

Procurement of innovation in Germany: political goals and empirical findings

Joint CIIE-CSTP workshop on
demand-led innovation policies

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Agreement on public procurement of innovation



- Political background:
High-Tech Strategy identifies public procurement as an important instrument of innovation policy
- Agreement of 6 federal ministries (interior, economics, defence, transport, environment, research) in October 2007:
 - Promote procurement of innovation by the ministries
 - Focus on medium degrees of innovation
 - Provides a list of instruments

Agreement details (1)

- Identification of innovative demand by the ministries; publication of long-run demand forecasts
- Continuous market analysis to identify new solutions
- Offer professional training about the legal options to promote innovation
- Foster the strategic dialogue between procuring agencies, end-users, and industry; exchange of experiences between procurement agencies on all state levels

Agreement details (2)

- Publicity for procured innovative solution
- Take advantage of ‘functional specification’, ‘acceptance of variants’, and ‘competitive dialogue’
- Consideration of life cycle costs as award criterion
- ‘Toolkit’ for innovation-friendly public procurement

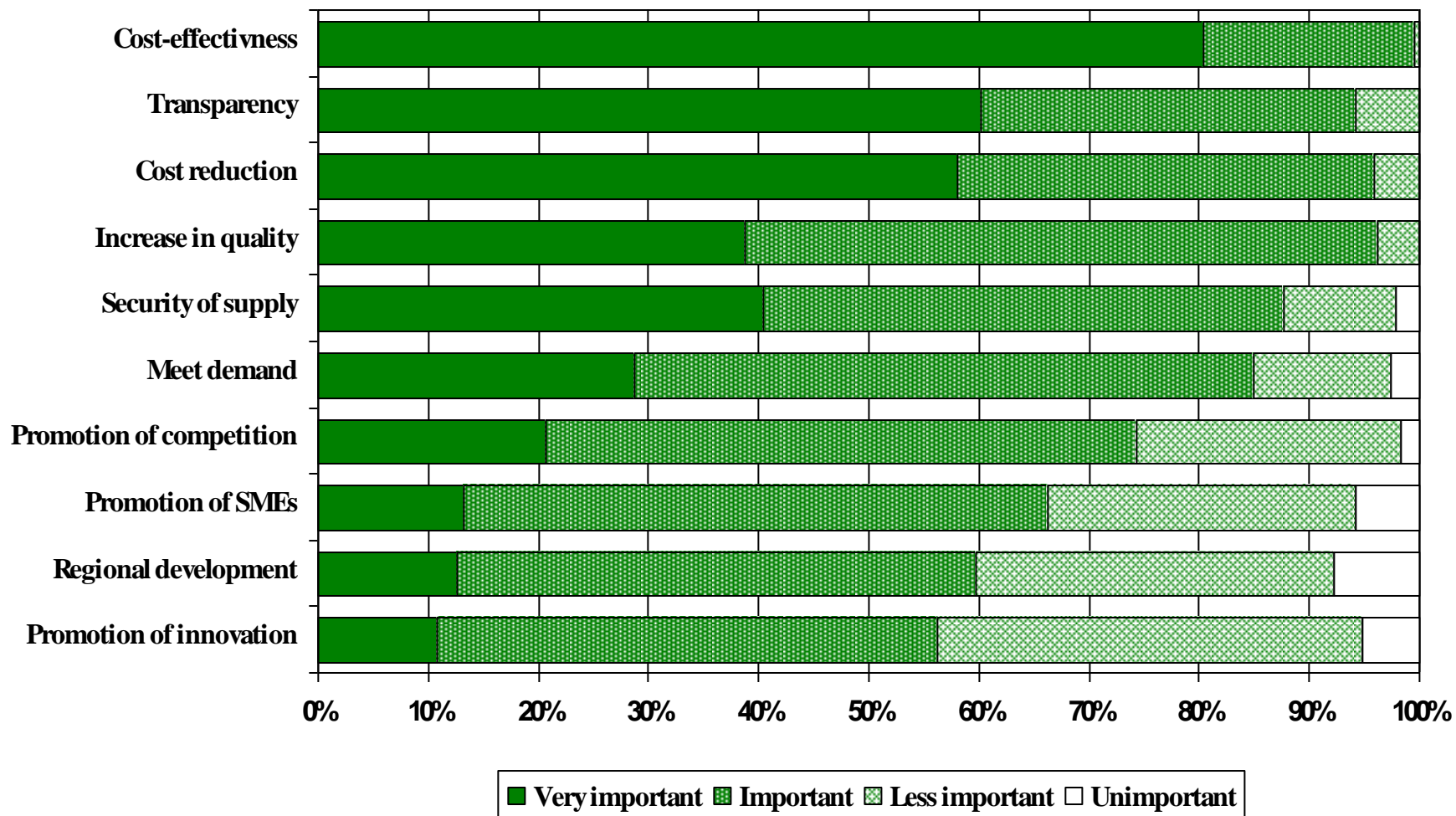
Research project „Einkäufer Staat“

- „Einkäufer Staat“ with a general perspective on innovation procurement
- Co-operation partners:
 - Wegweiser (market research)
 - Orrick (law firm)
- Funded by the Federal Ministry of Education and Research
- Starting point:
need for improvement in knowledge and raising awareness about innovation and public procurement in Germany
- First research objective:
evaluation of the status quo

