

Implementing innovation procurement in Norway – views, challenges/ obstacles and experiences

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09:00-09:45*

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Agenda

- **Views: What is innovation procurement (in the public sector)?**
- Why do we want more innovation procurement in the public sector?
- Challenges/obstacles
- Experiences
- Questions/discussion

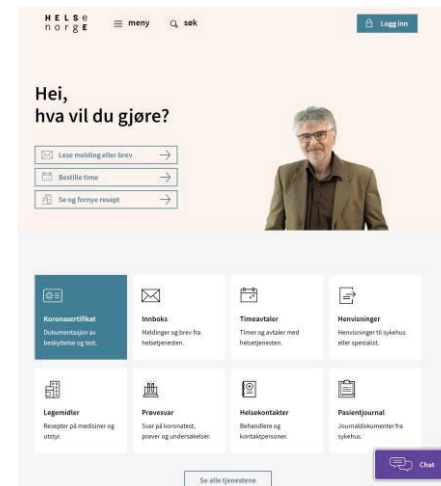
Innovation is the practical implementation of ideas that result in new or improved goods or services

Example of invention (a unique or novel device, method, composition or process):

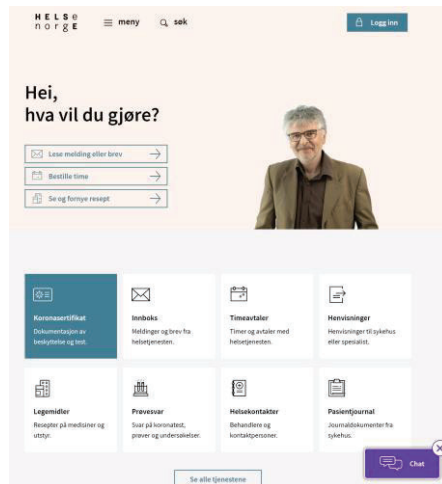


The Internet is the global system of interconnected computer networks that uses internet protocols to communicate between networks and devices.

Example of innovation: Service development on the internet site of the Norwegian Health Authorities



How can the public sector innovate?



Through a combination of one or more of the following inputs:

- Hire own employees
- Hire consultants
- Buy services
- Buy materials
- Buy finished goods

And/or, through innovation procurement

What is innovation procurement?

Buying the process of innovation – research and development services – with (partial) outcomes



