Measuring innovation procurement in Finland

17 October 2017 I Ville Valovirta

VTT Technical Research Centre of Finland

Innovation procurement policy in Finland (in short)

- Government target: 5 % of all public procurement should be innovative.
- A competence centre for sustainable and innovative procurement will commence operation as of 2018 (funding 6 million Euros).
- Innovation funding agency Tekes provides support funding to public sector organisations for planning of innovative procurements (50 % funding).

Innovation procurement – a process view

Procurement planning is innovation-seeking when the procurer proactively reviews availability of Needs new products, technology and solutions, communicates its needs to the market early on and identification & engages in dialogue with market actors in order to identify the best solutions with potential to improve productivity, quality, sustainability and effectiveness of public services. planning The specification will encourage innovative solutions when the object of procurement is specified as functionalities, performance, quality or outcomes instead of specific technical design. **Specification** Tendering is innovation-friendly when the procurement procedure, tender specifications and evaluation criteria permit selection of new and significantly improved goods and services in tendering and/or provide room for development of new solutions within contract period to respond **Tendering** to an unmet need of the procurer. Public procurement of innovation is purchase of a new or significantly improved good or service which increases productivity, quality, sustainability and/or effectiveness of public services. **Award** The procurement contract triggers innovation when it includes product development and/or terms of contract providing incentives for it. This may involve a separate service contract for research and development (R&D) or development work in association with a delivery contract. Contract

Indicators

Innovation-friendly procurement practices (process)

Needs identification & planning Specification

- · Extensive market analysis studies
- Early communication of needs: publication of procurement and investment plans
- Prior information notices (PINs), Requests for information (RIFs)
- Open market dialogue: public invitations to non-restricted market dialogue events

Use of functional and performance-based requirements Use of life cycle costing (LCC) and total cost of ownersh

- Use of life cycle costing (LCC) and total cost of ownership (TOC) requirements
- Use of outcome-based requirements

Tendering

- Use of innovation-friendly procedures: innovation partnership, negotiated procedure, competitive dialogue, design contest
- · Submission of alternative bids permitted
- · Absence of restrictions to SME participation e.g. high threshold value for supplier turnover

Award

- Purchase of a new good or service: (a) new to the buyer, (b) new to market, (c) new to world
- Improvement of public service function as compared to conventional solutions: improvement in (a) productivity, (b) service quality, (c) sustainability, and/or (d) effectiveness

R&D contracts focused on new solution development with IPR granted to (or shared with) suppliers

- Performance reward schemes included in delivery contracts
- Separate service development and piloting schemes annexed to delivery contracts

Contract

Procurement of innovation (output)

Proposed measurement scheme

Object	Measurement scheme
1. Innovation-friendly procurement process	 Some indicators for planning and tendering stages are available in tendering data. Identification of innovation-friendly specifications requires content analysis with domain expertise.
2. Procurement of new or improved products and services (output)	 Sample based survey approach (due to lack of comprehensive tendering and contract databases)
3. Impacts on public service improvement	Sample based survey approach
4. Impacts on firm innovation and growth	Requires separate impact assessments (with large data)

GOVERNMENT'S ANALYSIS, ASSESSMENT AND RESEARCH ACTIVITIES

Thank you!

Further information: ville.valovirta@vtt.fi



