



Public Sector Strategy Network

Annual Foresight Retreat: *Public Strategy in Transition*



2025 Report

apolitical

مكتب
Development الشؤون
Affairs التنموية



Contents

Executive summary	3
Introduction: <i>Strategy in a transitory world</i>	4
Part 1: <i>The Durability Trap</i>	5
From multilateralism to fragmented cooperation	5
From fiscal neutrality to political strategy	5
From assumed trust to contested legitimacy	6
Part 2: <i>Adaptation Gaps</i>	8
Acceleration-absorption gap: Strategy is evolving faster than institutional capacity	8
Innovation-embedding gap: Innovation without institutional absorption	9
Technology-governance gap: Technology as adaptive infrastructure	10
Part 3: <i>Critical Transitions</i>	11
Green transition: from ambition to legitimacy	11
Democratic renewal: from participation to power	12
Digital governance: from efficiency to equity	13
Conclusion: <i>Strategy as Adaptive Capacity</i>	14

Executive Summary

This report synthesizes insights from the Public Sector Strategy Network's 2025 retreat, organized around the theme of public strategy in transition amid rising geopolitical tensions and domestic challenges to legitimacy and capacity.

The analysis reveals that effective strategy today requires building adaptive capacity that can simultaneously address external geopolitical pressures and internal legitimacy demands. This means redesigning public finance for strategic flexibility, rebuilding institutions to scale responses that maintain democratic accountability, and re-grounding strategy in public dialogue that connects global challenges to local concerns.

Building on insights from the 2024 retreat, which focused on navigating a permanent polycrisis, this year's discussions shifted from immediate crisis management to embedding adaptive capacity within public institutions. Participants examined how to redesign public finance for strategic flexibility, institutionalize innovation beyond pilot projects, and rebuild democratic legitimacy through power-sharing and equitable digital governance.

The report consists of three interconnected parts:

Part 1: The Durability Trap examines how foundational assumptions that once enabled stable, long-term public strategy are breaking down. The collapse of predictable global cooperation, fiscal neutrality, and baseline institutional trust has created an environment where traditional planning models fail. Public leaders can no longer assume continuity in international partnerships, economic conditions, or citizen consent. This erosion of strategic certainty reveals the "durability trap": institutions designed for stability struggle to develop the flexibility required for governing volatility, while their inability to adapt creates an expectations gap that further erodes legitimacy.

Part 2: Adaptation Gaps explores how public institutions are attempting to navigate this tension through three critical gaps: between strategic acceleration and institutional absorption, between innovation generation and systemic embedding, and between technological deployment and governance capacity. These gaps reveal a common pattern: Governments can imagine transformative responses, but are structurally equipped to deliver only incremental adjustments. The result is a widening expectations gap that undermines both effectiveness and legitimacy.

Part 3: Critical Transitions focuses on three domains where the durability-adaptability tension is most acute and politically consequential: the green transition (moving from climate ambition to political legitimacy), democratic renewal (shifting from consultation to shared power), and digital governance (evolving from efficiency-focused to equity-centered approaches). These are not separate challenges but interconnected transitions where the expectations gap between citizen needs and institutional capacity is most visible and where the failure to bridge it has the highest political cost.





Introduction: *Strategy in a Transitory World*

Public institutions worldwide are navigating a fundamental transition driven by the collision of intensifying geopolitical pressures and eroding domestic legitimacy. Rising strategic rivalry, fragmented multilateralism, and technological competition are reshaping the external environment for governance while trust in public institutions, fiscal constraints, and democratic participation deficits are weakening the domestic foundations of effective strategy.

This intersection is not coincidental. It represents a reinforcing cycle that is transforming how public strategy must be conceived and delivered. Geopolitical fragmentation is creating new demands for adaptive, responsive governance precisely when domestic institutional capacity is under strain. At the same time, weakened domestic legitimacy is undermining governments' ability to build the public consent needed for sustained international engagement and long-term strategic investment.

