions throughout the public policy cycle.

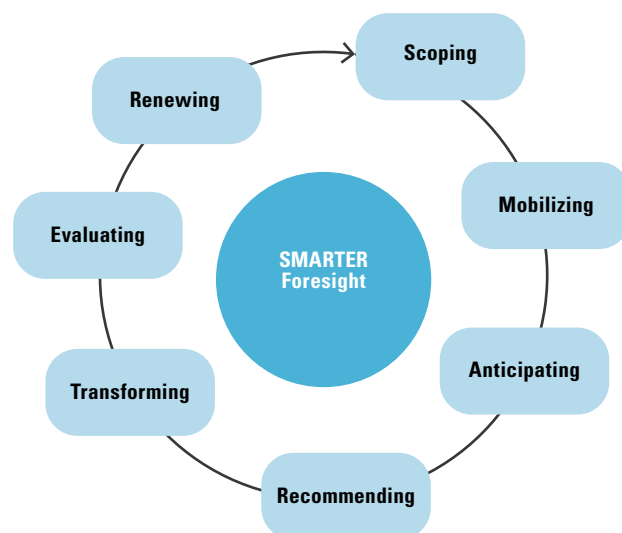
Taken together, the experiences in the region show that enabling conditions that allow for more than one-off innovations or initiatives are needed to strengthen monitoring and evaluation systems. These conditions include, most notably, an institutional culture focused on the use of information as the basis for decision-making, sustained investment in technical and analytical capacities, development of interoperable information infrastructure and the promotion of participation and transparency mechanisms that broaden the stakeholder base. The biggest challenge in terms of governance is integrating monitoring and evaluation as cross-cutting functions of the State, coordinated with planning, the budget and accountability, to effectively contribute to institutional learning, continuous improvement of public policies and achievement of inclusive and sustainable development in the countries of the region.

5. Improvement in public management through the SMARTER foresight model

Amid conditions of volatility, uncertainty, complexity and ambiguity (VUCA), public planning loses its effectiveness when it is exclusively supported by linear extrapolation. Recent findings in the area of foresight indicate that incorporating forward-looking approaches widens governments' and organizations' field of view. The aim is not to predict one result, but to explore various future possibilities, test the resilience of plans under alternative conditions and guide more robust decisions on priorities, resources and innovation. This logic is especially relevant in emerging areas —e.g. ecosystems for launching and financing innovation—, where regulatory, technological and market uncertainty mean that more adaptive decision-making frameworks are required (Popper et al., 2025). Foresight strengthens the State's capacity to transform its approach from reaction to preparation, and to sustain iterative adjustment processes as risks, opportunities and public demands change.

In this process, the SMARTER foresight model is a useful guide for reconfiguring the policy cycle with a structure comprising seven interrelated functions: scoping, mobilizing, anticipating, recommending, transforming, evaluating and renewing (see diagram II.2). This framework should be understood as a sort of puzzle whose pieces are interdependent: the process is only complete if no pieces are missing (Popper, in press).

Diagram II.2
SMARTER model
for innovative and
forward-looking
public management



Source: Economic Commission for Latin America and the Caribbean, on the basis of Popper, R. (in press). Foresight methodology. In L. Georgiou, J. Cassingena Harper, M. Keenan, I. Miles y R. Popper (Eds.), *The Handbook of Technology Foresight*.

The core of the SMARTER cycle —anticipating, recommending, transforming—distinguishes an anticipatory State from a reactive State. Scoping and mobilizing create the conditions; evaluating and renewing ensure learning and continuity. Adopting the SMARTER model represents an opportunity for Latin American and Caribbean countries to overcome institutional fragmentation and to build more agile, inclusive States that can create public value in a constantly changing world.

The transition towards the SMARTER approach is not a technical reform but rather a paradigm shift in governance. It implies moving on from static to adaptive policies, from reactive to anticipatory decisions and from one-off to integrated innovation throughout the public management cycle. In this framework, planning ministries and bodies play a central role as creators of strategic coherence: they are the best suited to ensure alignment of long-term visions, sectoral policies, regulatory frameworks and budget decisions, and to establish shared methodologies for foresight, policy design and evaluation.



CHAPTER



Collaborative ecosystems for innovation

- A. Inter-institutional collaboration and co-creation with various stakeholders
- B. Open government and open data as enablers
- C. Public sector innovation laboratories: spaces for experimentation and learning
- D. Networks, citizen participation and co-production of solutions

A. Inter-institutional collaboration and co-creation with various stakeholders

No State, no matter how sophisticated, has the capacity to resolve the complex problems of the twenty-first century on its own. Sustainable development challenges—climate change, digital inclusion, productive transformation, public safety and public health—are systemic, cross-cutting and interdependent. They require the mobilization of knowledge, capacities and resources among multiple stakeholders: different levels and sectors of public institutions, businesses, universities, civil society organizations, communities and social movements.

In this context, inter-institutional collaboration is a structural condition of the effectiveness of public action, an option that is not merely desirable, but indispensable. Different modalities of collaboration in the region have produced public value, including: intersectoral coordination mechanisms such as thematic ministerial councils and interministerial committees; digital interoperability platforms that allow the sharing of information among institutions of different levels; peer-to-peer learning networks that allow public servants from different countries and territories to share their experiences; and public-private partnerships for the co-creation of services and innovative solutions.

Co-creation, which is understood as the joint effort to design and implement solutions by the State and multiple stakeholders, goes beyond traditional public consultation. It implies the active participation of non-governmental actors in identifying the problem, designing solutions, testing prototypes and evaluating outcomes. This participation not only improves the technical quality of solutions—by incorporating first-hand knowledge of the problems faced—but also encourages public ownership, which is necessary to ensure solutions are adopted and sustained.

