

PPPI · POLICY NOTES

Public Procurement Promoting Innovation in Austria

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AUSTRIA'S INNOVATION PROCUREMENT PERFORMANCE IN THE EU AND OECD CONTEXT

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SUMMARY: Austria is making considerable progress concerning public procurement promoting innovation (PPPI). This is confirmed by two recent surveys, one conducted by the ERAC and the other by the OECD. Austria's innovation procurement performance will be discussed on the basis of the results of these surveys.

SCOPE OF INNOVATION PROCUREMENT IN AUSTRIA

Austria has been developing a balanced policy mix for public procurement promoting innovation (PPPI), following the international shift towards demand-side policy instruments¹. The Austrian approach includes:

- PPPI Guide (2007)²
- PPPI Action Plan³ & Governance (2011/12→)
- PPPI Awareness, networking, training (2012→)
- Amendment of procurement law (2013)⁴
- Grants for Pre-Commercial public Procurement of R&D (PCP) (2011→)
- Support for commercial Public Procurement of Innovation (PPI) (2014→)
- PPPI Monitoring & evaluation (2014→)

The basis for all these undertakings is provided by the PPPI Action Plan which is well embedded. First, the Action Plan is linked to the 'Austrian Strategy for Research, Technology and Innovation' (BKA et al. 2011). Second, its formulation and implementation is the result of a comprising PPPI Strategy Process, involving all relevant Austrian stakeholders (>90)⁵.

Third, its content and realization is politically legitimized by government decision⁶.

The PPPI Strategy Process as well as the implementation of the PPPI Action Plan have been cooperatively supervised by the Ministry of Science, Research and Economy (BMWFW⁷) and the Ministry for Transport, Innovation and Technology (BMVIT); supported by the Austrian Procurement Agency (BBG) and the Austrian Institute of Technology (AIT). Detailed empirical evidence concerning activities and achievements of PPPI in Austria provides the '2013/14 Report on Innovation Procurement' (BMVIT/BMWFW 2015)⁸.

ERAC AND OECD SURVEY ON INNOVATION PROCUREMENT

The European Research Area and Innovation Committee (ERAC)⁹ decided to formulate an 'Opinion on Innovation Procurement' (ERAC 2015). Its objective is the description of good practices found across Europe and the identification of ways to broadly promote and implement them. Based on the results of a survey (carried out in 2014) as well as using other available resources, ERAC proposes a set of recommendations and policy options to the Council, the Commission and the Member States. Member States are advised (i) to create a strategic framework for innovation procurement together with an action plan, (ii) to offer support and services for contracting authorities and (iii) to provide financial incentives.

¹ Inducing private and/or public demand through standards, regulation and procurement. See e.g. EC (2005, 2010/C/546), OECD (2011).

² Innovation procurement guidelines for practitioners (BMWFA 2007).

³ Austrian Action Plan on Public Procurement Promoting Innovation (English summary p. 11-13) (BMWFW/BMVIT 2012a).

⁴ Including innovation as an explicit issue. (BGBl 2006/17, 2013/128).

⁵ See for an overview of the architecture, dates and mandates of the innovation procurement stakeholder process (Buchinger 2012).

⁶ Decision of the Austrian Council of Ministers (BMWFW/BMVIT 2012b).

⁷ Previously BMWFJ and before that BMWA.

⁸ English summary (p. 9).

⁹ ERAC is a strategic policy advisory body whose function is to assist the European Commission and the Council of the European Union.

The OECD's interest in moving towards the implementation of the 'Recommendation of the Council on Public Procurement' (OECD 2015a) led to the conduction of a survey on strategic innovation procurement (in 2015). The survey was prepared in consultation with the ERAC Secretariat and refers to the ERAC survey in the first part, whereas the second part relies on the 'OECD Observatory of Public Sector Innovation (OPSI)' survey¹⁰.

