

THE IMPACT OF THE INNOVATION PROCESS IN PUBLIC PROCUREMENT ON SUSTAINABLE DEVELOPMENT STRATEGIES AND POLICIES

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Abstract:

In this article, the author presents innovative public procurement as a instrument of a voluntary nature at the EU level, which denotes that the Member States and, respectively, the public authorities have the right to decide the extent to which they are implemented. Innovative public procurement plays a key role in the EU's efforts to become a more resource-efficient economy. Implementing innovative procurement also helps stimulate greater demand for more sustainable goods and services that would otherwise be difficult to bring to market. Also, innovative public procurement is an important tool of boosting the economy through innovation. 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 author applied traditional research methods: monographic method, document analysis, comparison, trend analysis, etc. The objectives of the article denote: clarification of the concept of public procurement in the field of innovation, its global dimension and its added value. policy framework, illustrates how public procurement can be opened up for innovators, including start-ups and innovative SMEs. The overall aim is to support public purchasers to contribute more to the economic recovery, the twin green and digital transitions and the resilience of the EU.

Keywords: *innovative public procurement, pre-commercial procurement, sustainable procurement, social benefits, environmental benefits, entrepreneurial initiatives, economic needs, social responsibility*

JEL classification: O30, O31, Q01

Introduction

Today there is a prevailing strategy based on competitiveness and sustainability, which is shared by nations, international organizations and companies around the world. That is, there is a sharing, understanding that today's society is immersed in a complex process of globalization, growing unevenly, and therefore faces a period of great challenges and opportunities that must be addressed, at least in part, by placing innovation and sustainability at the center of the agenda, competitiveness no longer being the only determining factor the world economy. All forms of technological innovation, that can lead to sustainable

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development, such as: innovative processes, product innovations, organizational innovations, market, must be taken into account. Sustainable development can be supported by the innovation process at different levels: national, regional and international, where it manifests itself in a special way.

Innovation Public Procurement (IPP) is an important tool to drive 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 facilitates the wide diffusion of innovative solutions in the market. The IPP provides a demand to incentivize the industry to invest in broad commercialization to bring innovative solutions to the market at the quality and price needed to implement them in the market. Thus, in the public sector, public services will be modernized with solutions for added value for money and better growth opportunities will be offered to companies[4].

METODOLOGY AND DATA

The research method resides, first of all in the analysis of the factual and theoretical material regarding the definition of the concepts of innovation and sustainable development in the contemporary economy. The literature study was used and the synthesis of its results was presented, the analysis of the researches in the field for the formulation of the theoretical argumentation, as well as the application of the comparison method in the process of realizing their own visions. The informational support is the specialized literature in the field of management. To carry out the study, the author applied traditional research methods: monographic method, document analysis, comparison. Conclusions resulting from the analysis of documents, reports and case studies confirm the assumption that public procurement is an important lever in the implementation of Innovative Development Strategies and Policies.

RESULTS

Public authorities that support the innovation process or the purchase of innovative goods and services are directly granted improved services at optimized costs. For this reason, the introduction of innovation becomes efficient and effective in the direction of modern, more competitive, more sustainable societies. In the case of companies innovating from a sustainable development perspective, a combination of innovative processes, product innovations, organizational innovations and market innovations must be implemented, these priorities being pragmatically set, taking into account opportunities and constraints.

In the prospect of dematerializing the economy [6], **large companies** have decided to combine services with their products in order to increase the value of what they offer by complementing their content with services. This policy helps them reduce the production of goods, which

typically creates waste and increases the production of services, to better meet customer demand and increase customer loyalty. This additional contribution requires skills that are not easy to standardize, so, it becomes easier to avoid competition for manufactured products. The environment is clearly an argument for this strategy. The implementation of communication strategies is a marketing innovation. Not only that the company informs the general public about its efforts to reduce the impact on the environment, but it also listens to its customers and tries to gain the dedication of its employees. A sophisticated form of the communication strategy consists in the direct participation at the development of restrictive measures (emission standards, branch agreements, etc.). This effort seems to show a proactive approach of companies on the environment issue, but, on the other hand, it could also be a way to hinder environmental progress through a lobbying policy.

