



BUILDING BACK BETTER: INNOVATION-ENHANCING PROCUREMENT FOR SUSTAINABLE DEVELOPMENT

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Why Strategic Innovation Procurement?

- Aside from its economic significance, public procurement is increasingly recognised as a potential **strategic instrument** for achieving broader policy outcomes (such as social and environmental policy objectives).
- Among these is **promoting innovation**, which may be the one with the highest potential impact on economic growth.
- Innovations materialize when there is a **demand for innovation** – public sector can create this demand and influence the market towards more innovative solutions



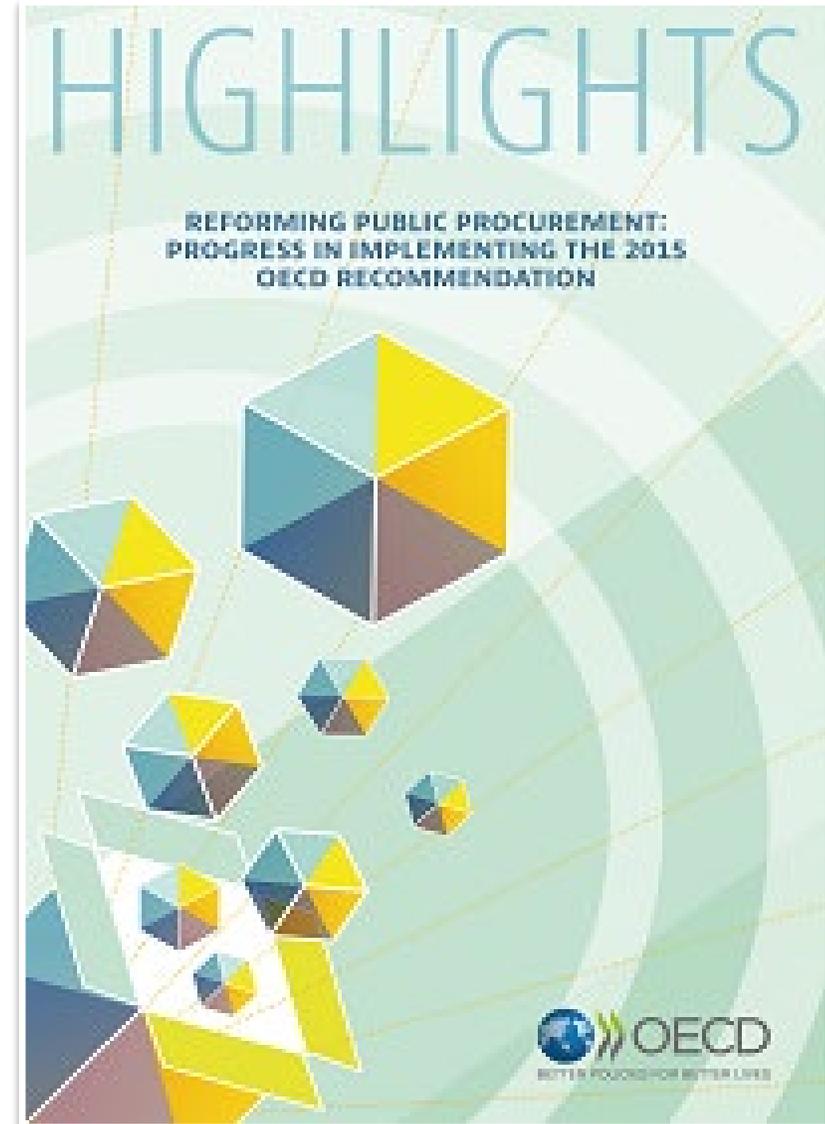
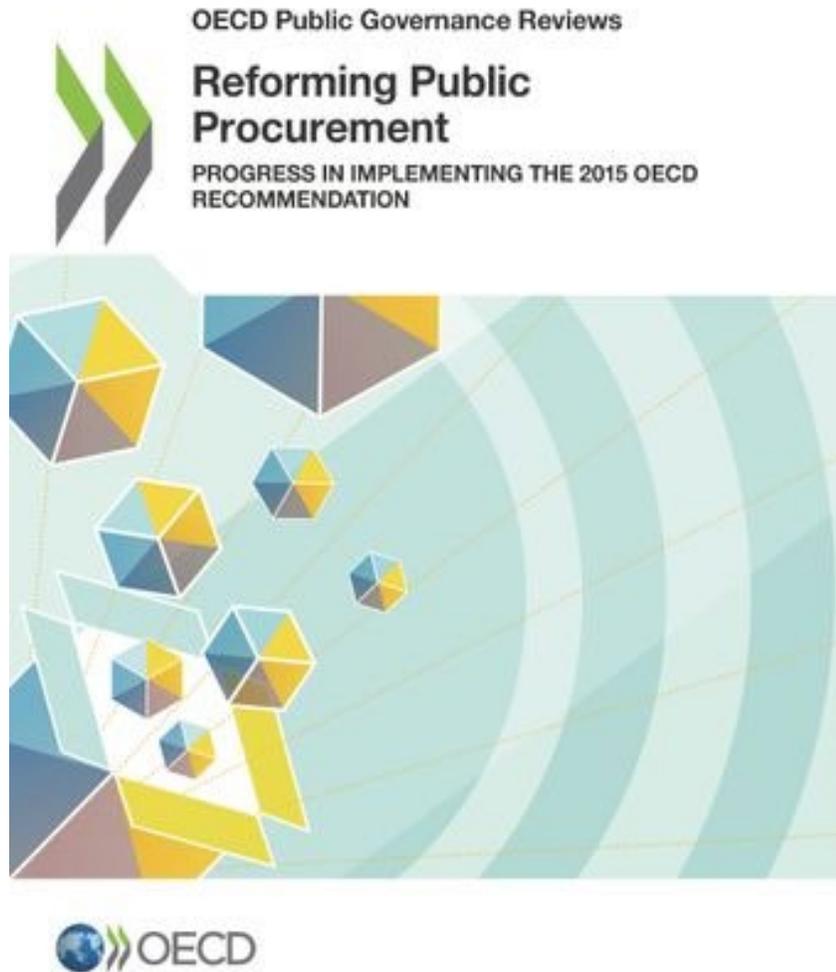
Public Procurement is increasingly seen as a strategic governance tool