Whereas the ERAC Opinion is already published, the OECD provides preliminary results and will publish the full report later this year. The results of these two surveys (as far as available in the case of the OECD) will be used to analyze Austria's innovation procurement performance in the EU and OECD context.

AUSTRIA'S STRATEGIC STRENGTHS

Policy making with a medium and/or long term perspective requires a strategic framework. It was a result of the ERAC survey that in some member states good practice can be found, whereas in other ones procurement strategies are lacking. Nevertheless, the first results of the OECD survey show that there is a trend towards strategic procurement management (actions plus impact) in many countries (table 1).

	Yes
Specific actions in countries	79%
Measurement of the impact	42%

Source: OECD (2015b: 5)

Table 1: OECD Survey on strategic innovation procurement

Concerning the results of the ERAC analysis, Austria serves as one of three good practice examples in the strategic dimension. It was highlighted that (i) demand-side measures are part of the 'Austrian Strategy for Research, Technology and Innovation', (ii) an elaborated institutional governance-system for the implementation of the PPPI Action Plan has been established, and (iii) there is a focus on empowering and mobilizing public procurers. Figure 1 shows how specific tasks and responsibilities are cooperatively executed by the two ministries and a service network in Austria. This includes not only a PPPI Service Centre (since 2013) as an overall support facility, but also a range of PPPI Service Partners with specific competences and tasks (from grants to sectoral support). The PPPI Steering Group clarifies the

strategic issues. It is complemented by the PPPI Council taking care for the coordination between all the different measures and stakeholders. The Ministry of Science and Economics (BMFWF) and the Ministry for Transport, Innovation and Technology (BMVIT) are together responsible for the political commitment as well as for the financing.

Denmark and Finland are indicated in the ERAC Report as the other two good practice examples in the strategic dimension. In Denmark, innovation procurement is an essential part of the national procurement strategy emphasizing on intelligent purchasing. The basic objectives are synergies, scaling up, market dialogue to identify market and user needs, and functional requirements to support innovation and more efficient solutions. Finland has chosen a somewhat different approach by emphasizing the incorporation of innovation procurement into national sector strategies and programmes (e.g. Bioeconomy Strategy, Cleantech Strategy, Innovative Cities Programme).

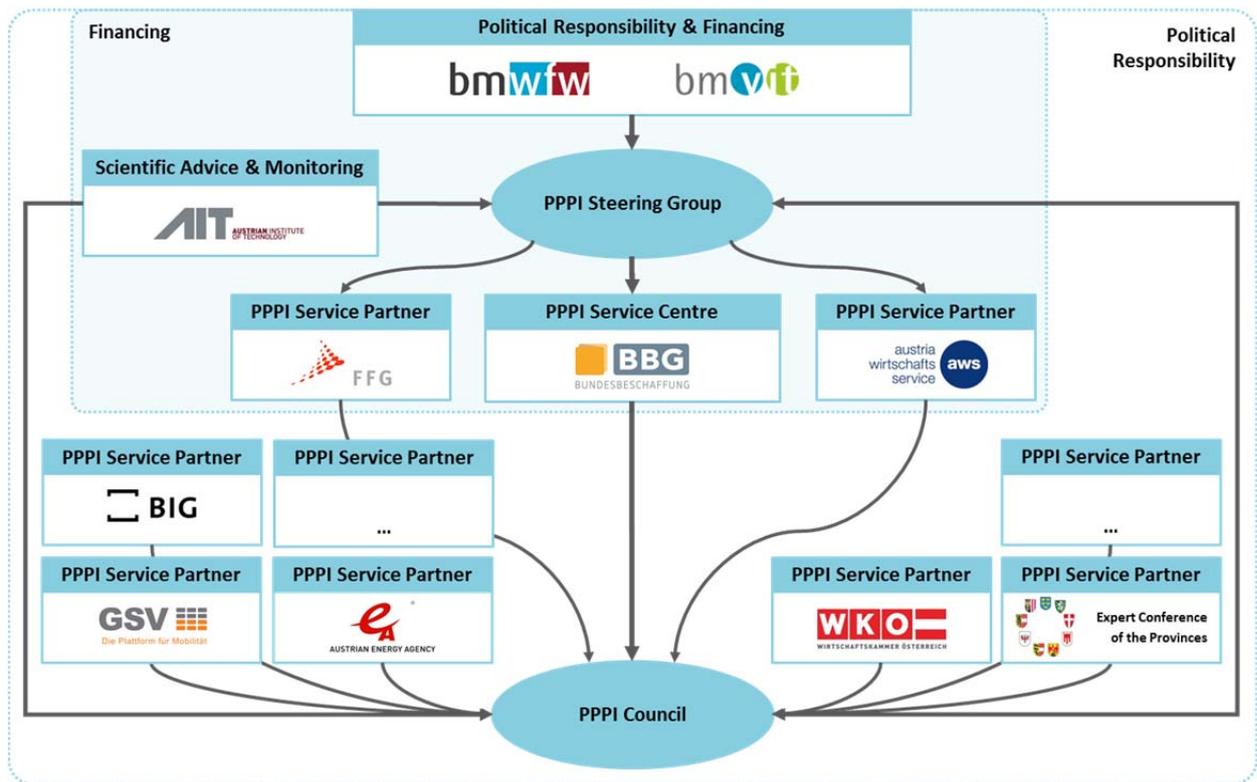
What could be inspiring for Austria from the other good practice examples are especially Denmark's strong emphasis on 'public sector effectiveness' (i.e. low transaction costs, total cost of ownership approach) and Finland's cross-sectoral approach.