B. Open government and open data as enablers

The open government model, which is based on transparency, accountability, public participation and collaboration, has redefined how States interact with the public and manage public affairs. More than a regulatory framework, it is a new governance model that breaks traditional hierarchical barriers and creates spaces where various stakeholders can co-create solutions, redesign services and create public value. In this process, open data have become a strategic resource that enhances collaboration and accelerates innovation, allowing the public, academia, the private sector and social organizations to develop applications, analysis and services focused on concrete needs.

The expansion of the open government approach has been accompanied by an in-depth debate on its scope and role in transforming the State, especially in Latin America and the Caribbean. The Open Government Partnership, a voluntary intergovernmental initiative, has been key in this process, promoting co-creation standards, methodologies and mechanisms that guide countries towards more inclusive, transparent and collaborative governance. Action plans—co-created by governments and civil society—have been transformed into institutional innovation instruments and have given rise to commitments ranging from new digital services to sectoral reforms in areas such as health, justice, housing, education and the environment (Torres et al., 2025).

In recent years, many countries of the region have adopted a broader open State approach that integrates the legislature, the judiciary, subnational governments and the academic sector. This expansion has bolstered institutional coherence and allowed the scaling up of innovations emerging from specific territories or sectors, enhancing the State's capacity to more comprehensively address public challenges. Involving the academic sector, especially through the Open Government Academic Network, has strengthened applied research, the production of information and the building of capacities needed to sustain this model (Torres et al., 2023, 2025).

Open data play an especially crucial role in this ecosystem: when public data are available in accessible and reusable formats, non-governmental actors —journalists, researchers, social entrepreneurs and citizen organizations— can use them to generate information of public value, develop innovative services and strengthen accountability.

However, the availability of data does not guarantee their effective use; there is need of analytical capacity in the actors using them, accessible technological infrastructure and governance frameworks that ensure personal data privacy and protection. The digital gaps in the region in terms of connectivity, digital literacy and access to devices limit the real scope of open government and open data as enablers of public sector innovation and public participation, which indicates the need for a clear digital equity approach.

C. Public sector innovation laboratories: spaces for experimentation and learning

As in other regions of the world, in Latin America and the Caribbean, public sector innovation laboratories are playing an increasingly important role in enabling, facilitating and promoting public sector innovation (Criado and Guevara-Gómez, 2021; Lewis et al., 2020). In the past decade, these initiatives have visibly flourished, both in terms of their existence within the public sector and the growing academic interest they have generated (Brandalise and Werneck, 2023).

Public sector innovation laboratories are spaces where innovation is developed through collaboration between public administration, the private sector, civil society and academia. Laboratory workers detect and study problems of public interest, design prototypes of innovative solutions and test them, aiming to create public value. This work is based on design methods that focus on co-creation and prototyping methodologies (Perini et al., 2020, p. 1). Through co-creation processes that foster open innovation and leverage collective intelligence, these spaces generate new State capacities, moving away from traditional public intervention approaches. In the most advanced cases, they function as cross-cutting support systems that bolster innovation management in various areas of government.

There are different types of laboratory in the region. One group functions within ministries, secretariats or other central government departments; another operates with subnational governments —provinces, States or municipalities—, and lastly, there are laboratories affiliated with universities, civil society organizations or international organizations. Each one has its own mandates, levels of autonomy and modalities of institutional coordination.

1. National laboratories: Chilean Government Laboratory and GNova Lab of Brazil

The Chilean Government Laboratory and GNova Lab of Brazil are two of the most established examples of national public sector innovation laboratories in the region, and a comparison of their experiences provides valuable lessons for countries seeking to create or strengthen this type of structure.

The Chilean Government Laboratory was established in 2015 in the Ministry of Economy, Development and Tourism. It was formally incorporated into the Ministry of Finance in 2022. Its mission is to support public servants and institutions in their innovation processes, ensuring that the practices implemented are sustainable and aligned with public needs. To develop its activities and create public value, the Laboratory bases its work on five principles of public sector innovation: the centrality of people, the multidimensional approach, collaborative creation, sound information as a foundation and guidance for implementation. Within this framework, the Laboratory develops three main lines of action: the Ágil consultancy, the Public Sector Innovators Network and the public innovation index. Projects such as the creation of a silent channel via WhatsApp to help women victims of domestic violence during the pandemic, or support for the development of strategic guidelines for the new institutional framework of the Biodiversity and Protected Areas Service, indicate the Laboratory's thematic diversity and focus on results.

GNova Lab is a public innovation laboratory established by the Government of Brazil within the National School of Public Administration (ENAP). Its mission is to promote the use of data, digitalization and artificial intelligence to improve government decision-making by developing practical pilot projects in collaboration with public sector institutions, with a view to implementing solutions to public challenges.

The Desafíos platform, launched by ENAP, is one of the most notable examples of open innovation in Latin America and the Caribbean. Its aim is to harness society's collective intelligence to solve public problems collaboratively, moving beyond traditional approaches to public policy design. The platform offers public administrators an environment in which they can present specific challenges and receive proposals for solutions from various sectors, fostering participatory, cross-cutting and impact-oriented innovation. This initiative is based on the recognition that complex public problems require new perspectives and creativity drawn from the wider public. Accordingly, the platform aims not only to provide tangible solutions but also to promote a culture of experimentation and shared learning within the public sphere.

ENAP and its GNova Lab promote a culture of innovation in public administration through co-creation and the use of agile methodologies, the strengthening of partnerships between various stakeholders and the education and training of public servants, among other initiatives.

The experiences of GNova Lab in Brazil and the Chilean Government Laboratory show that public innovation laboratories can significantly strengthen national governments' capacity to design and implement innovative solutions to complex public problems. Both cases demonstrate that public innovation is most effective when conceptualized as a structured, collaborative and results-oriented process, rather than merely as an isolated experimental practice.

