

SUSTAINABLE OPPORTUNITIES IN INNOVATIVE PUBLIC PROCUREMENT

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Abstract:

The author presents the system of innovative public procurement, the fundamental aspects of public procurement in the field of innovation. In the given context, he approaches the concept of innovative public procurement (IPP Innovative Public Procurement) as a process through which public entities procure goods, services, works and utilities in relational conditions optimal: price - quality, so that they generate innovative benefits for entities and society, but with minimal negative impact on the environment. To carry out the study, the authors applied traditional research methods: the monographic method, document analysis, comparison, etc. The article illustrates how public procurement can be opened for innovators, including newly established enterprises and innovative SMEs.

Keywords: *Innovative public procurement, pre-commercial procurement, sustainable procurement, environmental benefits, social benefits.*

JEL classification: O31, O36, H57

Introduction

Innovation Public Procurement (IPP) contributes to the EU's economic recovery after the crisis caused by the COVID-19 pandemic through better public investment. They are an important tool to stimulate the transformation of our economy towards a green and digital economy. Adopted in the context of the communication on "A new European agenda for research and innovation - Europe's chance to define its leadership position in technology" and the contributions of the informal leaders' dinner in Sofia on 16 May 2018, the present guidelines are updated following the adoption of the European industrial and SME strategies[2] and the Recovery and Resilience Mechanism [9].

Description of the Problem

Public procurement of innovative solutions (IPPs) facilitates the wide diffusion of innovative solutions in the market. IPPs provide sufficient demand to incentivize the industry to invest in broad commercialization to bring innovative solutions to market at the quality and price needed for mass market implementation. This enables the public sector to modernize public services with better value for money solutions and provides better growth opportunities for companies [4].

Methodology and Data

To carry out the study, the authors applied traditional research methods: monographic method, document analysis, comparison, trend analysis, etc. The objectives of the article denote: clarifying the concept of public procurement in the field of innovation, its global dimension and

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its added value. policy framework, illustrates how public procurement can be opened up for innovators, including start-ups and innovative SMEs. The material presented is intended for the academic environment, relevant institutions, organizations in the field of protection the environment, as well as to all those interested in the innovative public procurement processes.

Results

The new legislative[1] framework in the field of public procurement in the EU brings with it an extraordinary change in the way of working for procurement and requires a rethinking regarding the organization and capacities of public authorities.

In practice, the contracting authorities and institutions will have to go beyond, within procurement procedures, the stage of strict application of legal provisions, pursuing the strategic use of public procurement, so as to include in the selection of objective procurements important environmental and social as well as innovation potentials [3]. The main objective of the complex public procurement reform is for procurement to bring considerable benefit to society for long-term sustainable development, not only on the basis of the lowest price.

For the purposes of Directive 2014/24/EU, article 2(22) defines "innovation" as "the creation of a new or significantly improved product, service or process, including but not limited to manufacturing, building or construction, of a new method of marketing or a new method of organizing business practice, the workplace or external relations, among others, with the aim of contributing to solving societal challenges or supporting the Europe 2020 strategy for smart growth , ecological and favorable to inclusion" [1].

In the Oslo Manual 2018 [5], the OECD defines innovation as "a new or improved product or process (or a combination thereof) that differs significantly from the establishment's previous products or processes and that has been made available to potential users (as a product) or put into operation by the unit (as a process)'.

By definition, innovative public procurement is the purchase of a new or better product or service that improves the productivity, quality, sustainability and impact of the public sector. In innovative public procurement, the object can be represented by results, effectiveness, performance, quality or operational requirements [7].

Public procurement of innovative solutions occurs when the public sector uses its purchasing power to act as an early adopter of innovative solutions that are not yet available on a large-scale commercial basis [4]. *The first step* in using PPI is the formation of a critical mass of demand-side purchasing power (a sufficiently large buyer or several smaller buyers in a group of buyers). One that can spur industry to scale up production to bring solutions to market with the price and quality requirements for large-scale deployment.

For the *second stage*, the acquirer makes an early announcement of the innovation needs (with the required functionality or performance and possibly also the price requirements)[4]. They express their intention to buy a critical mass of innovative products if the industry can bring them to market with predefined price/quality requirements by a certain date. Buyers may want to perform conformity testing of solutions from suppliers who have presented potential solutions by the pre-styled target date. This is done to verify that there are indeed solutions that can meet their needs, before actually procuring the innovative solutions. .

The third step is the actual public procurement of innovative solutions through one of the existing public procurement procedures (e.g., open or negotiated procedure, competitive dialogue, etc.).

IPP is therefore complementary to pre-commercial procurement (PCP), as IPP can enable the larger scale implementation of solutions that were developed in small quantities in a previous PCP. IPP can also be used independently, to bring to market innovative solutions that do not

result from research and development, but for example from organizational or process innovation.