In this context, the 2025 Annual Foresight Retreat of the Public Sector Strategy Network was convened

under the theme "Public Strategy in Transition." Senior public leaders from diverse regions and sectors gathered for two days of candid, off-the-record discussions in Salzburg, Austria to examine how their institutions are adapting to this new reality.

This report synthesizes the key insights and patterns from the retreat discussions. Held under the Chatham House Rule to encourage open dialogue, the comments are not attributed to individual participants unless explicit permission has been granted.

Part 1: *The Durability Trap*

The breakdown of old assumptions is a necessary starting point, as many conditions supporting long-term public strategy no longer hold. These include stable international cooperation, fiscally neutral policymaking, and a baseline of public trust in institutions. This section looks at three related shifts forcing governments to rethink their strategic approach: the fragmentation of global cooperation, the politicization of fiscal policy, and the erosion of institutional legitimacy.

From multilateralism to fragmented cooperation

- **The durability gap:** The frameworks for international cooperation that once enabled long-term strategic planning are fragmenting under the pressure of strategic rivalry, shifting trade flows, and competing national interests.
- **Why it matters:** The growing mismatch between global challenges and the institutions built to address them is a defining feature of the current moment. From climate action to digital governance, the need for coordination has never been greater, but multilateral systems are increasingly seen as slow, constrained, and out of step with shifting political realities.
- **What's emerging:** Rather than reinforcing global integration, cooperation is taking more agile and interest-driven forms: regional blocs, issue-based coalitions, and civic or sectoral networks. These aren't substitutes for multilateral institutions, but they reflect a pragmatic instinct to act collectively in the absence of global consensus.

At the same time, many of the dynamics shaping this shift, including geopolitical competition and the instrumental use of finance and technology, point toward fragmentation and a reassertion of national interests. The result is a more complex landscape: less cohesive, but not devoid of cooperation.

This shift was tested during a structured debate at the retreat. One side argued that multilateralism is no longer fit for purpose; the other, that reform is essential but global problems still require global solutions. The vote leaned toward the former, less as a conclusion than as an indicator of how fractured the current landscape feels to practitioners.

What emerges is the need for a more flexible approach to cooperation: one that blends formal and informal alliances, geographic and thematic partnerships, and state and non-state actors. The coherence once offered by global institutions is

weakening, but the imperative to act collectively remains. Strategy must now be built for a world of plural cooperation, not unified consensus.

From fiscal neutrality to political strategy

- **The durability gap:** The assumptions that once enabled fiscal policy to operate as a neutral technical tool (low interest rates, global liquidity, incremental growth, and broad consensus on the role of government) are eroding under the pressure of compounding shocks and competing demands.
- **Why it matters:** In an age of compounding shocks, fiscal policy is no longer a neutral tool. It is a core site of political contestation. Rising debt, higher borrowing costs, and growing demands on public budgets are converging with increasing pressure to invest in equity, resilience, and climate transition.
- **What's emerging:** An alternative model is emerging: one that prioritizes consent over compliance, and legitimacy over control. This includes participatory budgeting, outcome-based financing, and more deliberate engagement with trade-offs and public priorities.

->

New Global Dynamics: *Managing Economic Change in a Transforming World*

Explores how geopolitical and economic dynamics are shifting. Its framing, of a world increasingly shaped by strategic rivalry, realigned trade flows, and the instrumental use of finance and technology, reflects a broader unease with the assumptions that once underpinned cooperation. Rather than reinforcing integration, global trends now point toward fragmentation, competition, and the reassertion of national interest.



The economic challenge is clear. But the strategic challenge is sharper: fiscal policy must now reinforce public legitimacy, manage long-term transition, and express political priorities. The assumptions that underpinned previous fiscal norms no longer apply. In their place is a contested fiscal landscape, shaped by geopolitical friction and domestic volatility.

In this context, orthodox budgeting approaches (fiscal rules, deficit targets, spending caps) often struggle to keep pace. What's emerging instead is a shift in mindset toward spending as a tool for shaping outcomes, building trust, and navigating trade-offs.