The 2015 OECD Recommendation on Public Procurement supports a shift from a traditional back-office function to a strategic governance tool



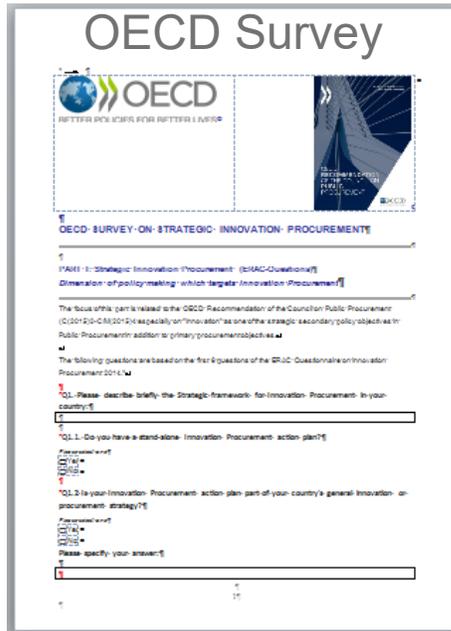


Progress in Implementing the 2015 OECD Recommendation (2019)

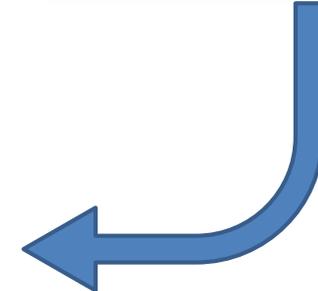
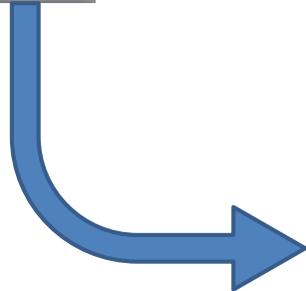




Thematic OECD Report: Public Procurement for Innovation – Good Practices and Strategies (2017)



OECD Recommendation on Public Procurement - 12 integrated principles -





Initiatives exist across many OECD countries



- **Build in Canada Innovation Program:**

The BCIP helps innovators bridge the pre-commercialisation gap by helping them move their innovations from the lab to the marketplace through testing in operational environments across government. The BCIP awards contracts to entrepreneurs with pre-commercial innovations through an open, transparent, competitive and fair procurement process for their testing within the Canadian federal government.



- **Small Business Innovation Research (SBIR):**

SBIR Ireland is the national innovation pre-commercial procurement initiative administered by Enterprise Ireland. SBIR Ireland's aim is to drive innovation across all sections of the Irish Public Sector via robust engagement with technology rich companies and organisations.