2. Subnational laboratories: opportunities and weaknesses

Subnational laboratories have been shown to be flexible and adaptable, capable of addressing specific issues affecting their regions through innovative solutions. Operating closer to citizens and the specific challenges of each region, they offer a valuable opportunity to develop people-centred solutions, particularly in crisis or emergency contexts.

Examples of subnational laboratories in Argentina (SantaLab in Santa Fe, CorLab in Córdoba), Colombia (Mi Nariño Lab, Bogotá Public Innovation Laboratory), Mexico (Laboratory for Mexico City, 2013–2018), among others, show that subnational laboratories can have a major symbolic and practical impact, inspiring new forms of governance at different levels of the State.

However, these laboratories face significant structural challenges: their institutional framework is often fragile, they are highly vulnerable to changes in administration, and they frequently rely more on personal leadership than on established organizational structures. Overcoming these limitations requires strengthening regional innovation networks, investing in the continuous training of local officials and consolidating stable structures with clear governance frameworks and secure budgets.

3. University and civil society laboratories

Beyond government-run laboratories, the region is home to a budding ecosystem of public innovation laboratories affiliated with universities and civil society organisations, which act as autonomous hubs for experimentation, co-creation and knowledge transfer. GobLab UAI of the School of Government of the Adolfo Ibáñez University in Chile, which focuses on the application of data science, emerging technologies and artificial intelligence to address public challenges, is one of the most notable examples. Its Algoritmos Públicos platform, which promotes the responsible and transparent use of algorithms and artificial intelligence within State institutions in Chile, represents a particularly significant contribution in the context of the advancement of artificial intelligence in public administration.

These university-based laboratories have the advantage of access to rigorous research methodologies, the ability to explore cross-disciplinary approaches and the opportunity to train new generations of professionals with public innovation skills. Civil society organizations, meanwhile, offer an essential ground-level presence and a commitment to working with traditionally excluded communities, and can therefore influence policy from a more horizontal and participatory perspective.

4. Final reflections: challenges and lessons learned

Public innovation laboratories in Latin America and the Caribbean have contributed significantly to modernizing the State, particularly by improving services and adopting people-centred methodologies. However, experience in the region shows that focusing exclusively on service innovation is insufficient to bring about profound and sustainable transformations. The current challenge is to move from tactical and limited innovations toward strategic innovations that have an effect on the entire public policy cycle, including design, implementation, evaluation and reformulation. Such a shift will require new capabilities, more robust methodological frameworks and greater integration of innovation into public sector governance.

One of the main obstacles to this progress is the difficulty innovation laboratories have in coordinating with government decision-makers and securing the political support needed to scale up solutions and consolidate institutional change. Without political legitimacy and strategic partnerships—in particular with planning ministries, centres of government and the private sector—innovation can only ever be limited to isolated initiatives that are unable to change the rules, incentives and structures underpinning public policy. This is compounded by the persistence of bureaucratic cultures that tend to be risk-averse, which limits experimentation and continuous learning processes that are essential for innovation in areas other than services.

The lack of stable funding also weakens the longterm prospects of laboratories. Their reliance on resources that are time-bound or limited by political cycles restricts their ability to attract specialized talent, invest in technological infrastructure, and sustain projects with strategic impact. The evaluation of the public value generated is a critical

mechanism for enhancing their sustainability, yet there remains a significant shortfall in monitoring and evaluation systems capable of systematically measuring the impact of innovations. In this regard, the incorporation of a results-based dimension, such as that developed by the Chilean Government Laboratory with the public innovation index, is a significant step forward, as it measures not only improvements in services but also organizational transformations and institutional capabilities.

The limited availability of public officials with technological, analytical and methodological competencies poses a critical challenge for innovation laboratories in strengthening the public policy cycle. Innovation requires multidisciplinary teams that are capable of applying agile methodologies, data analysis and human-centred design and working in collaboration with academia, the private sector and civil society. Overcoming these gaps requires moving from isolated training activities to sustainable schemes —such as training of trainers, communities of practice and portable credentials— while also addressing cultural barriers and a lack of public trust through inclusive and transparent participation mechanisms that lend legitimacy to co-creation processes.

Given these constraints, laboratories must strengthen their strategic role within the State, helping to create a forward-looking government that is able to anticipate trends and harness emerging technologies. The application of common methodologies, the systematic documentation of lessons learned and the continuous training of leaders as agents of change are key to scaling up innovations and bringing about lasting transformation.

In addition, collaboration —a defining feature of these laboratories— must be strengthened through partnerships and platforms that broaden participation and enhance the quality of public policies. Effective strategic communication helps to make results visible and to strengthen an organizational culture open to innovation. Looking to the future also requires medium and longterm plans that guide experimentation and facilitate institutionalization and the consolidation of national and international networks for sharing lessons learned and broadening the scope of public innovation as a structural pillar of more effective, inclusive and sustainable States.

D. Networks, citizen participation and co-production of solutions

The development of collaborative public innovation ecosystems is central to moving towards more open and inclusive models of governance that are geared towards collective learning. In a context where public challenges exceed the capabilities of any single institution, cooperation networks, public participation and the co-production of solutions become indispensable tools for designing more effective and legitimate policies. In addition to facilitating knowledge sharing and expeditious adoption of good practices, these networks also bring together different perspectives and mobilize capacities in public administration, academia, civil society, the private sector and the general public.

In this process, knowledge exchange networks play a strategic role by providing permanent forums for dialogue, mutual learning and capacity-building. Among the most notable examples are the Open Government Academic Network (RAGA);¹⁵ the Network of National Public Investment Systems of Latin America and the Caribbean (RedSNIP);¹⁶ the Ibero-American Programme of Science and Technology for Development (CYTED),¹⁷

¹⁵ See <https://redacademicagobabierto.org/>.

¹⁶ See <https://observatorioplanificacion.cepal.org/en/redsnip>.