The insight is clear: Spending choices are not technical; they are political. What gets funded, cut, or reallocated is shaped by trust, electoral cycles, and institutional dynamics. In some systems, local governments are playing a growing role in fiscal experimentation; one closer to citizens and often more agile, but still constrained by resources and mandates.

Ultimately, the constraint is not how much is spent, but how well fiscal systems are aligned to strategic purpose. Budgets must be reoriented around outcomes, not departments; built on trust, not just control; and shaped by a realism that includes care, climate, and security as core to state capacity, not external to it.

From assumed trust to contested legitimacy

- **The durability gap:** The baseline assumption that public institutions enjoy stable legitimacy simply by virtue of democratic elections and formal authority is crumbling under the weight of political polarization, service failures, inequality, and rapidly changing expectations.
- **Why it matters:** Across systems, trust in public institutions is fraying. While the sources of that erosion vary from political polarization to service failure to inequality, the effects are strikingly consistent: declining legitimacy, rising disconnection, and growing volatility. As expectations evolve and authority is questioned, many institutions are discovering that trust is no longer an assumed backdrop to strategy. It is the terrain itself.
- **What's emerging:** Efforts to reconnect government to citizens through place-based governance, participatory models, and human-centered design are proliferating, but with mixed results. The key insight is that participation alone is not enough. What builds legitimacy is coherence, responsiveness, and the ability to sustain connection over time.

Apolitical Resources

Article

[*Urgent Call for Debt Cancellation & Structural Financial Reform*](#)

->

Course

[*An Introduction to Sustainable Finance*](#)

->

Course

[*Climate Finance*](#)

->

This erosion has prompted efforts to reconnect government to citizens through place-based governance, participatory models, and human-centered design. In one example, a government in Latin America created a mobile cabinet that travelled to rural areas, allowing ministers and the president to engage directly with citizens where they live. The format created visibility and responsiveness, but also surfaced tensions about continuity, scale, and the performative limits of consultation.

Other approaches have focused on turning lived experience into policy design inputs. In Sierra Leone, a modest grant helped youth in informal settlements organize environmental cleanups that also addressed local unemployment. What began as a civic initiative evolved into a partnership with government, providing a foothold for participation. But like many such pilots, the challenge lay in institutionalizing gains before momentum dissipated.

In Europe, a series of large-scale public engagement initiatives emerged in response to the political crisis. One national government invited citizens to co-develop priorities during a legitimacy crisis, signalling openness, but it also grappled with how to align open-ended inputs with structured policymaking. The effort revealed both the power and fragility of participatory design: Without support structures, expectations can outpace delivery.

While these models vary, a shared insight holds: Participation alone is not enough. Pilots that fail to scale risk reinforcing distrust. What builds legitimacy is not novelty. It is coherence, responsiveness, and the ability to sustain connection over time.

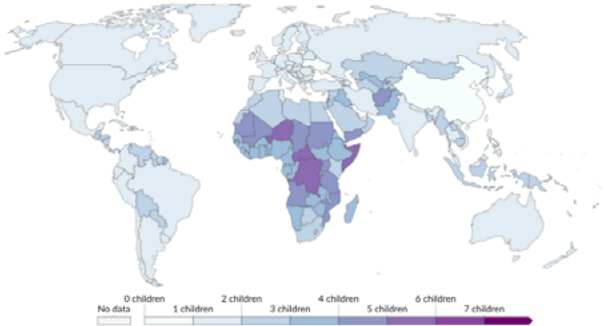
Apolitical Resources

Article
The Role of Failure in Leadership ->

Article
*Socioeconomic Characterization:
A Key Tool for Fair and Effective* ->

Article
*The Future of Public Leadership
that Inspires and Delivers* ->

This challenge is especially urgent in regions where youth make up the overwhelming majority, particularly across Africa, where demographic change is happening at historic speed. The continent's population now exceeds 1.4 billion, with more than 15,000 births every hour. In countries like Chad, Somalia, and the DRC, fertility rates remain high, and the median age is under 20.



