Policy addressing Procurement for Innovation

Paulo Magina
Head of Unit, Public Procurement

14th PRIMO, Bucharest, Romania
8 May, 2018
OECD Work on Public Procurement
OECD contribution to reforming public procurement over the past 10 years

- Building **evidence** from **useful, reliable and comparable data** across OECD countries on the performance of public procurement – *Government at a Glance; Key Performance Indicators*

- Undertaking **hands-on peer reviews** that provide assessment of public procurement systems, either national or sectorial, and tailored proposals to address implementation gaps in specific context – in **Italy, Greece, Northern Ireland** but also **US, Korea, Mexico, Chile, Colombia, Peru**, last year other EU countries like **Slovakia or Bulgaria**,

- Organising **policy dialogue** to share insights & shape directions for future reforms, build strategic partnership with private sector - **Leading Practitioners, G20, MENA OECD Network**.

- Identifying **good practices** and providing **international standards** on public procurement – the OECD REC, Compendiums on **Green Procurement, Transparency, Accountability and Integrity, Innovation**, now SMEs

- Coordinating the use of the **Methodology for Assessing Procurement Systems (MAPS)**, an ambitious, **universal tool** for all countries to **evaluate** how well their public procurement systems work
Strategic Public Procurement
Defining strategic public procurement

Involves the use of public procurement to achieve secondary (complimentary) policy objectives. This refers to a variety of government policy objectives, such as:

– sustainable green growth,
– the development of small and medium sized enterprises,
– innovation,
– standards for responsible business conduct or
– broader industrial or social policy objectives,

Source: OECD Government at a Glance, 2017
Public procurement strategies/policies to support secondary policy objectives

Green Public Procurement

- Never been developed: 4%
- Has been rescinded: 96%
- Developed by some procuring entities: 20%
- Developed at the central level: 52%
- Developed at the central level and by some procuring entities: 4%

Support to SMEs

- Never been developed: 4%
- Has been rescinded: 27%
- Developed by some procuring entities: 61%
- Developed at the central level: 8%

Support to procure innovative goods and services

- Developed at the central level and by some procuring entities: 19%
- Developed at the central level: 81%

Support to responsible business conduct

- Developed at the central level: 46%
- Developed at the central level and by some procuring entities: 54%

Source: OECD Government at a Glance, 2017
Mandatory use of public procurement for secondary policy objectives

Source: OECD Government at a Glance, 2017
Innovation Through Public Procurement
Innovation is...

- A new way of conducting the procurement process

- The Procurement of Innovative solutions, (PPI) used when public service challenges can be addressed by innovative solutions that are nearly or already in the market in a limited way, and no new Research & Development (R&D) is needed.

- Pre-Commercial Procurement (PCP), used when there are no near-to-market solutions and new R&D is needed.

Source: OECD Public Procurement for Innovation, 2017
Why Strategic Innovation Procurement?

• Aside from its economic significance, public procurement is increasingly recognised as a potential **strategic instrument** for achieving innovative, social and environmental policy objectives.

• Among these is **Public Procurement of Innovation**, which may be the one with the highest potential impact on economic growth.

• Although in some OECD countries **Innovation Procurement** is already added to national or sub-national innovation strategies, it seems, that there is still a need for action to foster Strategic Innovation Procurement for instance by sharing **good practices** and **guidance**.

Source: OECD Public Procurement for Innovation, 2017
Reported impacts from innovation projects

Source: OECD Public Procurement for Innovation, 2017
Public Service areas where countries have implemented successfully

- Social protection
- Recreation, culture and religion
- Housing and community amenities
- Environmental protection
- Public order and safety
- Education
- Health
- Economic affairs
- General public services

Source: OECD Public Procurement for Innovation, 2017
Practices in Public Procurement for Innovation
Countries pursue procurement for innovation to meet new needs and demands

Procurement for innovation was carried out in collaboration with external partners;
  – private sector 33%, public institutions/bodies 27% & research institutions 24%

Main beneficiaries are citizens and public sector services

Source: OECD Public Procurement for Innovation, 2017
## OECD Innovation Survey - Results