¹⁷ <https://www.cyted.org/>

through its Thematic Networks; the Latin America and the Caribbean Development Planning Network, launched by the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) of ECLAC, and the Community of Practice on voluntary national reviews, also an ECLAC initiative. These flagship platforms make it possible to share experiences, harmonize approaches and consolidate lessons learned at the regional level.

The Public Innovation Agenda, endorsed by the Ibero-American Heads of State and Government at their twenty-seventh and twenty-eighth Summits and coordinated by the Ibero-American General Secretariat (SEGIB), has also gained recognition as a regional framework for learning and collaboration between governments. Its main contribution is that it builds networks connecting public officials, specialists and strategic partners in order to address common challenges, build capacity and generate knowledge that can be used to improve public policies.

The Agenda strengthens learning networks in the region through a peer-learning and learning-by-doing approach, which combines practical experimentation, technical support and the systematization of learning. Co-design, pilot testing and iteration in real-world contexts can transform local experiences into knowledge that can be applied in other situations and on a larger scale, expanding their impact beyond individual countries or institutions.

On the environmental front, the Regional Agreement on Access to Information, Public Participation and Access to Justice in Environmental Matters in Latin America and the Caribbean (Escazú Agreement) stands as a prime example of how international commitments can foster learning processes among countries and open up opportunities for the co-creation of public policies.¹⁸ In addition to setting standards on access to information, public participation, and access to justice in environmental matters, the Escazú Agreement has promoted the formation of regional networks for the exchange of knowledge and experience among authorities, civil society, academia and international organizations, fostering peer-to-peer dialogue and the dissemination of innovative initiatives. These networks provide opportunities to share participatory methodologies, mechanisms for protecting environmental defenders and territorial approaches to environmental management, thereby promoting the adaptation of solutions to various national and subnational contexts. The Escazú Agreement thus demonstrates how multilateral cooperation does not operate as a rigid compliance framework, but rather as an enabling platform for expanding learning, strengthening institutional capabilities and recognizing regional specificities in the co-creation of more inclusive and effective environmental policies.

¹⁸ <https://www.cepal.org/en/escazuagreement>



CHAPTER

IV

Enabling capacities for public sector innovation

- A. Transformative leadership and team empowerment
- B. Financial, human and technological resources
- C. An organizational culture that fosters creativity and learning
- D. Measuring impact, sustainability and scalability of innovation
- E. State innovation through technical, operational, political and prospective (TOPP) capabilities

Four key factors have been identified for building a public ecosystem capable of innovation: transformative leadership, the availability of resources, an organizational culture geared towards creativity and learning, and robust measurement, sustainability and scalability mechanisms. These elements are complemented by a broader vision of technical, operational, political and prospective (TOPP) capabilities, which are essential to ensure that innovation goes beyond isolated initiatives and becomes a structural function of the State.

A. Transformative leadership and team empowerment

Leadership is a critical component of public innovation, but its role must be understood beyond the traditional figure of the manager who commands and controls. In governments moving towards smarter, more collaborative and learning-oriented management models, transformational leaders help build capacity, inspire a shared strategic vision and remove internal barriers so that teams can innovate with greater autonomy. This type of leadership is one in which priorities are communicated clearly, trust is built, experimentation is encouraged and calculated risk-taking is supported. By creating environments where mistakes are seen as a source of learning rather than an obstacle, leaders ensure that innovation moves from being a marginal endeavour to becoming an integral part of the day-to-day practices of public institutions.

From this perspective, leadership does not only have an instrumental function, but also a normative one. Ethical leadership adds a fundamental dimension to the innovation process by rooting public action in a form of practical thinking aimed at the common good, mutual recognition and democratic accountability. Understood as a form of virtuous citizenship, this leadership is expressed through behaviours such as constructive dissent, critical thinking, solidarity and openness to dialogue. It also incorporates reflective emotional regulation and a culture of compassion as elements that strengthen social cohesion and collective commitment. Thus, ethical leadership not only helps to find solutions to public problems, but also to foster critical, collaborative and co-responsible citizenship, thereby strengthening the quality of democracy and the legitimacy of State action (Tatián and Pereira, 2022).

The role of such leadership is particularly significant in contexts of collaborative governance, where public challenges outweigh the capacity of any single organization and require coordination across a broad ecosystem of stakeholders. In these environments, leaders act as facilitators and coordinators of processes involving multiple stakeholders, promoting co-creation, co-production and dialogue between the State, citizens, the private sector, academia and civil society. Integrating different types of knowledge—including local and territorial knowledge—expands the range of available solutions and strengthens public trust. In this way, innovation is consolidated as a collective endeavour, underpinned by diverse perspectives and the institutional capacity to coordinate interests, expectations and resources.

The information available at regional level shows that, in collaborative governance models, effective leadership relies on sustained political will that enables the institutionalization of mechanisms for participation, transparency and collaboration beyond the cycles of government. This implies that leaders must not only promote specific initiatives but also strengthen institutional capabilities, establish formal structures, develop competencies and foster an organizational culture that sustains openness and dialogue over time. The cultural sustainability of these processes is a key component: collaboration cannot depend solely on individual projects but must be rooted in shared norms, routines and values in the State apparatus (Cyr and Bianchi, 2025; Torres et al., 2025).

In this context, one of the main challenges for the region is that public innovation still relies too heavily on individual leadership. While leaders can act as important catalysts, innovation that depends exclusively on specific individuals or teams becomes vulnerable to political shifts, changes of government and administrative reorganizations. Therefore, it is essential to move toward models in which innovation is embedded among mandatory functions and supported by stable institutional frameworks, clear regulations, mission-driven strategies and permanent structures. Collaborative leadership therefore fulfils a key function as a bridge between political vision and the institutionalization of innovative practices, securing resources, establishing rules of the game and implementing mechanisms for continuous evaluation that enable iterative learning and improvement.

