

International Perspectives on Public Procurement of Innovation

Procurement of Innovation in Germany

Mike Weber | 16th February 2012 | Seminar by the Procu-Inno Project, Helsinki

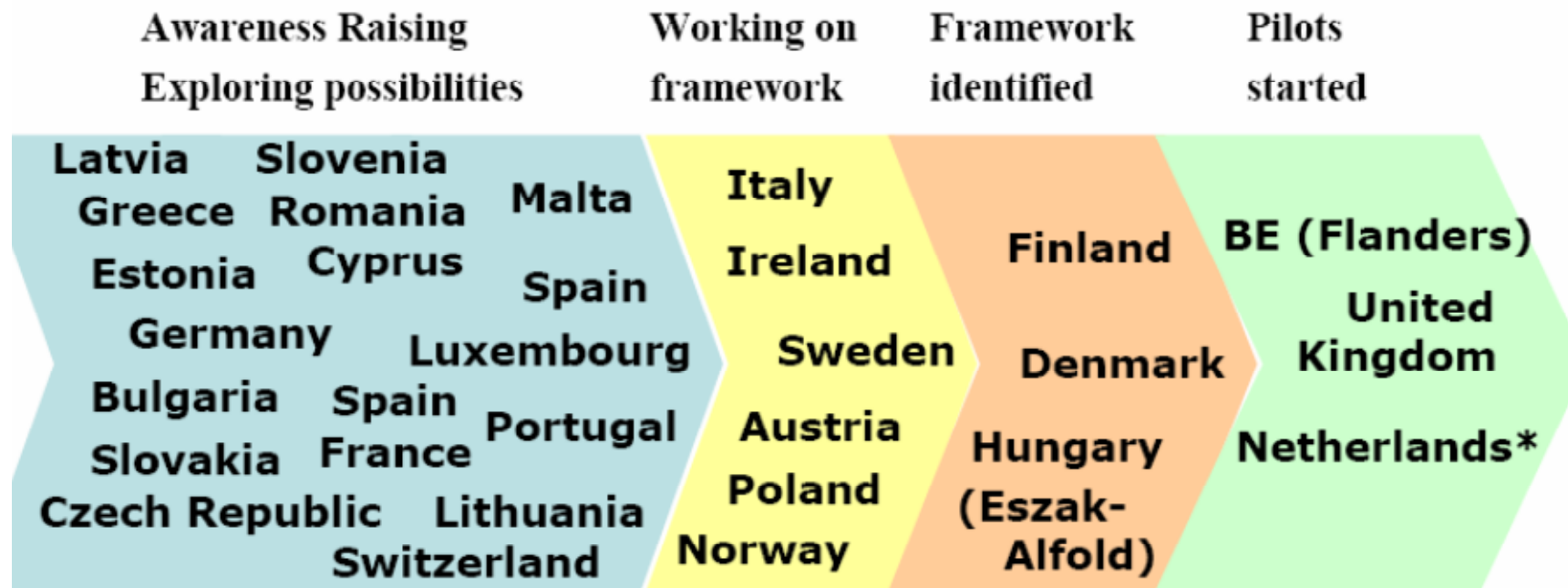
Procurement of Innovation in Germany

Agenda

- Introduction
- Conceptual considerations
- Empirical evidence
- Current developments in Germany: competence centre for sustainable procurement
- Conclusions

Introduction

Pre-commercial procurement in Europe



* Still working on compliance with PCP Communication
(financial compensation to procurer for assigning IPR exploitation rights to companies)

European Commission
COMMUNICATION SOCIETY AND MEDIA

Quelle: European Commission 2011: 6



Conceptual considerations

Dimensions

- Innovation dimension
 - Innovation diffusion
 - Buy at least state-of-the-art goods and services; avoid old solutions
 - Share of new and improved products
 - Degree of innovation
 - How innovative are procured goods and services?
 - Type of Innovation
 - Just new and probably improved, or additional welfare effects

- Dimension of measures
 - Openness to innovation
 - Allow suppliers to offer new solutions
 - Knowledge-related measures
 - Professional procurement organisation
 - Ask for innovative solution by using detailed descriptions

Conceptual considerations

Analyse matrix: instruments to promote innovation

	Diffusion	Degree
Openness	Acceptance of variants Functional specifications Award criteria	
Knowledge	Education and training of procurement staff Make use of guidelines and handbooks Market observation	Skills of technical staff Make use of new codified knowledge Cooperation with innovative suppliers

Conceptual considerations

Analyse matrix: expected impact

	Diffusion	Degree
Openness	Openness to new solutions leads to a state-of-the-art supplier: Strong impact	Highly innovative solutions are risky for suppliers: Only single innovative offers
Knowledge	Setting detailed specification for any product overextends typical procurement offices: Low impact	Technical knowledge in public agencies enables them to define highly innovative products: Strong impact



Empirical evidence

“Purchasing state” and the survey of German procurement agencies

Research project “Einkäufer Staat” (“procuring state”) with a general perspective on innovative procurement and the procurement of innovations

- Cooperation partners:
 - Berlin Institute of Technology (university)
 - Wegweiser GmbH Research & Strategy (market research)
 - Orrick (law firm)
- Funded by the Federal Ministry of Education and Research, Germany

Data basis – own survey of German procurement agencies

- Conducted in April 2009
- Sample: 2,306 agencies
- Responses: 265 agencies (response rate: 11.5 %)
- Questions concerning strategy, organisation, award procedure, and procured products and services

Empirical evidence
Overall testing

Expectation	Diffusion	Degree
Openness	Strong impact	No impact
Knowledge	Low impact	Strong impact