In **small innovative companies**, these are often found in relatively small niche markets, but they are convinced that their products directly correspond to prospect of sustainable development. They are anxious about public authorities, on the global strategy implementation progress to combat the greenhouse effect and to promote the protection of the environment. Their small size prevents them from having an effective lobbying policy, but this does not mean they are passive. These companies develop strategies to ensure they are maintaining or growing on current market. Although they are aware of their small size on world market, these companies do not feel restrictive in terms of technological innovation. They believe that they can develop sufficient knowledge to stay in competition, at least in some very specific niches. They pay close attention to their employees and create a favourable climate for research and development. Innovation is their belief.

In other companies, the environment harmful effects are not threats to their activities. Sustainable development is not a strategic component, but an aspect that must be considered. When developing sustainable development strategies in each country, the weight of these three companies' categories in the total national economy should be taken into consideration. The results of innovations have an impact on sustainable development, but they can be both positive and negative. The characterization and classification of these results is based on the use of certain criteria[7]:

- The first criteria set takes into account the objectives of innovations: prevention, processing to the end, rehabilitation, monitoring, substitution, saving resources.
- The second criterion concerns the distinction between complementary and integrated technologies. Complementary technologies are added to existing processes or products to reduce the environmental damage associated with production or consumption. In case of integrated technologies, is the opposite, the environmental characteristics are incorporated in the concept of process or product.
- The third criterion refers to the distinction between incremental and radical innovations. Incremental innovations are improvements to technical products or production to improve quality, productivity or diversity. On the other hand, radical innovation produces entirely new solutions for systems, processes, products or services, which develop into a new business, can cause major changes in an entire industrial branch, or lay the foundations of a new industry, accompanied by the creation of new markets. Radical innovations ensure substantially greater customer value, the latter being a novelty dimension. Examples of radical innovations are: laser, fibre optics, computer industry, radar, etc[8].

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[10].

Public procurement of innovative solutions takes place when the public sector uses its purchasing power to act on innovative solutions that are not yet widely available[4]. The first step in using PPI is to build demand-side purchasing power (a large enough buyer or several smaller buyers in a group of buyers), one that can stimulate industry to expand production to bring solutions to market with the demands of price and quality for large-scale implementation. For the second stage, acquirers make an early announcement of innovation needs (with required functionality or performance and possibly also price requirements)[4]. They express their intention to buy innovative products if the industry can bring them to market with the price/quality requirements by a certain date. Buyers can perform conformity testing of solutions from suppliers who have already submitted potential solutions by the pre-set target date to verify that there are solutions that can meet their needs, before actually procuring the innovative solutions.

The third step is the public procurement of innovative solutions through one of the already existing public procurement procedures (eg 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 be used to bring to market innovative solutions that do not result from research and development, but from organizational or process innovation.

By creating a stable demand for innovative solutions through public procurement we derive the following advantages[9]:

- Modernization of public services with higher quality and more cost-effective solutions;
- Stimulating a new niche market for innovative solutions, helping innovative companies achieve economies of scale to grow their business.

The innovative part consists in the optimal choices of the procedure, the criteria and the evaluation method, the sustainable encouragement of innovation, the establishment of long-term partnerships with the providers of innovative solutions, goods or services, the organization of extended purchases for several beneficiaries (among -one area/national level/cross-border level), use of SEAP and DUAE, organization of procurement, award and contracting procedures [9].

The innovative procurement procedure must be:

1. optimized according to the specifics of the initiated purchase,
2. optimized from the point of view of society's requirements,
3. well organized from the point of view of respecting the basic principles and all procurement legislation,
4. completed with optimal long-term benefits for society.

