

Executive summary

Achieving the best result for the best price, public procurement can also be used by governments as a strategic instrument to promote innovation, achieve socio-economic and environmental policy objectives and address societal challenges.

This report presents existing government procurement strategies and practices for innovation and highlights the conditions needed for their implementation. Based on the evidence, it offers a framework for action that countries can use to support the strategic use of public procurement for innovation.

Key findings

A majority of countries support procurement for innovation

Almost 80% of responding countries support procurement for innovation, and 50% have developed an action plan for procurement for innovation, either as part of broader innovation or procurement strategies or as stand-alone initiatives.

Countries use various measures to support procurement for innovation, mostly policy instruments, regulations or legal instruments. Others include comprehensive programmes, e.g. on smart procurement in general or on research and development (R&D), followed by financial instruments, such as finance dedicated to procurement for innovation.

Countries pursue procurement for innovation to meet needs and demands for new products, goods or services

In most cases, demand for a new product or service was the main reason for using public procurement for innovation. The second most common reason cited by countries was to improve the performance of existing products or services achieving reduced costs and/or greater energy efficiency. Nearly half of the countries (49%) reported improved effectiveness or increased user satisfaction following the use of procurement for innovation. Experience shows how to combine successfully procurement for innovation with other policy areas, in particular to support small and medium-sized enterprises (SMEs) and promote environmentally sustainable solutions.

Partners in procurement for innovation practices

Successful procurement for innovation were carried out in collaboration with external partners, with the private sector representing 33%, followed by public institutions or bodies (27%), and research institutions (24%).

Main beneficiaries of procurement for innovation are citizens and the public service

Procurement for innovation benefitted mostly citizens and the public service as well as specialised groups such as patients or firefighters.

Main challenges faced

Countries have had to overcome a range of hurdles to implement their innovative procurement practices. The most common challenges were related to risk aversion, management, personnel and skills, capacity and political support. Sound measurement systems require robust data and indicators, and are crucial for evaluating innovation-procurement strategies and improving the return on investment as well as its impacts.

Successful strategic procurement for innovation

Successful strategic procurement for innovation requires governments to:

- communicate on the positive outcomes of innovation
- co-ordinate more closely in the horizontal and vertical management of tasks in governments
- demonstrate political leadership and political commitment
- build up the capacity, and numbers of skilled staff
- cultivate a more open culture towards new ways of working
- encourage co-operation between different branches of the public procurement process.

Meeting these objectives, however, is a challenging and long-term process.

Key areas for action

The OECD has developed a framework to support countries in their use of public procurement for innovation. The framework is adaptable to different country contexts, referring to new ways of competitive collaboration and new forms of networking between governmental and non-governmental actors. It includes **nine action areas** that should be present in any sound procurement for innovation agenda:

- Embed **policy strategies with defined targets** within any national, sub-national and regional innovation policy. This aims to secure strong political commitment. To achieve innovation as a secondary policy objective, public procurement must be deployed strategically in co-ordination with other policy areas.
- Set up a **legal framework**, including understandable definitions, guidelines and templates to facilitate its implementation.
- Designate “transformational” leaders with specialised knowledge to create skilled multidisciplinary teams, so as to encourage sound **management**. In addition, “intermediaries“, e.g. an innovation agency, could help to bring together buyers and suppliers.

- Dedicate sufficient budgets, funds and other financial incentives, as lack of **financial support** is one of the main challenges in procurement for innovation.
- 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.
- **Raise awareness** by publishing 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.
- Undertake **risk management** and **measure impact** to reduce possible loss and damage, and increase trust.
- Define test standards, methods and quality certificates, using **standardisation** as a catalyst for innovation.
- Use appropriate **e-procurement** and **information technology (IT) tools** to carry out a proper risk assessment to measure impact.



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