Taken together, the approaches of transformative, ethical and collaborative leadership all point to the same conclusion: sustainable public innovation calls for leadership that combines strategic vision, democratic integrity, openness to diversity and capacity for reflection. This strengthens public administration, reinforces collective action and helps to improve the quality, effectiveness and legitimacy of policies, particularly in complex territorial contexts that demand inclusive, jointly developed solutions.

B. Financial, human and technological resources

Public sector innovation requires resources that are stable and strategically managed. From a financial perspective, it is essential to have dedicated funds, flexible mechanisms and sufficient budgetary space to explore and test new solutions without depending on rigid political or budgetary cycles. Sustained investment is crucial to ensure that innovations do not remain isolated pilot experiences, but can be scaled up and consolidated.

To achieve this, several factors are essential:

- Stable direct financing (what some countries call “baseline funding”) to ensure institutional continuity and the development of capabilities.
- Competitive funding that encourages creativity, collaboration and experimentation.
- Explicit budgetary targets for innovation, as in the Kingdom of the Netherlands, other European countries and Brazil.
- Specific financing for public procurement of innovation, including subsidies or risksharing mechanisms, such as those found in the Brazilian model.

In addition to direct funding, competitively awarded funds and public procurement of innovation, governments can strengthen the finance side of the ecosystem through risk-sharing arrangements that channel private investment towards public priorities (for example, co-investment funds, funds of funds or first-loss guarantees), particularly when seeking to move from pilot projects to scalable solutions. Recent international data suggests that these instruments work best when designed with a forward-looking approach (anticipating risks, shocks and gaps), predictable rules and impact metrics that build stakeholder trust and channel capital toward digital and green transition initiatives (Popper et al., 2025).

The move toward results-based budgeting must not obscure these needs. Public innovation requires deliberate, systematic and protected investment.

Human resources play a fundamental role in innovation processes. Public sector innovation requires multidisciplinary teams with up-to-date technical, methodological and analytical competencies, as well as sufficient time to dedicate to project development. Continuous training is essential for strengthening capacities in areas such as human-centred

design, data analysis, agile methodologies, change management and prototyping. To ensure that training is not limited to isolated initiatives, it should be organized using recognition and applied learning mechanisms, such as train-the-trainer programmes, modular learning pathways, micro-credentials (certifications gained through short educational units) and work-based learning approaches (see box IV.1).

According to *The Future of Jobs Report 2025*, by 2030 59% of the global workforce will need reskilling as a result of technological disruption, the green transition and demographic change (World Economic Forum, 2025). In the public sector, this means ensuring efficient and resilient services against a backdrop of automation, the growing use of artificial intelligence and rising public expectations. It is essential to adopt continuous learning strategies in order to maintain institutional competitiveness, narrow talent gaps and ensure the capacity to respond to crises and the digital transformation.

In this context, micro-credentials (certifications gained through short courses) have become a key tool for flexible, specialized training. According to Coursera (2025), 96% of employers agree that these credentials strengthen a candidate's application, and 90% of them are willing to pay more to those who have them. For public servants, they offer a flexible way to acquire critical skills without disrupting their work and can even be integrated into degree programmes. Their rapid adoption in Latin America and the Caribbean reflects their growing value as a bridge between education and the labour market.

The data from the World Economic Forum and Coursera show two major groups of skills on the rise:

(i) **Technical skills**

- Artificial intelligence and big data: this is the fastestgrowing area, with a 195% increase in Coursera enrolments. It includes prompt engineering, language models and practical applications.
- Cybersecurity: demand is growing in response to digital risks. A global shortage of 5 million professionals is projected.
- Technology and data analysis: cloud computing, programming (Python, R) and information management.
- Sustainability and the green transition: environmental engineering and renewable energy.

(ii) **Soft skills**

- Analytical thinking (69% of employers consider it essential).
- Resilience, flexibility and agility.
- Leadership and social influence, together with curiosity and lifelong learning.
- Communication and active listening, where significant gaps remain (7 out of 10 employers report a lack of these skills).

Source: Economic Commission for Latin America and the Caribbean, on the basis of World Economic Forum. (2025). *The Future of Jobs Report 2025*; Coursera. (2025). *Micro-credentials impact report 2025: Insights from students and employers*; Coursera. (2025). *Global skills report: Trusted skills insights for a rapidly changing world*.

Box IV.1

Continuous learning in the public sector: a strategic necessity

Although their approaches vary, governments across the region are moving in this direction. The Government of Barbados, for example, has placed a strategic emphasis on digital training for the public sector as part of its national transformation agenda. As part of the National Transformation Initiative (NTI), an e-Learning Hub was established for public servants, developed in partnership with Coursera, with a view to modernizing State capacities. The programme offers training in digital skills, analytical thinking, leadership, change management and the use of technological tools, aligned with a public service skills framework, in order to prepare civil servants so that they can perform effectively in an increasingly digitalized environment.¹⁹

¹⁹ See <https://www.nti.org.bb/coursera-programmes/>.

This investment in capacity-building helps to increase the efficiency, quality and agility of public services, while strengthening institutional capacity to design and implement policies in the digital economy. Thus, Barbados is not only modernizing its administration but is also showing regional leadership by illustrating the potential of continuing education and online learning as fundamental tools for transforming the State and strengthening digital governance.

In a similar vein, the Vincula LAC programme provides support for capacity-building projects within the public sector in various countries aimed at modernizing public administration and expanding access to digital skills. In Chile, for example, the Digital Government Secretariat has trained civil servants in technological project management and change management to foster a culture of digital transformation; in Costa Rica, the Ministry of Science, Innovation, Technology and Telecommunications has strengthened capacities in emerging technologies and project management, and in Peru, the Ministry of Transport and Communications has encouraged training in digital transformation policies and complex public management. Similarly, Belize, Brazil, Haiti and Jamaica have developed initiatives that range from basic digital literacy to advanced technological skills, with a particular focus on the inclusion of underrepresented groups both within and outside the public sector.²⁰

C. An organizational culture that fosters creativity and learning

Organizational culture is the bedrock on which leadership and available resources are built. Organizations that value continuous learning, creativity and calculated risk create the right conditions for teams to test new solutions without fear of repercussions for mistakes born of good intentions. Psychological safety is essential: when individuals feel they can contribute ideas, propose changes and question practices, innovation becomes a normal part of everyday work.