Innovation procurement empowers public authorities to obtain pioneering, innovative solutions customised to their specific needs. It helps local and central governments to provide tax payers with the best possible quality services, while at the same time saving costs. The European

public sector faces significant public interest challenges, like health and ageing, climate change and energy, and resource scarcity.

Therefore, strengthening investments in the development of a more strategic public procurement policy framework in the field of innovation in Europe could contribute to increasing the competitiveness of the European economy[4].

Human capital is the key strategic tool for ensuring success in the global economy. But Europe is considerably behind in the race to a knowledge economy. Recovering the gap will require a coordinated effort. Member States must mobilize the resources they have agreed to invest with the help of the private sector and reform all aspects of education, including vocational training. The Union must also act through its own revised budgetary instruments, while making better use of the European Investment Bank and the European Investment Fund. Finally, we must consider the possibility of initiating new sources of revenue, for example by imposing a carbon tax.

Innovative public procurement is a license to ensure a sustainable socio-economic development both at the local/national level and at the global level.

The Republic of Moldova is making considerable efforts to reform the public procurement system, by introducing an improved e-procurement system and an online Guide, which provides a set of tools and models to help authorities go through the entire public procurement cycle more efficiently. The representatives of our country must already put the innovation reform of public procurement at the center of their objectives, considering that this is the key to success in order to obtain quality and sustainable results. Procurement innovation is critical to maximizing all sustainable procurement outcomes.

CONCLUSIONS

In modern economies there seems to be a positive relationship between sustainability and innovation, which, although extremely difficult to define and measure, is implicated in the competitiveness of some key factors. Innovation seems to be one of the processes that can help a company to integrate sustainability into core business processes. At the same time, sustainability seems to be one of the processes that favour innovation, thus generating an innovation cycle. Companies face various contradictions when trying to implement innovation and sustainability strategies simultaneously. Managing paradoxes inherent in sustainability by encouraging innovation-oriented firms is beneficial, as it seems to generate creativity and the wellbeing of all society members.

Thus, innovative public procurement addresses aspects of how they bring the greatest added value in terms of quality, cost efficiency, social and environmental impact, and whether they bring opportunities for the supplier market. We therefore lead the way to higher quality, more efficient solutions that appreciate social and environmental benefits, improve cost-effectiveness and bring new business opportunities.

FUTURE DIRECTIONS

In the future, in order to fully understand the positive impact of innovations on the sustainable growth process, the following major issues should be considered:

→Emphasizing the technological dimension of innovation, including digital and ecological technologies. Their rapid progress would lead to a more sustainable society; – Promoting and supporting sustainable development, in interaction with technological innovations;

→Using sustainable emerging alternatives and replacing conventional models or in some cases. Just interconnecting and co-evolving with them;
 →Defining the institutional changes that are necessary to promote sustainable development innovation;
 →The promotion by the Governments and corporations of the innovations and the widening of the geographical area of the innovations. There are different ways to integrate sustainability into innovation processes.
 Regarding the development of innovative public procurement in the Republic of Moldova, we recommend:

- ✓Updating the Law on public procurement, no. 131 of 03.07.2015;
- ✓Organization of pilot tenders for selected categories of innovative products;
- ✓Updating the instructions regarding purchases;
- ✓Organization of training for suppliers regarding compliance with sustainability and certification criteria, as well as designation of best practices for the implementation of directives adopted by the European Union;
- ✓Development of a monitoring and evaluation system regarding the implementation of contracts concluded following the implementation of innovative public procurements;
- ✓Elaboration of a manual on innovative public procurement;
- ✓Modifying the web page of the Public Procurement Agency and completing it with the innovative public procurement component;
- ✓Elaboration of technical specifications for the most widespread ecological products.

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This publication is developed within the project

"Consolidation of sustainable public procurement in the Republic of Moldova"

20.80009.7007.15, financed from the State Budget within the State Program (2020-2023).