Executive summary

Innovation and data-use have proven to be vital tools in cities' responses to the COVID-19 pandemic. The use of innovation tools such as experimentation, digital services, human-centred design, real-time data sharing and alternative communication channels in day-to-day operations and management became widespread in response to the pandemic. And just as innovation and data use have played a role in response measures, they are also playing a role in recovery efforts and building resilience, helping localities address long-standing inequalities exacerbated during the pandemic, ensuring better access to vital goods and services, reinforcing the need to shrink digital divides, and moving local governments towards a more sustainable future.

This report is the first to link cities' innovation capacity and data use with resident well-being at the local level. Its findings draw on the OECD/Bloomberg Philanthropies Survey on Innovation Capacity across 147 cities covering the US, Europe, South America, Asia, Africa, and Oceania. The survey results, combined with data use assessments of 100 cities from the *Results4America What Works Cities Certification programme,* and dedicated city-data collection on resident outcomes, was guided by the OECD's well-being measurement framework. Key findings from the report include:

- **Higher levels of public sector innovation and data use practices correlate to higher levels of city and life satisfaction among residents.** The proportion of people who report being satisfied or very satisfied with their city is four percentage points higher in cities with high public sector innovation scores than in those with low scores. Similarly, the proportion of citizens satisfied or very satisfied with their life is 1.5 percentage points higher in cities with high public sector innovation scores than in their low-score counterparts. This holds true even when accounting for city size and economy.
- **A holistic approach that includes all city departments in innovation work pays off.** Cities that reported taking a holistic approach showed higher levels of city satisfaction among residents, on average. However applying innovation to singular policy areas is a common practice. A quarter of responding cities concentrate their innovation capacity in specific policy areas; transport and mobility, digital governance, and economic development emerged as policy areas where innovation is most applied. While focus on a specific policy area can help cities assess direct causal relationships within their innovation investments, this sector-specific approach may detract from building a more widespread culture of innovation.
- **A dedicated innovation team within city government also seems to be effective across the cities surveyed.** Residents of cities with dedicated innovation staff showed levels of city satisfaction nine percentage points higher than those without one. Dedicated innovation staff also proved to be the most common approach to building innovation capacity within cities as 90% of cities report having an innovation team. Furthermore, certain skillsets appeared across innovation staff in cities: globally. Innovation teams comprised staff with project management skills (92%), followed by data science (66%), and community engagement (62%).

- **Life satisfaction is positively linked to cities who engage stakeholders and residents in data collection, and city satisfaction to those that openly share their data.** This suggests a virtuous cycle can develop when cities make data available and work with potential data users to make the data serviceable. Cities that engaged in the highest levels of stakeholder engagement scored four percentage points higher in resident life satisfaction than other cities. Likewise, the difference in the share of residents satisfied with the city is five-and-a-half percentage points between cities with strong versus weak open data practices

The report spotlights where cities have room for improvement. Many fell short in performing systematic evaluations of their innovation outcomes, which can help cities refine and improve their overall strategies. Similarly, while most cities possess sufficient cross-sector data, many do not yet leverage that data to measure the impact of their actions. However the silver lining is that most cites have innovation teams in place, and the evidence shows that the integration of data and evaluation of innovation outcomes arises as teams mature. For instance, teams in place for five years or more have higher rates of systematic evaluations and monitoring of their innovation work than their more nascent counterparts.

The report calls for city governments to unlock the potential of five components of innovation capacity–(1) strategy, (2) structure and staff, (3) funding, (4) data, (5) evaluation and monitoring–which must be approached in concert to maintain the innovation and data use momentum cities generated during the pandemic. To help cities source and structure their innovation and data use capacity to enhance residents' well-being, the report offers ten policy recommendations:

- **Innovation should come from a plethora of city stakeholders: leadership, staff and residents.** While leadership is vital to innovation activity, sourcing innovation from staff and residents is essential to drive direct, robust co-creation, and to empower city staff with institutional knowledge and place-based experience and testing.
- **Nurture a culture of innovation throughout the city, so it becomes second nature.** Expanding innovation skills beyond the core innovation team, promoting experimentation and calculated risk-taking can ensure that all public employees work innovatively. Such widespread efforts to build a culture of innovation can end departmental silos, promote inter-agency collaboration and reduce friction around programme implementation.
- **Create a formal, publicly shared innovation strategy with measurable goals.** Cities must define what innovation means in their local context, adopt a formalised strategy and set concrete outcome-oriented goals to evaluate throughout the innovation process.
- **Plug innovation staff into the larger administration for maximum impact.** Cities can use hiring and professional development to equip administrative employees with the skills and experience necessary to improve resident well-being through innovation.
- **Focus on stable, long-term funding to protect against short-term shifts.** Although innovation funding is essential, exorbitant budgets are not. Cities with strained budgets can innovate if they are realistic about what they can accomplish, explore partnerships and keep consistency across leadership or staff turnover.
- **Leverage data use for decision-making and evaluating outcomes.** To verify whether innovation improves resident well-being, data use plays a central role in monitoring and evaluating innovation by allowing cities to re-allocate resources, staff and funding based on facts and figures rather than hunches or politics.
- **Establish a data strategy that defines roles, goals, and expectations.** A systemic, flexible and well-conceived data strategy can ensure accountability and transparency, define leadership roles, set measurable objectives and outline expectations.
- **Cultivate the capacity for coherent implementation of data strategies.** Cities' capacity for coherent implementation of data strategies, policies and initiatives can be cultivated through elements such as data skills and staff capabilities, data openness and stakeholder engagement.

- **Establish a well-defined legal and regulatory data framework.** Cities need to consider the legal and regulatory aspects of data, from technical and organisational standards of compliance to data-related rules and guidelines that ensure openness, protection, transparency and accountability.
- **Meet high data management standards during daily operations.** Local governments should be fully aware of the practical implications, risks and barriers to optimal data use at each stage of the data value cycle. By mapping the flow of city data–from unprocessed data to information and insights for decision making–city administrations will be able to navigate and unlock the full potential of their strategic assets.

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