Building such a culture requires strategic alignment, consistency from senior management and internal mechanisms that encourage the exchange of ideas and proposals, collaboration and the co-creation of public policies. Peru's experience is illustrative in this regard.

Innovation laboratories, communities of practice and interdisciplinary working groups are spaces that shape new ways of working within the public sector. Through them, innovation ceases to be seen as a one-off initiative and becomes a structural component of institutional identity, capable of overcoming bureaucratic inertia and motivating public sector employees. Brazil, Chile and, at the regional level, ILPES are promoting a robust and sustained programme of online training aimed at the region's public officials.

D. Measuring impact, sustainability and scalability of innovation

Public innovation cannot be consolidated if its impact is not evaluated and its continuity is not ensured. Impact measurement makes it possible to identify initiatives with real transformative potential, justify the allocation of resources and sustain the political and institutional support required. However, assessing the effects of innovation is complex

²⁰ See <https://www.worldbank.org/en/region/lac/brief/vincula-lac>.

due to the wide variety of projects, methodologies and scales of intervention. It is therefore essential to develop monitoring and evaluation frameworks that capture not only improvements in the services provided, but also organizational transformations, capacity transfer and systemic effects (see box IV.2). In practical terms, these frameworks can be complemented by adoption and continuity indicators that track the “life” of an innovation: how many practices become institutionalized, what proportion of teams incorporate new methodologies, how many formal partnerships (e.g. interinstitutional agreements) support implementation and which financing or governance mechanisms ensure sustainability. In capacity-building initiatives, this approach is put into practice through the use of key performance indicators related to the modernization of curricula, training of trainers, development of micro-credentials, collaboration between education and industry, and policy recommendations. This approach ensures that measurement is not limited to immediate results, but also incorporates dimensions of scalability, sustainability and systemic impact (SKILLBRIDGE, 2025).

The Ministry of Finance of Chile requested the Latin American and Caribbean Institute for Economic and Social Planning (ILPES) of the Economic Commission for Latin America and the Caribbean (ECLAC) to evaluate the Government Laboratory's public innovation index, with a view to strengthening institutional capacities and establishing innovation as a strategic function in the public sector. For the evaluation, interviews and surveys were conducted among 550 officials from institutions that had been measured and had not been measured for the index in order to ascertain the relevance of the index, its impact and areas for improvement.

The results showed a high level of satisfaction: 81.3% of respondents considered the dimensions measured (institutional resources; practices and processes; and collaboration and openness) to be appropriate, and 70.6% believed that it realistically reflects their institution's capacity for innovation. However, limitations were identified, including the lack of measurement of innovation outcomes, including their sustainability, and the need to incorporate cultural and leadership aspects. The Government Laboratory's assessment and feedback on the IIP measurement were deemed useful by 84.8% of officials, who use this information to define training plans, internal recognition schemes and resource management. The capacity-building programme associated with the IIP measurement was also well rated: 79% of respondents rated it as good or excellent and 88.7% would recommend it, although suggestions were made for more customization and active participation by senior management.

On the question of the existence of a culture of innovation, 54.2% of respondents reported progress in this area, although it was noted that learning was concentrated in specific teams. There was a high level of interest in participating in the IIP measurement (96.6% among institutions that had not yet participated) and a majority believed it should be mandatory. The presence of governance and leadership structures for innovation is more common among institutions that had been measured (73%, compared with 34.5% among those that did not). This indicates that having such structures plays an important role in advancing innovation. The main challenges for institutions in terms of innovation are a lack of resources, time and leadership, and the existence of an incompatible organizational culture. The IIP measurement, according to officials from the institutions that took part, can help overcome these challenges in areas such as access to resources or requests for funding for innovation, training, dissemination of the index results and raising awareness of the importance of innovation for institutional performance.

In summary, the index has emerged as a robust and highly regarded tool that drives the modernization of the State, fostering collaboration, a user-centred approach and the creation of public value. Key areas for improvement include enhancing the measurement of results, mainstreaming lessons learned, customizing and diversifying the capacity-building programme, and making certain methodological aspects of the reporting process more flexible. This model, advancing efficiency, openness and citizen-centred governance, offers a road map that other countries of Latin America and the Caribbean can replicate.

Source: Economic Commission for Latin America and the Caribbean. (2025d). *Innovar para transformar el Estado: evaluación del índice de innovación pública de Chile* (LC/TS.2025/84).

Box IV.2
State capacity for innovation: the experience of Chile's public innovation index (IIP)

E. State innovation through technical, operational, political and prospective (TOPP) capabilities

Recent evidence shows that sustainable public innovation requires building State capacities that are responsive, adaptive and politically legitimate. State capacities are neither uniform nor homogeneous: they vary by sector, level of government and the functions the State must perform, such as revenue collection, establishment and enforcement of the legal and administrative framework, and the effective provision of goods and services. Therefore, strengthening capabilities should begin with context-specific assessments and tailored designs, understanding TOPP capabilities not as universal lists of good practices, but as living systems for learning, implementation and continuous iteration, in line with the problem-driven iterative adaptation approach (ECLAC, 2024; Salazar-Xirinachs and Boeninger Sempere, 2025; Honig et al., 2025).