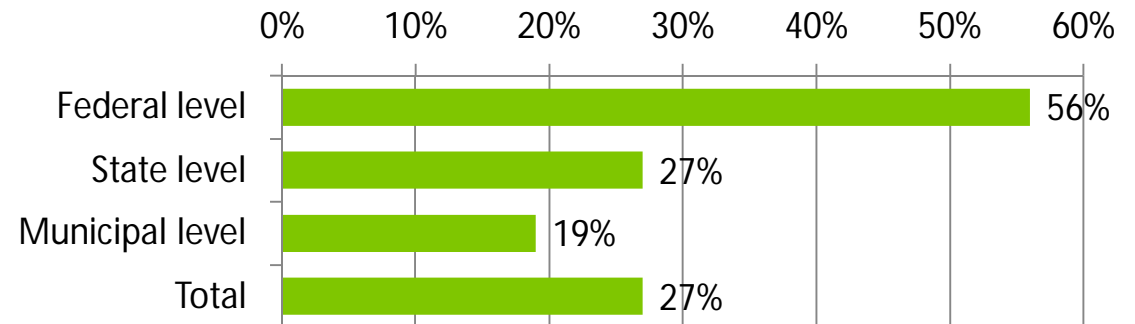
Findings	Diffusion	Degree
Openness	No impact	No impact
Knowledge	Strong impact	Impact



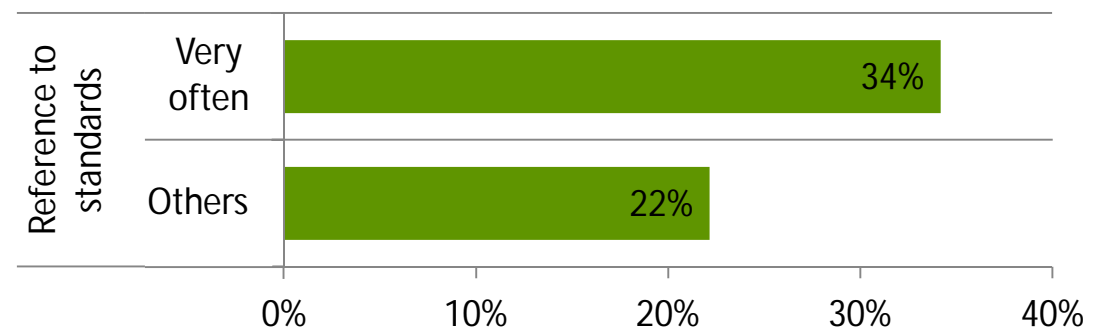
Empirical evidence

Excursus: Standards and procurement of new-to-the market products

- Have you ever procured a product, which was new to the market?



- Procuring new-to-the-market products depending on reference to standards



Source: own survey, 232; 228 valid cases

Current developments in Germany

Focussing on knowledge-related measures and innovation diffusion

- Political background:
High-Tech Strategy identifies public procurement as an important instrument of innovation policy
- Agreement of 6 federal ministries (interior, economics, defense, transport, environment, research) in October 2007:
 - Promote procurement of innovation by the ministries
 - Provides a list of instruments
- Simultaneously working on sustainable procurement
- Bringing together both initiatives:
 - Founding a competence centre for sustainable development at the procurement office of the federal ministry of interior
 - Only loose coupled initiatives to promote procurement of innovation

Current developments in Germany

Procurement office of the federal ministry of interior

- Importance of the procurement office of the federal ministry of interior
 - One of the largest procurement agencies in Germany
 - The most visible institution in this domain
 - Offers services like to other agencies like
 - An e-procurement system
 - Framework contracts for all federal organisations

- Public authorities procure products and services in the amount of 1bn Euro a year (about one percent of governmental spending)

- Selected product groups with respective investments
 - Radio and telecommunication technologies: 410,4m Euro
 - Services: 269,8m Euro
 - Information technologies: 218,7m Euro
 - Vehicles and equipment: 71,3m Euro

Current developments in Germany

Sustainable procurement initiatives

- Since October 2011: Procurement office of the BMI (Federal Ministry of the Interior) is a competence office for sustainable procurement
- Bundling of already existing initiatives
- Targeting and involving
 - Federal ministries and agencies: as customers
 - State level and municipalities: offering consultancy
 - NGOs: make use of existing knowledge
 - Business sector: start cooperation and make upcoming requirements explicit
- Wide understanding of sustainability
 - Considering economic, ecological, and social aspects
 - Innovative solutions as a instrument to archive sustainability aims

Current developments in Germany

Competence centre for sustainable procurement

- Mayor tasks
 - Consulting services for all public purchaser
 - Provision of a web-based information platform

- Selected goals and projects
 - Supporting the Government goal in electric mobility: 1m electric cars in 2020
 - Decrease in energy consumption: Green IT
 - Checking self-declarations of bidders concerning social criteria

- Being a role model
 - Adjusting own terms and conditions
 - Corporate social responsibility
 - CO₂ neutral: official trips, dispatch
 - Sustainable construction and renewable energy
 - Employee training in sustainability

Procurement of innovation in Germany

Conclusions

- Some empirical indications for the impact of knowledge-related measures on public procurement of innovation
 - Foster diffusion of innovation by defining minimum requirements
 - Make use of codified knowledge to buy highly innovative solutions

- The German case:
 - No explicit policy for fostering innovation through public procurement
 - Focusing on
 - Sustainability
 - Awareness building and knowledge-related measures

- Sustainability as a driver for procurement of innovation?
 - No innovation to end in itself
 - Addressing societal needs
 - Broad acceptance by all stakeholders

**Thank you very much
for your attention!**

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