Differences between pre-commercial procurement (PCP) and innovative procurement (IPP):

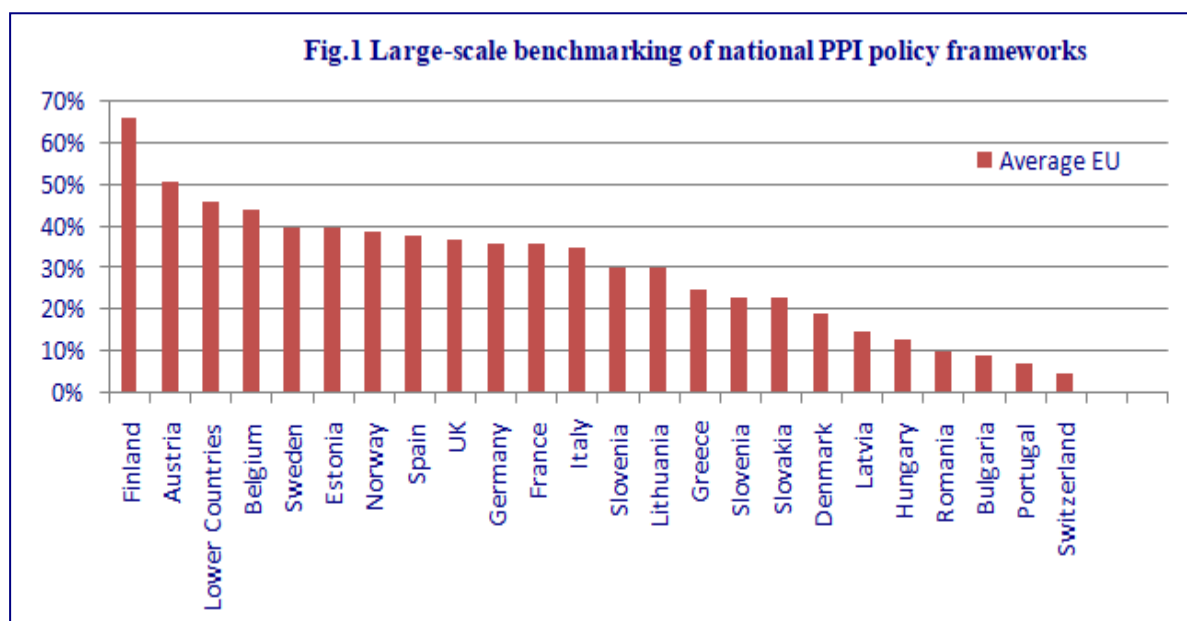
Table 1

Differences between pre-commercial procurement (PCP) and innovative procurement (IPP)

Category	PCP	IPP
When?	It requires R&D to develop new solutions. Clarification of problems, but arguments for / against regarding the fact that the solutions entered in the competition are not yet compared / validated. Lack of commitment to implementation.	Requires solution that is almost on the market / it is already on the market in small quantities, but does not yet meet the public sector requirements for large-scale implementation.
What?	The public sector purchases R&D to direct the development of solutions to its needs, to accumulate knowledge about the pros / cons of alternative solutions and avoid supplier lock-in afterwards.	The public sector acts as a product launch customer / early adopter / first buyer for new innovative products and services on the market.
How?	The public sector buys R&D from several suppliers in parallel (comparing alternative solution approaches) in the form of competition, evaluating progress after milestones, risks and benefits assumed with suppliers to increase stimulation of large-scale commercialization.	The public sector acts as a facilitator by establishing a group of buyers with critical mass to stimulate the growth of the production chain, so that products are brought to the market with the desired quality / price ratio in a certain period of time. After a trial or certification, the buyer group purchases a significant volume of products.

Source: [7]

Therefore, strengthening pre-commercial procurement (PCP) and innovative procurement (IPP) in the development of a more strategic policy framework on public procurement in the field of innovation in Europe could contribute to increasing the competitiveness of the European economy [4].



Source: [6]

Figure 1 above shows the large-scale benchmarking of national innovation procurement policy frameworks in the EU. In Europe, four Member States (Austria, Belgium, Finland and the Netherlands) have adopted an action plan dedicated to public procurement in the field of innovation, and five other Member States (Denmark, Estonia, Greece, France and Sweden) have included specific objectives and concrete measures on innovation public procurement in broader national strategies or programmes, often with a specific budget and a clear commitment from key actors.

Conclusions

Taking into account the above, innovative public procurement addresses issues of how it brings the greatest added value in terms of quality, cost-effectiveness, social and environmental impact and whether it brings opportunities for the supplier market.

Technology-based innovation, digitization and global megatrends such as artificial intelligence and the circular economy offer immense opportunities but also create new challenges. Global competition is intensifying and threatening Europe's leading competitive position in industrial sectors. Europe needs to strengthen its innovation capacity to maintain and improve the European way of life.

There are a number of funding sources that provide financial incentives to induce public purchasers to engage in innovation procurement. Funding can cover many of the additional costs associated with innovative public procurement, such as the cost of procurement preparation and management, preliminary market consultation, negotiations, research and development (e.g., prototyping, testing and certification), mobilization of technical or legal expertise specific, administrative procedures, etc. It can also offset the costs of cultural change and changing habits.

They open the way to higher quality and more efficient solutions that appreciate social and environmental benefits, improve cost-effectiveness and bring new business opportunities for enterprises.

Future Directions

The public authorities must support the actions on the guidelines that aim [4]:

- to provide arguments for carrying out an economic analysis for public procurement in the field of innovation;
- to suggest policy actions to provide the necessary political and organizational support for innovative projects
- to support the avoidance of uncertainties based on the explanation of the EU legal framework for public procurement applied in innovative procedures.

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