

Conclusions of the National Audit Office

Implementation of innovation strategy in public procurement

Great expectations have been put on public procurement. A primary goal set in the national innovation policy strategies is creating demand for innovative solutions, while public procurement is also expected to boost profitability of the public sector.

The goal of the audit was to determine how an innovation strategy can promote innovative public procurement (hereinafter also referred to as IPP). The audit assessed how the authorities control and develop their innovation operations and how public procurement can be used as a tool in the development of innovations.

According to the observations made during the audit, there are examples of innovative public procurement particularly from among regional authorities. The problem is, however, that the total number of IPP projects in public administration as a whole is very low for the time being. A key development challenge is ensuring broader adoption of a systematic approach that promotes innovation in procurement organisations. Furthermore, the organisations should revise their procedures to make them more favourable towards innovation. Such a strategic approach may also allow an increase in the number of innovative procurement projects.

Actions aiming at the promotion of IPP have been taken, but there has not been any detailed monitoring of the achievement of the goals

In public state administration, the Ministry of Economic Affairs and Employment carries the main responsibility for the promotion of innovative procurement because the Ministry carries the responsibility for the innovation policy. Duties of the Ministry of Finance include general governance and development of public procurement.

The Ministry of Economic Affairs and Employment has set IPP as one of its focus areas and monitoring targets in the results-based management of the Finnish Funding Agency for Innovation (Tekes) in the 2010s. In addition to the governance of the operations of Tekes, the Ministry of Economic Affairs and Employment has realised actions aiming at the promotion of innovative procurement in cooperation with the Ministry of the Environment.

The Ministry of Economic Affairs and Employment has monitored and assessed the achievement of the IPP goals at a very general level. The Ministry of Finance and the Research and Innovation Council have hardly monitored the achievement of the innovation policy goals. The lack of systematic monitoring and assessment may compromise the achievement of the goals.

Effects of IPP projects on business are primarily indirect. The indicators used by Tekes are not optimal for the assessment of such effects.

Furthermore, the assessment of the performance of Tekes' IPP funding is mainly based on survey replies from the funding recipients. Such an assessment does not necessarily provide reliable results on the effectiveness of the funding.

Significance of national innovation strategies in practical procurement is minor

Even though the national innovation strategies set quite ambitious innovative procurement goals, a fairly limited amount of such procurement projects have been completed so far. In practice, only municipalities have engaged in innovative procurement. Only single IPP projects have been completed at the state level.

The innovation policy goals for public procurement and the related development needs are presented in several strategy documents. Many of the goals are set at a general level, and identifying the actual goals is difficult in the case of some of the documents. Furthermore, the strategy documents do not determine the concept of innovative procurement, which means that assessing the achievement of the goals is difficult. In addition, the party who is in charge of the achievement of the goal has not been named in the case of some of the goals.

The national policies should also influence municipalities, because the regional authorities are responsible for a large share of procurement projects, but the state procurement strategies do not directly govern the procurement operations of municipalities.

All in all, the practical significance of the national innovation policies in procurement units is fairly minor. Hardly any of the strategies have been identified or applied by the organisations that are responsible for procurement. One could say that there is a mismatch problem with the national strategies.

Utilisation of public procurement can be promoted by strategically developing the procurement units' own procedures

As a whole, fairly few IPP projects have been completed in the 2010s. One concrete available means to boost the utilisation of public procurement is strategic development of the procurement units' own procedures.

Support from the management and a procurement strategy are tools for the implementation of IPP projects that also commit the employees to the selected operating model and mould the organisation's operational culture to make it more positive towards innovation. Furthermore, a strategy is a signal to the market on the procurement organisation's positive attitude towards innovation, and it can be used to create common rules and a common view for the organisation to be used as the starting point of the systematic development of IPP.

Procurement procedures and contract templates for innovative procurement, interaction between the client and service providers, and procedures that enable the participation of users and other stakeholders are good tools when implementing IPP. Identification and management of the risks related to IPP is also a good practice. These tools should be included in the procurement unit's procurement strategy.

Furthermore, a strategic approach to the assessment of the performance of IPP should be adopted and assessments should be included as part of the organisation's procurement strategy which, in turn, should be an integral part of the organisation's overall strategy.

If IPP is only practiced as separate projects in an organisation, the volume of IPP will usually remain low. Spreading of a systematic approach that is favourable towards innovation in the public sector could not only increase the volume of IPP but also improve performance of the broader innovation policy.

Concept of innovative procurement must be determined in order to set quantitative goals for IPP

The government platform includes a goal that five per cent of public procurement should be IPP by 2019. To be able to set such quantitative goals, the concept of innovative procurement should be determined because a goal that is subject to interpretation is difficult to measure and verify.

Quantitative goals are strategic goals of procurement units. If any such goals are set, they should be mentioned in the procurement unit's own procurement strategy.

Recommendations of the National Audit Office

1. So far, the monitoring of innovation policy has been general in nature. The Ministry of Economic Affairs and Employment and the Ministry of Finance should develop their innovation policy monitoring to make it systematic. The national innovation strategies should specifically determine concepts and goals related to innovative public procurement.
2. The national policies should clearly name the parties who are responsible for the governance, monitoring and implementation of the IPP goals.
3. Cooperation between administrative branches, the state and regional authorities should be developed to ensure that the policies included in the national strategies are identified and applied by all the organisations that are engaged in procurement operations. The Ministry of Economic Affairs and Employment in particular, as the party in charge of the innovation policy, should study how it can be ensured that all procurement units in public administration adopt the policies included in the national innovation strategies.
4. The organisations implementing IPP should adopt the strategic approach in a broader sense, and the volume of IPP should be increased. The national innovation strategies should include a goal that key procurement units have a procurement strategy favourable towards innovation.