Buying the outcomes of innovation

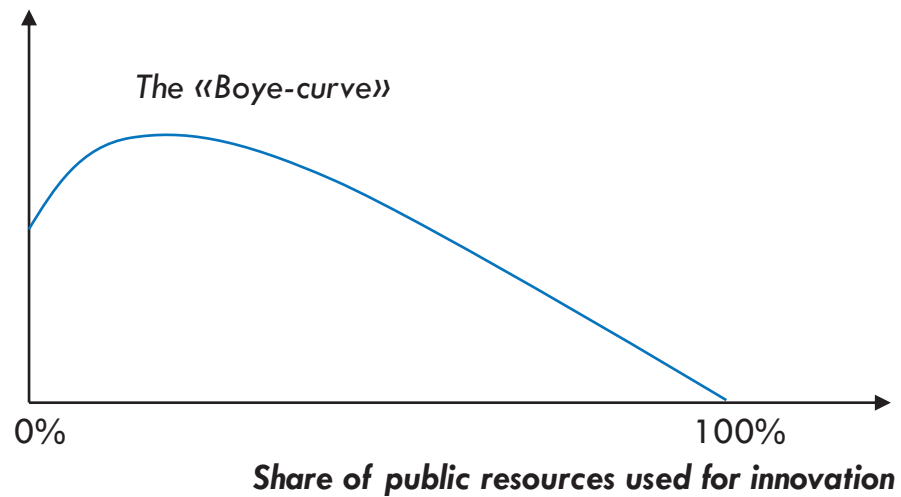


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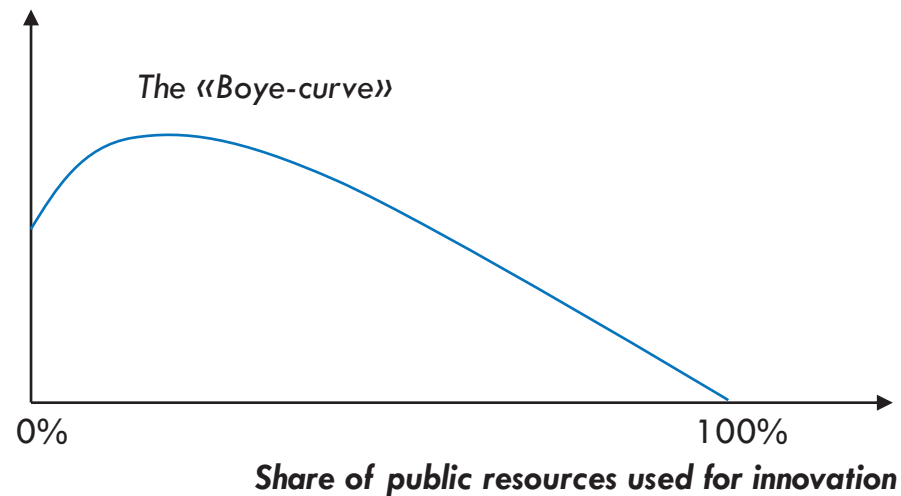
How much innovation do we want in the public sector?

Effectiveness in the public sector (e.g. measured by safety, environmental quality, democracy, health and education per euro)



Why do we want more public sector innovation?

Effectiveness in the public sector (e.g. measured by safety, environmental quality, democracy, health and education per euro)



Several reasons:

- Most governments believe that, without intervention, we will be too low on the curve, impairing our ability to get benefits of:
 - Solving challenges
 - Better services/goods
 - Economic growth

Why do we want more innovation procurement?

→ Because several forms of innovations can be produced more successfully or efficiently using private companies (for a variety of reasons), in (partial) combination with public sector employees



→ Because some politicians want to promote national or EU-businesses (of course, other politicians want to promote public in-house innovation)

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Obstacles to innovation in general

Externalities: The benefits of innovation are shared by more players than the innovators.

Information asymmetry: Investors do not have perfect information on best projects/people

Culture: Lack of innovation culture (including bottom-up innovation culture)

Obstacles to innovation in the public sector in general

Lack of competition: The public sector often has a monopoly, which are often less innovative

Lack of incentives: Lack of innovation is seldom punished, but large failures can be

Finance: *Year-to-year financing can stand in the way of predictable long-term financing inno.projects*

Obstacles to innovation procurement in general

Transaction costs: Innovation procurement involves case-specific investments

Lack of trust (closely related to transaction costs):
Every issue cannot be solved by contracts

Lack of competence: *The buyer needs both technical and commercial competence*

Obstacles to good results from public procurement in general

Ban on real strategic partnerships: Under EU/EEC law, there must be competition in regular intervals

Ban on using non-verifiable info in evaluations?:
Buyers are afraid to get sued

Most procedures and following contracts are inflexible, with negative effects on innovation

The obstacles to public sector innovation procurement are many!