Thus, integrating TOPP capabilities into State capacity-building entails applying five operational principles: (i) activating capabilities in response to specific circumstances, avoiding institutional ‘copy-and-paste’; (ii) institutionalizing capabilities through rules, routines, structures and funding to reduce dependence on specific individuals; (iii) building coalitions and political legitimacy that create opportunities and ensure the continuity of processes; (iv) striking a balance between transformative ambition and the strengthening of essential State functions—such as coordination, budget management and service delivery—which make it possible to sustain and scale up innovations; and (v) exercising caution regarding outsourcing, ensuring that external support contributes to the development of internal capacities and does not replace the State. Taken together, these principles aim to ensure that public innovation is robust, scalable and sustainable over time (ECLAC, 2024; Salazar-Xirinachs and Boeninger Sempere, 2025; Honig et al., 2025).

Collectively, these capabilities provide practical tools for co-creating public value and managing complexity and uncertainty with legitimacy. A consolidated definition of each is provided in table IV.1.

Table IV.1

Technical, operational, political and prospective (TOPP) capabilities for enabling public sector innovation

Capabilities	Key functions	Enabling factors of public sector innovation
Technical	<ul style="list-style-type: none"> – Rigorous analysis and strategic vision: use of reliable data, multidisciplinary analysis and trend modelling – Evidence-based design and formulation: ex ante analysis, pilot prototypes and clear logical frameworks – Cycle of learning and continuous improvement: indicators, feedback and impact assessments 	Enables public sector innovation by transforming knowledge into sound and adaptable policies
Operational	<ul style="list-style-type: none"> – Resource planning and programming: multi-year budgets and results-based programming – Inter-institutional coordination: interministerial cabinets and digital interoperability platforms – Flexible and adaptive execution: real-time monitoring systems and crisis management protocols 	Enables public sector innovation by allowing for rapid adjustments and experimentation during implementation.
Political	<ul style="list-style-type: none"> – Narratives and strategic communication: evidence-based information campaigns to build legitimacy – Management of coalitions and compensation: multiparty round tables and programmatic agreements – Licence to innovate: political backing for pilot initiatives and results-oriented missions 	Enables public sector innovation by creating political space to take risks and sustain change.
Prospective	<ul style="list-style-type: none"> – Monitoring of trends: analysis of megatrends and emerging risks – Scenario-building: multi-stakeholder workshops and simulation models – Integration into planning: green budgets and plans to 2030–2050 	Enables public sector innovation by anticipating disruptions and steering decisions towards desirable future scenarios.

Source: Economic Commission for Latin America and the Caribbean, on the basis of Salazar-Xirinachs, J. M. and Boeninger Sempere, A. (2025). *Technical, operational, political and prospective (TOPP) institutional capabilities for managing transformations: underpinnings of a new paradigm* (LC/TS.2025/56). Economic Commission for Latin America and the Caribbean.

Public innovation is not an isolated effort or a set of disconnected initiatives, but a structural function of the State that reaches its full potential only when institutional capabilities operate as a dynamic system. When they fail or develop in a fragmented manner, institutions become trapped in administrative inertia, are less resilient to contexts of change and have limited capacity to generate sustainable public value.

This is why it is necessary to move towards a new model of innovation in the public sector: one that is technically sound, operationally agile, politically inclusive and strategically forward-looking. Aligning TOPP capabilities with the region's critical challenges will enable Latin American and Caribbean countries to move beyond the logic of isolated projects and temporary pilot schemes, transitioning toward permanent public innovation systems that are inclusive, collaborative and sustainable. This transition depends not only on having certain tools or methodologies, but on a deeper shift in the way State action is conceived. Innovation requires institutions that learn continuously, that have capabilities distributed across all levels, that value the diversity of stakeholders, and that are guided by a long-term vision focused on well-being and equity.

The recent evaluation of the public innovation index (IIP) in Chile, conducted by ILPES in 2025, confirms the importance of coordinating TOPP capabilities to ensure that innovation becomes a structural function of the State. The assessment shows that the institutions that participated in the IIP measurement have made greater progress in terms of governance, leadership and user orientation, which underscores the importance of political and prospective capabilities in generating legitimacy and anticipating change. Furthermore, 81.3% of officials consider the dimensions measured (institutional resources; practices and processes; and collaboration and openness) to be appropriate, and 70.6% believe that it realistically reflects their institution's capacity for innovation. This reinforces the need for technical capacity to carry out rigorous assessments and measure impact.

However, challenges related to operational capacities persist: the lack of resources and time was the most frequently mentioned obstacle, underscoring the urgency of having multiyear budgets and flexible mechanisms to sustain innovation. Organizational culture is also a critical factor: although 54.2% of officials see progress in the creation of a culture of innovation, learning remains concentrated in specific teams. This points to the need for strategies to mainstream knowledge and strengthen the foresight dimension through scenario analysis and longterm planning.

In sum, the findings of the ILPES evaluation of the index confirm that public innovation depends not only on methodologies, but on the simultaneous activation of TOPP capabilities. When these capabilities are aligned, governments can shift away from the logic of isolated projects and move towards permanent innovation systems, characterized by strong governance, inspiring leadership, strategic resources and a forward-looking vision. This approach transforms public sector innovation into a driving force for modernization of the State and the generation of sustainable public value.



CHAPTER

V

Concluding observations

- A. The agenda ahead: from isolated projects to permanent innovation systems
- B. Trust as the goal and the prerequisite for innovation: State capacities and anticipatory governance
- C. Public sector innovation does not replace politics

The region has a historic opportunity to establish public innovation as a cornerstone of sustainable development and regional integration. However, seizing this opportunity requires deliberate decision-making, broad coalition-building and a long-term vision.

The structural transformations that Latin America and the Caribbean need to overcome development traps will not come about by institutional inertia or the mere accumulation of incremental reforms. They require a paradigm shift in how public service is conceived and delivered: a State that learns, anticipates, co-creates and experiments responsibly, and that converts learning into permanent institutional capabilities. Understood in this broad sense, public innovation is the driving force behind this transformation.