AUSTRIA'S CATCHING UP IN IMPLEMENTATION

Compared with other European countries such as the Netherlands or UK, Austria started its innovation procurement support measures somewhat late. But a rapid catching up process has been taking place. This is in line with most of the other industrialized countries, as the OECD survey shows (table 1).

The ERAC analysis indicates as good 'implementation' practice the service and support structure of Sweden and France as well as the financing schemes in UK and in Finland. In Sweden, all innovation procurement relevant mandates have been concentrated within the Competition Authority which provides support, guidance and information on all aspects of innovation procurement. In France, professional 'reverse' trade shows are organized whereby public institutions take up the role of the exhibitors, visited by firms ('reverse salon'). The UK financing system in the form of the Small Business Research Initiative (SBRI) has a well-established procedure to connect public sector challenges with innovative ideas from industry, and allows projects with a funding up to 1 million £. The Finnish Smart Procurement Program offers a funding for public procurers from 2013 to 2016 with a budget of 7.5 million € per anno.

¹⁰ Part I of the OECD survey comprises policy-oriented questions, which are based on the first 6 questions of the 'ERAC Innovation Procurement' questionnaire of 2014. Whereas the other ERAC questions have been addressing EU-level actions, part II of the OECD survey is based on the 'OECD Observatory of Public Sector Innovation (OPSI)' survey. Note: The ERAC survey covers 19 EU member states and the OECD survey includes 28 OECD countries plus 7 OECD accession/partnership countries.



- BMWFV Federal Ministry of Science, Research and Economy (Political Responsibility & Financing)
- BMVIT Federal Ministry for Transport, Innovation and Technology (Political Responsibility & Financing)
- AIT Austrian Institute of Technology (Scientific Advice & Monitoring)
- FFG Austrian Research Promotion Agency (PPPI Service Partner focusing on pre-commercial procurement)
- BBG Austrian Federal Procurement Agency (hosts the PPPI Service Centre as an overall support facility)
- AWS Austrian Federal Promotional Bank (PPPI Service Partner focusing on commercial procurement)
- BIG Austrian Federal Real Estate Company (PPPI Service Partner focusing on the buildings sector)
- GSV Austrian Association for Transport and Infrastructure (PPPI Service Partner focusing on the transport sector)
- EA Austrian Energy Agency (PPPI Service Partner focusing on the energy sector)
- WKO Austrian Economic Chambers (PPPI Service Partner focusing on the exchange with the industry)
- Procurement Expert Conference of the Provinces (PPPI Service Partner focusing on the exchange with the provincial governments)
- PPPI Steering Group (operative responsibility)
- PPPI Council (strategic responsibility)