Fertility rate accounting for survival until childbearing age, 2023
Source: OurWorldinData.org/fertility-rate

This youth bulge carries enormous potential, but also sharp risks. In many countries, the mismatch between population growth and job creation is becoming acute. Where opportunity fails, instability often follows: Over 80% of civil conflicts in recent years occurred in states where more than 60% of the population was under 30.

At the same time, digital connectivity is reshaping how young people relate to institutions. Many navigate what researchers call "glocalized" identities, which are shaped by global platforms, urban cultures, and local political realities. Africa now leads the world in social media engagement growth, with over 1 billion smartphone users projected in the near future. These platforms create community, but also amplify grievances and expose governance failures in real time.

As public systems strain under legacy structures and resource pressures, institutional fatigue risks undermining even the most well-intentioned innovation. Trust-building demands more than design: It requires backing, follow-through, and mechanisms that make public input meaningful.



Part 2: Adaptation Gaps

The breakdown of foundational assumptions explored in Part 1 points to a fundamental tension at the heart of public strategy: The very institutional characteristics that once provided stability (embedded structures, established procedures, predictable cycles) now constrain the adaptive capacity needed to navigate fragmentation and uncertainty.

This creates what we might call the "durability trap": Institutions designed for stability struggle to develop the flexibility required for governing volatility, while the resulting gap between public expectations and institutional performance further erodes the legitimacy needed for effective action.

Part 2 examines three interconnected adaptation gaps that illustrate how institutional structures are misaligned with the demands of a more volatile and fragmented context: accelerating strategic anticipation despite institutional constraints, generating innovation that struggles to embed systemically, and deploying technology that reshapes governance faster than governance can reshape itself.

Acceleration-absorption gap: Strategy is evolving faster than institutional capacity

The challenge

Public strategy today requires more than long-term planning. The volatility of global shocks, the acceleration of technology, and the fragmentation of governance mean that governments must now make decisions in conditions of deep uncertainty and under growing pressure to act quickly, inclusively, and adaptively. Yet the institutional architectures designed for stability are struggling to develop the flexibility required for this new strategic environment.

What's emerging

This mismatch has spurred greater interest in strategic foresight, not as prediction, but as preparedness. Governments are building capacity to imagine alternative futures, explore trade-offs, and test resilience across scenarios. Where foresight is embedded in core institutions, it can create space for adaptation before crisis hits.

Examples of adaptive approaches

- Kenya's national youth foresight process sparked institutional interest and contributed to a Senate Futures Caucus
- South Africa's Mont Fleur scenarios in the early 1990s helped shape shared vision during political transition
- Estonia's cross-ministerial green transition commission enables more coherent climate strategy

But these efforts often remain outsourced, episodic, or disconnected from decision cycles. The disconnect is especially visible in low- and middle-income contexts, where foresight initiatives often lack sustained investment or political sponsorship.

In parallel, third-sector actors are increasingly filling institutional gaps. Civil society intermediaries, philanthropic networks, and mission-driven platforms are acting as informal governance partners, managing data ecosystems, convening across silos, and enabling responsive action where state systems stall. But most operate without formal mandates, stable funding, or political protection.

Strategic implications

The institutional infrastructure to support adaptive strategy remains weak. Without redesigning how foresight, coordination, and legitimacy are embedded in public systems, strategy risks becoming reliant on workarounds rather than reform. Some governments are responding with networked teams, interoperable policy "stacks," and mesh-like governance forms that prioritize learning and feedback.

Apolitical Resources

Article

[A New Tool for Navigating the Polycrisis](#) ->

Article

[Building a Public Sector Infrastructure for innovation by design](#) ->

Event Recording

[How to Navigate Transition in Politics and Policy](#) ->

Innovation-embedding gap: Innovation without institutional absorption

The challenge

Innovation is not in short supply across public systems. There is no shortage of creative pilots, experimental models, or bold strategies. But many efforts remain isolated pockets of progress that fail to influence the core operating logic of institutions. This creates a growing expectations gap: Governments can imagine transformative change, but are structurally equipped to deliver only incremental adjustments.