- **Omsorg+ Kampen project: Smart house platform for senior housing residence**

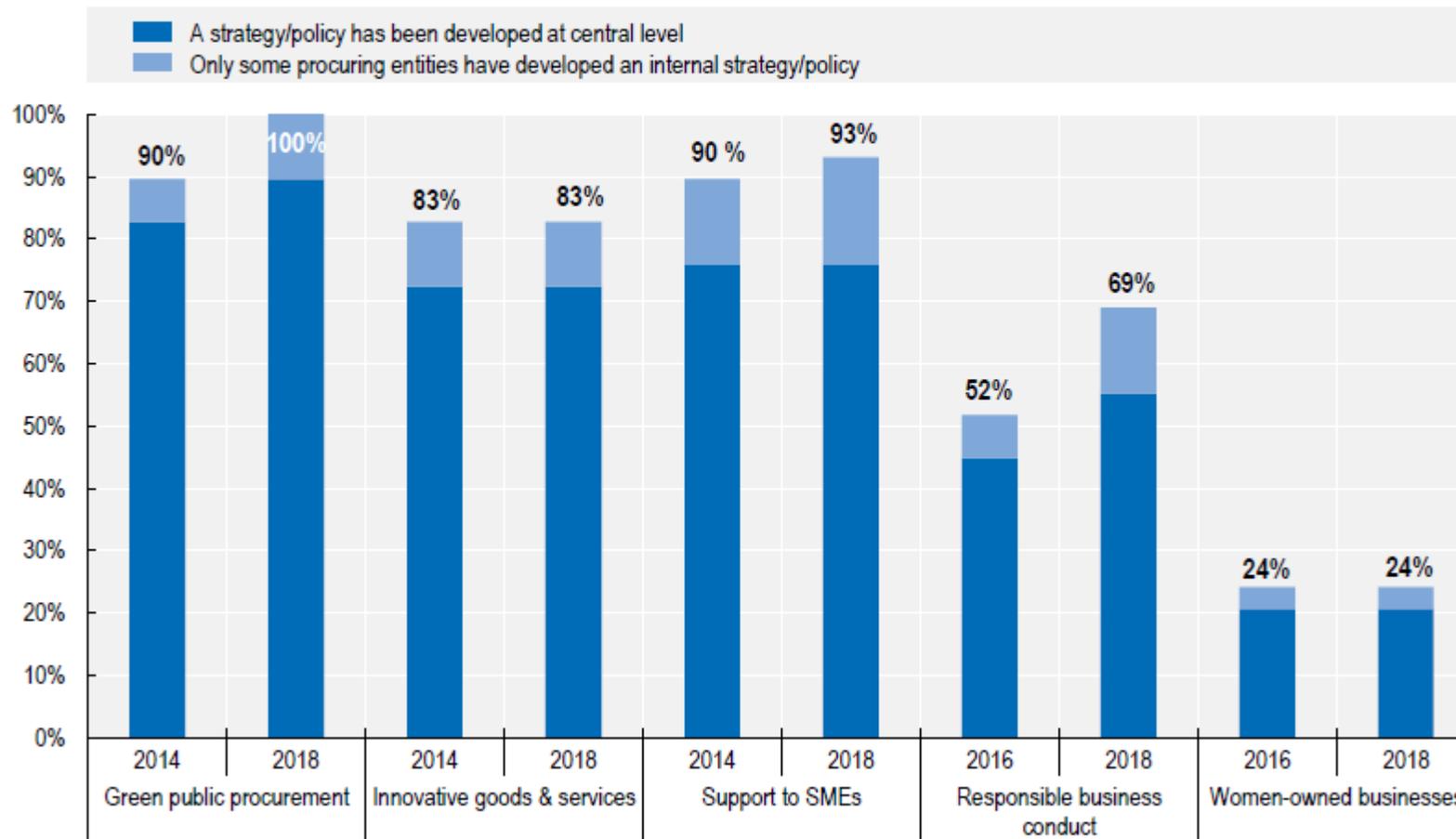


The procurement illustrates how extensive dialogue with the market can create space for new and innovative solutions (user-driven integration of welfare technology).



Almost all OECD countries have national frameworks to leverage on public procurement to support innovation