<table>
<thead>
<tr>
<th>Category</th>
<th>Yes (%)</th>
<th>No (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existence of an Innovation Procurement Action Plan</td>
<td>66</td>
<td>34</td>
</tr>
<tr>
<td>Specific Actions in Countries</td>
<td>79</td>
<td>21</td>
</tr>
<tr>
<td>Measurement of the Impact</td>
<td>42</td>
<td>58</td>
</tr>
</tbody>
</table>

Source: OECD Public Procurement for Innovation, 2017
Approaches to support use of procurement for innovation

- Innovative firms benefit from preferential treatment
- A specific unit specialized on innovation is in place at the central government level
- Documentation or guidance focused on innovative procurement is available on-line.
- Specific legislative provision or policy is in place

Source: OECD Public Procurement for Innovation, 2017
Targets for Innovation Procurement

- **Quantified targets (examples)**
  - Government programme 2015 includes a 5% target (FIN)
  - SMEs must reach 2% of Innovation Procurement by 2020 (FRA)
  - 2.5% aim of public procurement to be spent on innovation (NLD)
  - A target of 3% in new investment for Innovation Procurement (ESP)
  - Central/local governments and public enterprises should fulfill 20% of their procurement of the specific product type for which new technology certified products are available (KOR)

- **Qualified targets (examples)**
  - Indicative targets to stimulate Innovation Procurement (NLD/BEL-FL)
  - Promotion of effective and innovative Public Procurement (DNK)
  - Increasing share of domestic firms in high-tech-sectors in IP (TUR)

Source: OECD Public Procurement for Innovation, 2017
Overcoming challenges in the implementation of innovation
Main challenges faced

| Risk aversion                         | 14 |
| Management and coordination           | 13 |
| Capacity (number and/or skills)       | 13 |
| Political support                     | 12 |
| Resistance to change                  | 11 |
| Legal and regulatory framework        | 11 |
| Financial support                     | 11 |
| Fragmentation                         | 10 |
| Awareness raising                     | 9  |
| Measurement systems / IT-tools        | 8  |
| Time-related challenges               | 7  |

Source: OECD Public Procurement for Innovation, 2017
Hierarchy of sophistication in approaches to overcome challenges

Tier 4: Professionalisation by training, education
Tier 3: Legal framework by changing laws, introducing regulations
Tier 2: Culture change by increasing internal awareness about (and importance of) Innovation Procurement
Tier 1: Increase or solidify financial resources for Innovation Procurement
  • Outreach: Specific measures to engage stakeholders
  • Suppliers: Support / education for potential suppliers
  • Monitoring: Introduction of monitoring or evaluation requirements

Source: OECD Public Procurement for Innovation, 2017
The Framework: Nine areas for action

Key areas for action:

1. Embed **policies and strategies to support procurement for innovation with defined targets** within any national, sub-national and regional procurement or innovation policy.
2. Set up a **legal framework**, including understandable definitions, **guidelines and templates** to facilitate its implementation.
3. Designate “transformational” leaders with specialised knowledge to create skilled multidisciplinary procurement teams, with **support in management**. In addition, “intermediaries“, e.g. an innovation agency, could help to bring together buyers and suppliers.
4. Dedicate sufficient budgets, funds and other financial incentives, as a lack of **financial support** is one of the main challenges in innovation procurement.
5. Promote **professionalisation** by providing specific training to build staff capabilities and skills, setting up multidisciplinary teams and competence centres focused on public procurement for innovation.
6. **Raise awareness** by communicating good practice cases, creating a dedicated knowledge-sharing platform and/or hosting workshops and seminars to share and build success. Early **stakeholder engagement** should also not be underestimated.
7. Undertake **risk management** and **measure impact** to reduce possible loss and damage, and increase trust.
8. Define test standards, methods and quality certificates, using **standardisation** as a catalyst for innovation.
9. Use appropriate **e-procurement and information technology (IT) tools** to carry out a proper risk assessment to **measure impact**.

Source: OECD Public Procurement for Innovation, 2017
For more information

www.oecd.org/gov/public-procurement.htm