What's emerging

The most effective innovations often succeed not through structural change first, but through strong relational groundwork: trust, continuity, and learning cultures. Where systems have made progress, it's usually because they created the right conditions for people to experiment, learn, and adapt together over time.

Perspective-shifting approaches

- One city asked: "What would the city look like from 95 centimeters tall?" (height of a young child), reshaping how officials thought about infrastructure, safety, and access

- A Latin American government created a mobile cabinet traveling to rural areas, allowing direct citizen engagement where people live
- Sierra Leone's modest grants helped youth organize environmental cleanups that addressed local unemployment and evolved into government partnerships

But even promising initiatives often fail to embed. Public-facing prototypes, visioning exercises, and challenge funds may spark momentum, but without mechanisms for absorption, such as policy mandates, executive champions, or durable coalitions, they rarely shift institutional norms.

Strategic implications

There's a growing distinction between real innovation and symbolic reform. Some initiatives signal modernity without shifting power or delivery models; others are meaningful but disconnected from core decision making. Both lead to disillusionment and reinforce the expectations gap.

Apolitical Resources

Article

[Invisible Innovation: Small Public Sector Changes, Big Impact](#) ->

Article

[The Evolution of Innovation: Where Change Meets Intrapreneurship](#) ->

Community

[Government Innovation](#) ->

Community

[Innovative Procurement](#) ->

Better Politics Foundation Resource

[Democratic Procurement](#) ->



Technology-governance gap: Technology as adaptive infrastructure

The challenge

Digital technologies are reshaping governance by accelerating delivery, enabling new targeting, and expanding public system reach. Yet these same tools are exposing institutional fragilities, particularly where governance capacity lags behind technological deployment. The challenge is not adoption, but stewardship: how to govern technologies in ways that enhance rather than erode adaptive capacity, accountability, and trust.

AI systems can be scaled rapidly, but trust cannot.

What's emerging

- **The delegation dilemma:** As AI deploys across domains, from social protection to justice, governments face critical choices about which decisions to automate and which to retain as "human." These choices are often made by default rather than design, creating accountability gaps. For example, Guardrails: Guiding Human Decisions in the Age of AI explores how AI shifts not just institutional capacity, but the ethics and structure of public choice, highlighting the need for new principles to guide what should (and should not) be delegated to machines.

- **Speed versus trust:** AI systems can be scaled rapidly, but trust cannot. Without mechanisms for transparency, redress, or oversight, even well-intentioned deployments can backfire. One welfare allocation AI tool improved processing but embedded geographic bias, leading to legal challenges and public backlash.
- **Infrastructure without governance:** Digital public infrastructure for ID, payments, and data exchange has enabled major service gains but raises unresolved questions about ownership, privacy, and democratic control. Rapid adoption, often driven by external actors, can outpace domestic policy development. For an example of a deeper historical and comparative perspective, the Biometric State: The Global Politics of Identification and Surveillance in South Africa, 1850 to the Present, examines how biometric ID systems have shaped state-citizen relations in contexts such as South Africa, India, and Mexico. The research highlights how foundational ID infrastructure can consolidate bureaucratic control faster than democratic safeguards develop.

National ID enrolment & regulations

Interoperability in payments

DEMI (dedicated e-Money Issuer) agent penetration

FinTech ecosystem

Payment systems infrastructure

Current state of market enablers

Strategic implications

The deeper issue is institutional readiness. Many governments rely on outdated procurement systems, limited regulatory capacity, and outsourced infrastructure shaped in different political contexts. This creates a widening governance gap: technology transforms public systems faster than those systems can transform themselves.