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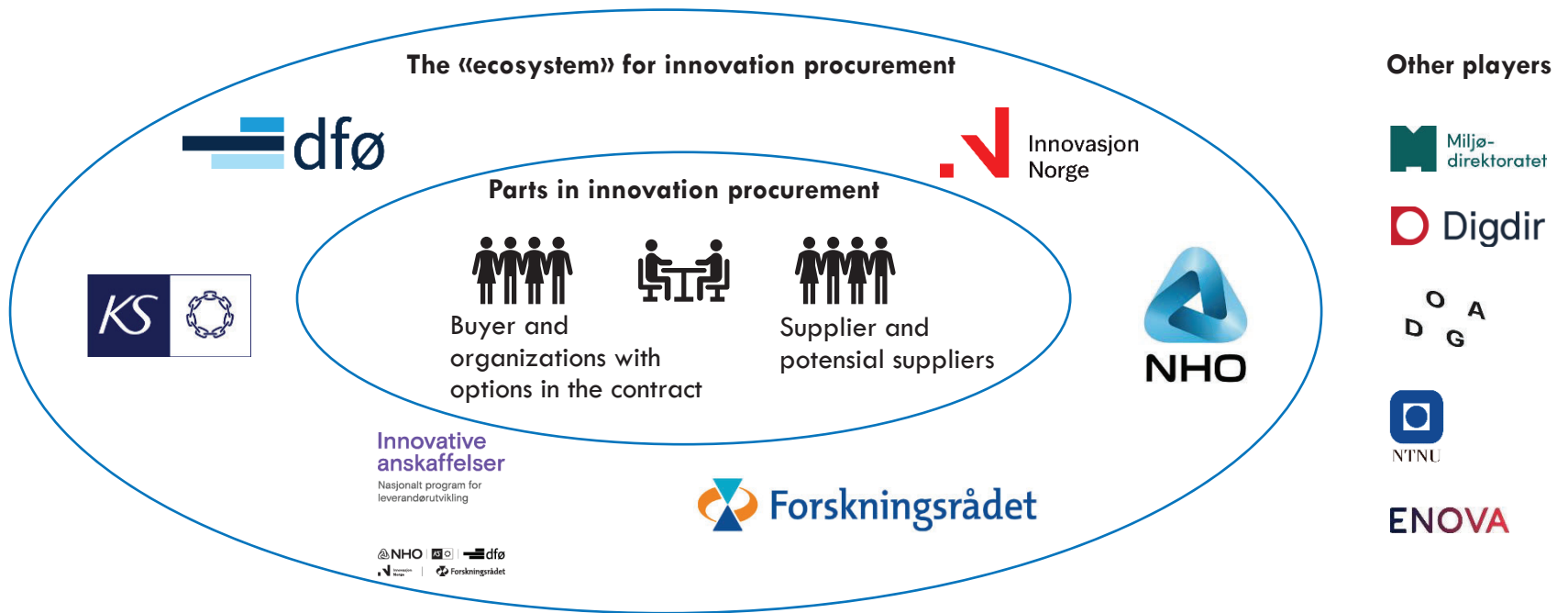
Which makes innovation procurement like the sport of hurdles



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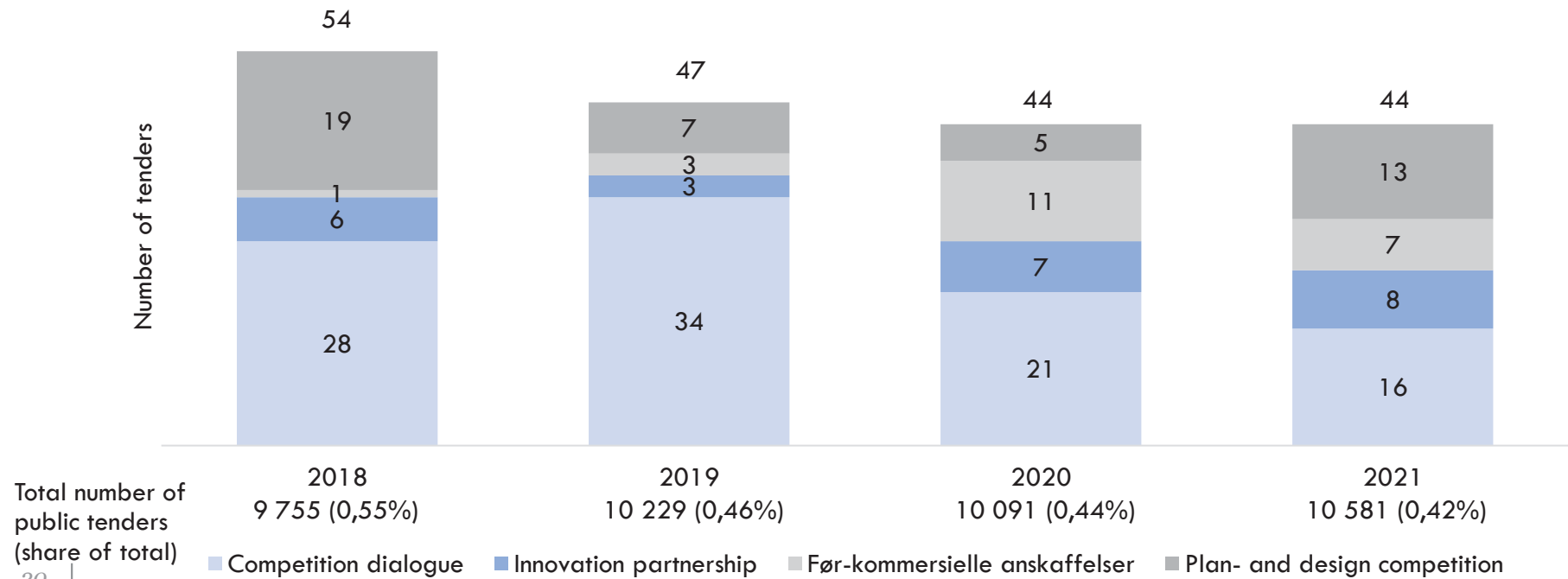
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Policy measures to overcome obstacles to innovation procurement