There is no one-size-fits-all formula for innovation in the public sector, but there are enabling conditions: institutions that are prepared for managing change, organizational cultures open to experimentation, digital and analytical skills developed at all levels, and deliberate efforts to ensure that the benefits of innovation reach everyone.

A. The agenda ahead: from isolated projects to permanent innovation systems

The region's greatest challenge in the field of public innovation is not a lack of innovative initiatives —evidence shows that there is a wealth of experiences across all levels and sectors of government— but rather the difficulty of transforming these initiatives into permanent institutional capabilities. The trap of pilot projects that are not rolled out, laboratories that are shut down following a change of government, and innovation initiatives tied to individual leaders is the main obstacle preventing innovation from yielding systemic and lasting impacts.

Overcoming this trap requires simultaneous action on five fronts. First, innovation must be integrated into the architecture of the State by defining clear institutional mandates, allocating stable resources and establishing governance structures that ensure continuity beyond political cycles. Second, strategic innovation portfolios need to be developed, bringing together different types of initiatives —incremental, experimental and transformative— within coherent frameworks that combine responses to immediate demands with investments in longterm capacities. Third, learning must be systematized, creating institutional systems that document both failures and successes, transfer knowledge across organizations and levels of government, and convert accumulated experience into intelligence for decisionmaking. Fourth, it is necessary to build longterm coalitions, generating the political and social agreements needed to sustain transformations beyond shortterm contexts, including the active participation of academia, civil society and the private sector as strategic partners. Fifth, sustained funding for public sector innovation must be secured through multiyear funds, coinvestment mechanisms and financing arrangements that reduce dependence on external resources and vulnerability to budgetary cycles.

B. Trust as the goal and the prerequisite for innovation: State capacities and anticipatory governance

Public trust must be simultaneously the ultimate goal of public innovation and the enabling condition for greater innovation. In societies marked by mistrust —towards institutions, the State and political leadership— to innovate is to show, and not merely claim, that the public sector is capable of learning, improving and serving people better.

This creates a virtuous circle: innovation improves public services and promotes more transparent and participatory management; this strengthens public trust; trust opens up policy space to pursue more ambitious reforms; and these reforms, sustained over time, bring about structural changes that reduce inequality, increase productivity and strengthen social cohesion. In turn, these advances reinforce the legitimacy of the State and its capacity to continue innovating. This cycle is not automatic: it requires committed political leadership, robust institutional capacities and an active and demanding civil society. However, the necessary conditions to set this cycle in motion are present in the region.

C. Public sector innovation does not replace politics

Public innovation does not replace politics, nor does it provide an automatic solution to the State's problems. Innovation involves making decisions, setting priorities and building consensus; in that sense, it is an intrinsically political process. While it can reduce technical uncertainty surrounding the most effective solutions, it does not eliminate distributional dilemmas regarding who benefits and who bears the costs of these transformations.

For public innovation to generate sustainable value, it must be coupled with democratic debate and mechanisms for participation, transparency and accountability that ensure that decisions are in the general interest and not in the interests of the few who have greater access to the State. A State that operates with network logic, in the sense described by Castells (1996) —one that coordinates capacities, resources and knowledge beyond the boundaries of the State apparatus while retaining its responsibility— can generate public value only if it is guided by principles of equity, inclusion and respect for rights.

1. The future we build today: pathways for action

For public sector innovation to become a cornerstone of the State in Latin America and the Caribbean, it is essential to establish a set of strategic priorities intended to transform public action in a sustainable manner. The first is to institutionalize innovation by creating or strengthening units that have a formal mandate, a secure budget and are effectively integrated into the public policy cycle. This will ensure that public sector innovation does not depend solely on individual leaders or external funding. In addition, the systematic integration of approaches covering the planning, design, implementation, evaluation, anticipation and renewal of policies is key, so as to ensure that innovation forms part of regular government processes.

This effort must be accompanied by the development of technical, operational, policy and prospective (TOPP) capabilities, based on rigorous assessments of gaps and capacity-building plans in line with the strategic priorities of each country or organization. At the same time, it is essential to build collaborative ecosystems establishing permanent mechanisms for co-creation with academia, civil society and the private sector, under governance frameworks that ensure equity and a focus on the common good. Investing in integrated foresight —linking trend analysis with budgetary and planning cycles— and developing monitoring and evaluation systems that measure the impact of innovation in all its dimensions, including the building of public trust, are equally important requirements.

Lastly, promoting a culture of learning in the public sector calls for a shift in how talent is managed, to recognize, develop and retain innovative profiles, and the creation of safe spaces for experimentation and learning from mistakes. The varied experiences across the region are a strategic advantage in this context: cooperation, comparative systematization and the strengthening of knowledge-sharing networks offer opportunities to scale up lessons learned and move towards more effective, inclusive and sustainable States.



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The *Overview of Public Management in Latin America and the Caribbean* systematizes the main advances and challenges of public management in the region. This edition presents a comprehensive perspective on public sector innovation as a driver of State transformation, aimed at strengthening institutional capacities so that public administrations become more efficient, open, resilient and people-centred. To this end, it presents insights and new approaches to public management, strategic orientations and experiences from countries of the region, and is aimed at public authorities, technical teams, academia and social actors committed to institutional improvement.

Public sector innovation goes beyond the modernization of procedures; it involves strengthening collective capacities to envision and build a more inclusive, sustainable and democratic future. The document highlights that, despite existing tensions and constraints, the crises currently affecting the region are a historic opportunity to consolidate State capacities for adaptation, anticipation and collaboration. Within this framework, public ethics and a people-centred approach constitute core elements for any transformative process.

The *Overview* is intended as a guide for purposeful, collaborative and sustainable public innovation that contributes to social well-being and to the advancement of the 2030 Agenda.

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