Apolitical Resources

Article

Trust vs Digital Transformation: Can Governments Close the Gap? ->

Community

Agile in Government ->

Community

AI in Government ->

Community

Citizen Engagement and Technology ->

Community

Digital Transformation in Government ->



Part 3: Critical Transitions

These three gaps between acceleration and absorption, innovation and embedding, and technology and governance reveal a common pattern: The institutional characteristics that once provided governmental stability now constrain the adaptive capacity needed for contemporary challenges. This tension is playing out most acutely in three critical domains where governments must simultaneously manage external pressures and internal legitimacy demands: the green transition, democratic renewal, and digital governance.

Green transition: from ambition to legitimacy

- **The old approach:** Climate strategies focused on setting targets, developing policies, and building technical capacity within environment ministries.
- **The new reality:** Technical solutions without public legitimacy fail. Climate action is colliding with cost anxiety, institutional fragmentation, and misinformation campaigns.
- **The transition required:** Move from having climate policies on paper to building the cross-government coordination and public support needed to implement them effectively.

As governments move to embed climate priorities across public policy, the green transition is confronting a difficult truth that has been known for some time: Ambition is not enough. Despite widespread recognition of the need for urgent climate action, political support is stalling, implementation remains fragmented, and the costs (real and perceived) are becoming politically volatile.

One of the most persistent challenges is the perception gap. In many contexts, climate action is framed as expensive, disruptive, or detached from daily life. Even where public backing exists in principle, that support often erodes when climate policies are seen to raise energy prices, threaten jobs, or disrupt routines. In some regions, disinformation campaigns have deepened this gap, turning climate policy into a proxy for broader political and cultural divides.

Governments are discovering that communication and trust are now core to climate policy success. Traditional messaging focused on targets, emissions, and timelines often fails to resonate. What's needed is a shift toward language that centers everyday benefits, practical trade-offs, and visible co-benefits: cleaner air, lower bills, and more secure infrastructure.

But communication is only part of the challenge. Institutional fragmentation is slowing down climate delivery. Many national strategies remain confined to environment ministries, while real leverage lies elsewhere: in finance, transport, energy, and planning. Governments that have made greater progress tend to use cross-ministerial structures, integrated budget mechanisms, and place-based planning, aligning green priorities with fiscal tools and governance systems. Equally important are just transition strategies that adopt approaches that not only accelerate the shift to green economies, but do so in a way that anticipates disruption, compensates affected groups, and rebuilds public consent. Where these strategies are missing or weak, backlash often follows.

Coordinating climate action: Lessons from Estonia

Estonia has worked to embed climate priorities across the whole of government, rather than isolating them within environmental agencies. A dedicated Ministry of Climate and a cross-ministerial green transition commission have enabled a more coherent strategy, better coordination, and clearer accountability. The effort also includes public education campaigns, partnerships with youth organizations, and media engagement to combat disinformation and improve climate literacy. While not without challenges, Estonia's model offers a glimpse of how institutional design and communication strategies can reinforce one another.





Local governments are emerging as key actors in driving practical change. From land use planning to renewable energy rollout, they are on the front lines, but often lack the resources, mandate, or coordination needed to deliver at scale. National strategies frequently fail to translate into local implementation pathways, leading to gaps between vision and delivery.

The green transition is not only a technical challenge but a political, institutional, and narrative one. What's emerging is not a rejection of climate goals, but a growing need to rethink how they are pursued, framed, and embedded. Doing so will require a whole-of-government approach, more honest communication about trade-offs, and a deeper investment in public legitimacy.

Democratic renewal: from participation to power

- *The old approach:* Democratic legitimacy was assumed through elections, with citizen engagement limited to consultation and feedback on pre-determined policies.
- *The new reality:* Trust in institutions is eroding. Citizens expect meaningful participation in shaping decisions, not just commenting on them. Traditional consultation breeds cynicism.
- *The transition required:* Moving from extractive participation (gathering input) to distributive participation (sharing power in decision making).

Democratic renewal is not just about improving participation, it is about rebuilding institutional capacity to act decisively while maintaining legitimacy. The challenge is particularly acute in contexts where demographic change is accelerating faster than institutional adaptation.