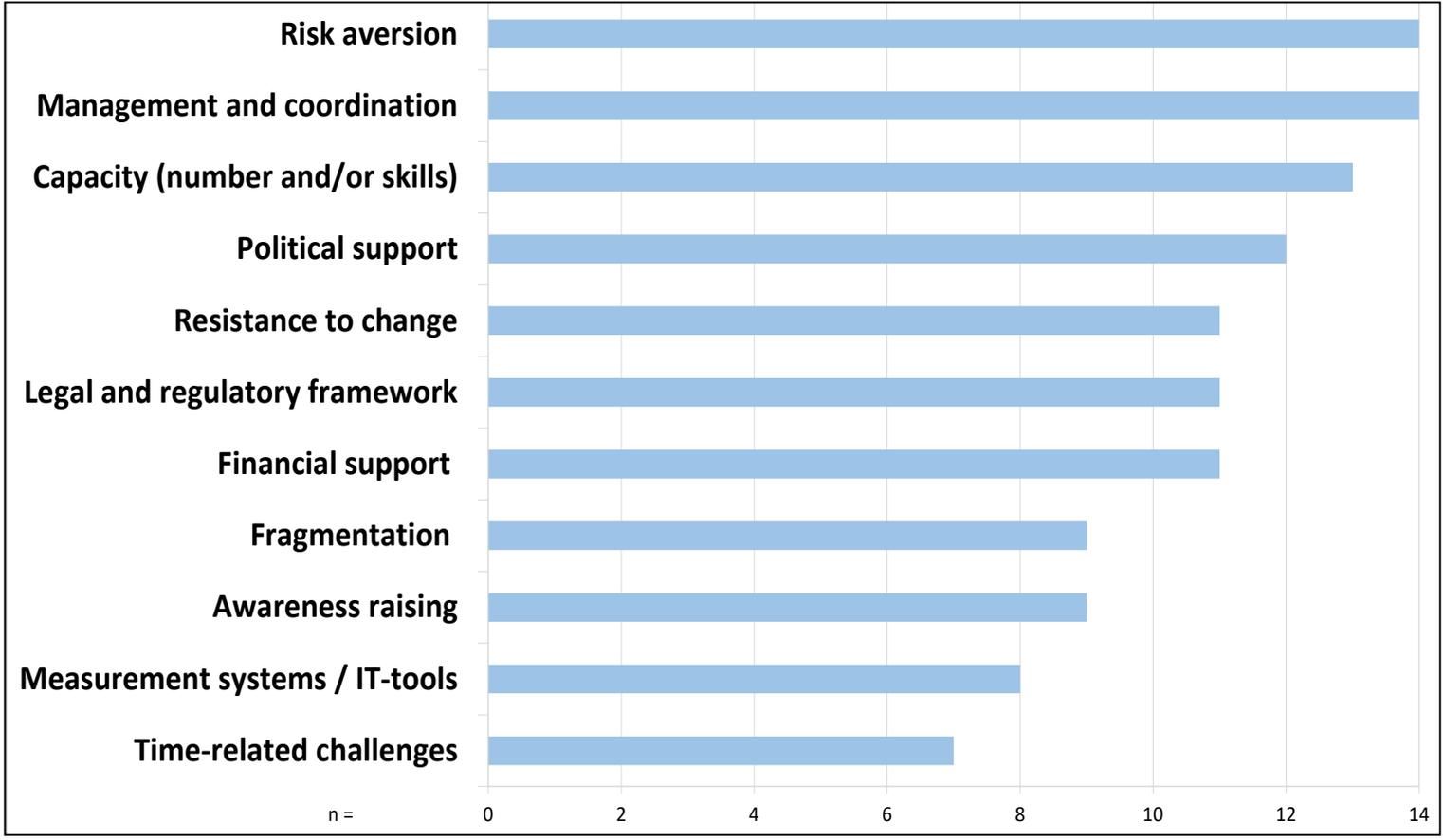
Figure 1.1. Existence of a strategy/policy to pursue secondary policy objectives in public procurement





So why innovative solutions are still not mainstreamed in public institutions and public service delivery?

Countries are facing various challenges preventing them to procure innovative solutions



Source: OECD (2017),
Public Procurement for
Innovation



The OECD Framework to Promote the Strategic Use of Public Procurement for Innovation

1. Embed **policy strategies with defined targets** within any national, sub-national and regional 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 teams, so as to **encourage sound management and leadership** in administration. 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.



The OECD Framework to Promote the Strategic Use of Public Procurement for Innovation

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 **publishing good practice cases**, creating a dedicated knowledge-sharing platform and/or hosting workshops and seminars to share and build success.

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.



Generating New Solutions

Good procurement practice should generate new and improved solutions

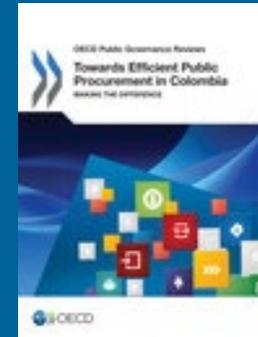
- Part of mainstream procurement
- Enabling continuous improvement
- Can be done in many different ways
- Early market engagement and supplier relationship management provide the greatest scope for generating new solutions

“Modern innovation is more about elegant integration of existing knowledge, rather than invention”

Larry Keeley, international speaker on innovation



For more information on OECD work on public procurement



<http://www.oecd.org/gov/public-procurement/>