Figure 1: Austrian institutional governance for the implementation of the 'PPPI Action Plan'

Austria has done its homework in the years of the preparation and execution of the PPPI Strategy Process. A concentrated learning process took place and found its way into the formulation and the implementation of the PPPI Action Plan. As a result, the following services and financial incentives have been established:

- The PPPI Service Centre and the PPPI Service Partners (figure 1) are providing trainings for contracting authorities, networking opportunities (face-to-face and electronic), an information roadshow taking place in every one of Austria's provinces, and a biannual awareness event combining innovation and green procurement.¹¹

These generic activities are complemented by specific provisions such as:

- An online market place which gives public procurers the opportunity to specify a need or problem as a challenge and suppliers the chance to present innovative solutions.¹²
- The awarding of vouchers on the basis of a contest which can be used by public procurers for PPPI-support such as technology consulting, legal advice, or project management support. The vouchers and the additionally offered consultation services for the preparation of PPPI projects are for free, being selected on the basis of a competition.

¹¹ See for details concerning the PPPI Service Centre <<http://www.ioeb.at/>> and for links to the Service Partners

<<http://www.ioeb.at/ueber-ioeb-und-die-servicestelle/ioeb-kompetenz-und-kontaktstellen/>>.

¹² <<http://www.innovationspartnerschaft.at/>>

- The awarding of grants for pre-commercial public procurement of R&D (PCP) in the thematic fields 'mobility' and 'buildings' (and are aimed at for 'health' as next field).¹³
- The awarding of grants for R&D with mandatory inclusion of public procurers in the field of 'security'.¹⁴

All these activities are very much inspired by the various types of European good practices which have been previously studied. They must also be seen as work in progress since Austria's PPPI services and financial incentives are continuously adapted and improved on the basis of the ongoing national and European co-learning between service-providers, procurers and suppliers.

AUSTRIA'S ROAD TOWARDS IMPACT ASSESSMENT

Monitoring and assessing the impact of PPPI is a difficult issue caused by the lack of sufficiently defined indicators. Several countries are presently making efforts to develop adequate measurement systems to allow for evidence based policy making. The OECD survey shows that impact measurement efforts are taking place in almost half of the responding countries (table 1), and the ERAC analysis identifies Austria

together with the Netherlands, UK, France, Denmark and Finland as good practice examples for PPPI monitoring and assessment. These approaches are quite different and it is therefore one of the ERAC recommendations that a harmonized monitoring system should be established.

In accordance with EU and OECD measurement efforts, Austria started the development of a monitoring system. It includes a pilot PPPI survey by Statistics Austria, monitoring obligations of the PPPI Service Centre and Service Partners as well as independent assessments. The pilot survey asking for the financial volume of PPPI in Austria indicates a range between 2.3% and 3.3% in the state sector¹⁵.

There is an overall satisfaction with the implementation of the Austrian PPPI Action Plan according to the feedbacks and assessments so far. A comprising PPPI impact evaluation will take place 2017/18.

OUTLOOK

The publication of the OECD Report on Strategic Innovation Procurement later this year as well as the results of the Austrian PPPI impact evaluation will provide further information. On that basis an updated assessment of Austria's PPPI performance will be formulated.

¹³ <<https://www.ffg.at/vif>> ; <<https://www.ffg.at/programme/pilot-heizen-kuehlen>>

¹⁴ <<http://www.kiras.at/>>

¹⁵ Three types of innovation procurement have been included: 1) goods/services developed for the procurer (R&D), 2) goods/services were the procurer was the first buyer, 3) goods/services new on the market and new for the procurer. <http://www.statistik.at/web_de/fragebogen/oeffentliche_einrichtung/gen/innovations_foerdernde_beschaffung/index.html>

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