The risk is that participation without power breeds cynicism. Well-intentioned engagement processes can backfire when citizens invest time and energy in shaping decisions, only to discover that their input

Apolitical Resources

Course

[Centering Equity in Climate Action](#) ->

Course

[Collaborating with Indigenous Communities to Address Climate Change](#) ->

Course

[Communicating Climate Change](#) ->

Course

[Public Servants and Climate Change: Reaching Net Zero](#) ->

Newsletter

[Public Servants and Climate Change: Reaching Net Zero](#) ->

has minimal influence on outcomes. This dynamic is particularly corrosive in contexts where trust in institutions is already fragile.

Some governments are experimenting with more distributive forms of participation, by sharing power in decision making rather than just gathering input. Participatory budgeting processes, citizen assemblies, and co-design initiatives point toward different models. But these remain pilot-scale experiments that often struggle to connect to core decision-making processes.

The deeper challenge is institutional: how to embed democratic renewal into systems designed for different forms of legitimacy. This requires rethinking not just engagement mechanisms but funding models, accountability structures, and the relationship between elected representatives and citizen voice.

Better Politics Foundation Resources

[Representation in politics](#) ->

[Mental well-being in politics](#) ->

[Leadership excellence in politics](#) ->

Digital governance: from efficiency to equity

- *The old approach:* Technology adoption focused on digitizing existing processes to make government more efficient and reduce costs.
- *The new reality:* Digital systems reshape power relationships, raise fundamental questions about privacy and control, and can either reduce or amplify inequality.
- *The transition required:* Moving from technology-first thinking to governance-first thinking, ensuring digital systems serve democratic values and public interests.

Digital transformation is not neutral. It reshapes power relationships and raises fundamental questions about how democratic values are embedded in technological systems. The challenge is not adopting technology but governing it in ways that enhance rather than erode accountability, inclusion, and public trust.

This dynamic is visible in the deployment of AI systems across government. While these tools can improve service delivery and enable more targeted interventions, they also delegate decisions that were previously made by humans operating within democratic accountability structures. The question is not whether to adopt AI, but how to maintain democratic control over automated systems.

The challenge is not adopting technology but governing it in ways that enhance rather than erode accountability, inclusion, and public trust.

The speed of technological change creates particular risks. AI systems can be scaled rapidly, but trust cannot. Without mechanisms for transparency, redress, and oversight, even well-intentioned deployments can backfire.

Similar tensions emerge with Digital Public Infrastructure (DPI). Foundational systems for identity, payments, and data exchange have enabled major service improvements in some contexts. But they also concentrate power in ways that can outpace democratic safeguards. In several countries, identity systems that improved access to services were later repurposed for surveillance or tax enforcement without public consultation.

The ownership question is becoming central: Who controls the digital infrastructure that increasingly mediates the relationship between citizens and government? Many governments are still outsourcing core systems or adopting tools developed in very different political and legal contexts. Regulatory capacity lags behind deployment, creating governance gaps that undermine both effectiveness and legitimacy.

Apolitical Resources

List

[Government AI 100 List](#) ->

Tool

[AI Readiness Check](#) ->

Course

[Understand How AI Impacts You and Your Government](#) ->

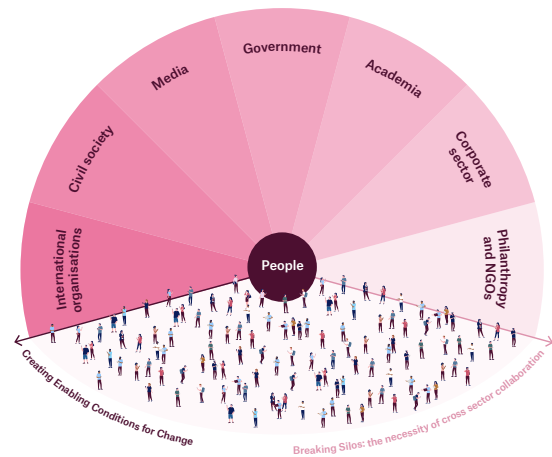
Course

[AI Leadership in Government: Building Trust, Skills and an Innovative Culture](#) ->



Conclusion: *Strategy as Adaptive Capacity*

Throughout this report, a consistent tension has emerged: Governments are being asked to respond to intensifying geopolitical pressures while simultaneously rebuilding the domestic legitimacy needed to act decisively. This dual challenge is reshaping strategy itself, from a focus on policy design and delivery toward building institutional capacity to navigate the intersection of external complexity and internal democratic demands.