Tracking the development of innovation procurement (1 / 2)

Buying the process of innovation – research and development services – with (partial) outcomes - Norway

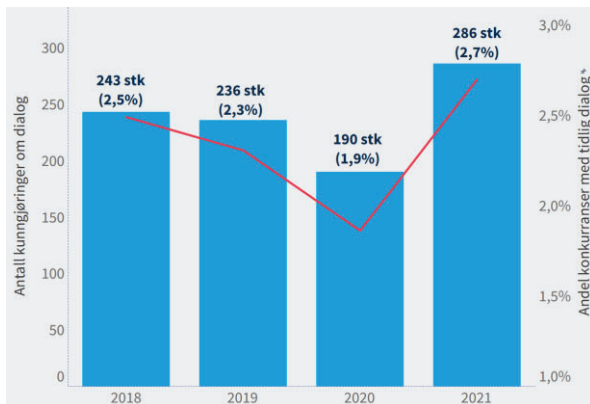


Source: Doffindata via DFØ, LUP

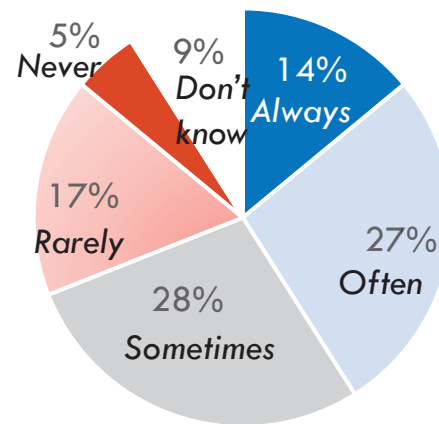
Tracking the development of innovation procurement in Norway

Share of public buyers/tenders aiming to buy the outcome of innovation

Share tenders with the word "dialogue" (Norway 2018-2021)

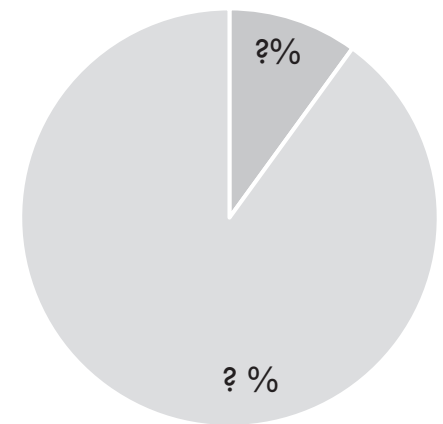


Share Norwegian public buyers considering functional specs (2022)



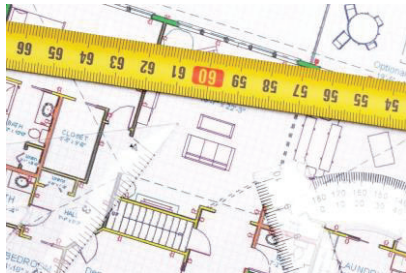
Buying the outcomes of innovation

Share of early adopting – buying a new product, service or process



Innovation is risky – so is innovation procurement – we have examples of «pure success», costly innovative gains and failure

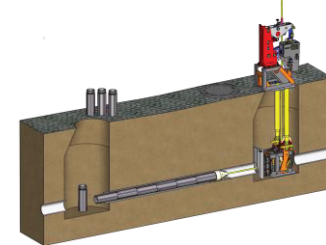
Digital construction case processing



The first electric ferry of its kind



Anonymous example



Automated pill dispensers



The first electric speedboat of its kind



Anonymous example



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