Governments under pressure and limited legitimacy must add other strategic stakeholders to sustain governance.

Three shared priorities emerged for governments navigating this dual pressure:

Priority 1

Redesign public finance for strategic flexibility amid geopolitical and domestic constraints.

Fiscal strategy must move beyond rigid targets toward frameworks that can enable purposeful reallocation under both external pressures and internal political demands. This means shifting from static fiscal rules to adaptive mechanisms that support investment across social, environmental, and economic priorities while maintaining public consent. Strategic clarity and political narrative become as essential as fiscal control when governments must justify difficult choices to both international partners and domestic constituencies.

Priority 2

Rebuild institutions to scale responses that address both external challenges and internal legitimacy.

Innovation is no longer the constraint. Scaling responses that can simultaneously address geopolitical pressures and domestic needs is. Institutions must be equipped not just to pilot change, but to absorb, align, and amplify solutions across entire systems while maintaining democratic accountability. This requires retooling funding models, creating space for cross-ministerial collaboration, protecting leadership capacity, and embedding adaptive learning into institutional DNA, all while ensuring public participation in shaping responses.

Priority 3

Re-ground strategy in public dialogue that connects global challenges to local concerns.

Trust is a strategic asset in both domestic and international contexts, as well as a fragile one. Governments must build shared direction through inclusive foresight that helps citizens understand how global pressures connect to local experiences and opportunities. This means investing in trusted messengers, opening space for dissent and co-creation, and enabling civic actors to help shape, not just react to, how nations respond to geopolitical challenges.

Taken together, these priorities point to a different kind of strategic posture: Public strategy today is less about choosing between domestic and international priorities and more about building coherent responses that can address both simultaneously.

In a world where geopolitical fragmentation and domestic institutional strain reinforce each other, the task is not to predict what comes next, but to build the adaptive capacity to respond to dual pressures while maintaining both effectiveness and legitimacy. This requires not only institutional agility but also a sustained effort to close the widening expectations gap between what public systems promise and what they can deliver. Bridging this gap is essential, not just for restoring trust, but for enabling governments to act with both democratic consent and strategic coherence.



Public Sector Strategy Network

Annual Foresight Retreat: *Public Strategy in Transition*

May 21 to 23, 2025

Schloss Leopoldskron, Salzburg, Austria

RAPPORTEUR

Kristen Harmse-Klaasen, *Apolitical*

PROGRAM DIRECTORS

Nicola Daniel, *Director, Finance and Governance, Salzburg Global*

Charles E. Ehrlich, *Director, Peace and Justice, Salzburg Global*

PROGRAM MANAGER

Kateryna Anselmi, *Program Manager, Peace and Justice, Salzburg Global*

EDITORS

Zelpha Marie Bombais, *Director of Communications, Salzburg Global*

Audrey Plimpton, *Communications Manager, Salzburg Global*

PHOTOGRAPHY

Christian Streili

WWW.SALZBURGGLOBAL.ORG

Salzburg, Austria

Salzburg Global Seminar, Inc.
Schloss Leopoldskron
Leopoldskronstrasse 56-58
A-5020 Salzburg, Austria
+43 (662) 83 9 830
info@salzburgglobal.org

Washington, D.C., USA

Salzburg Global Seminar, Inc.
1541 14th Street NW
Suite 2 West
Washington, D.C. 20005
+1 (202) 637 7683
info@salzburgglobal.org