Data basis

- Own Survey:
 - Population: approximately 30,000 procurement agencies in Germany
 - Sample: 2,306 agencies
 - Responses: 265 agencies; response rate: 11.5 %
 - Questions concerning strategy, organisation, award procedure, and procured products and services
- Supplement to the Official Journal of the European Union (OJ S)
 - 43,555 German tenders between 2006 and 2008
 - All tenders above threshold (without utilities)

Procurement strategy

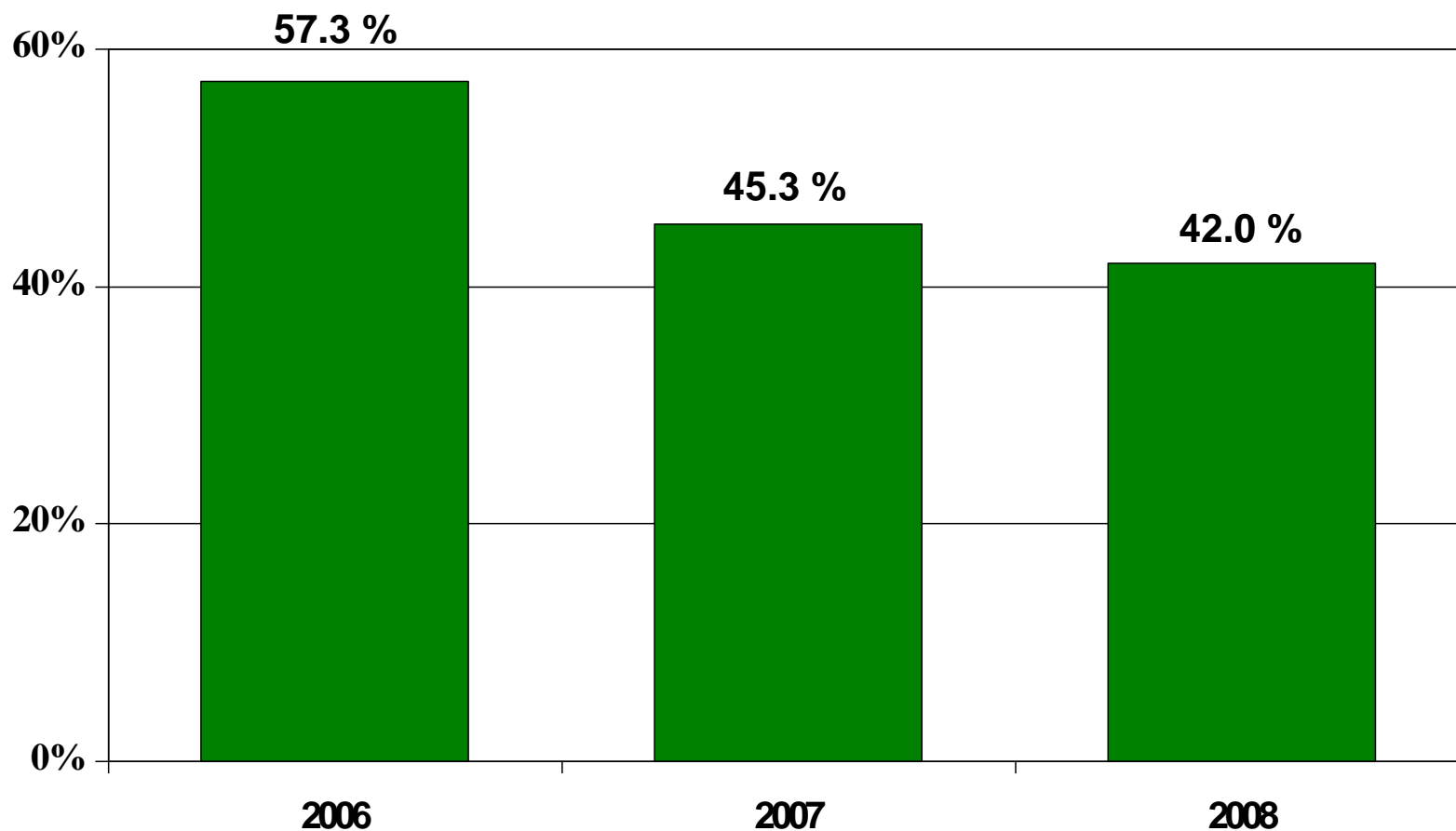


Source: own survey, 226 valid cases

Award procedure

- Competitive dialogue
 - Procedure for the procurement of sophisticated solutions
 - 95 competitive dialogues in Germany between 2006 and 2008
 - 0.2 % of all published tenders
- Acceptance of variants
 - Openness to innovative solutions
 - Important for open procedures with detailed technical specifications

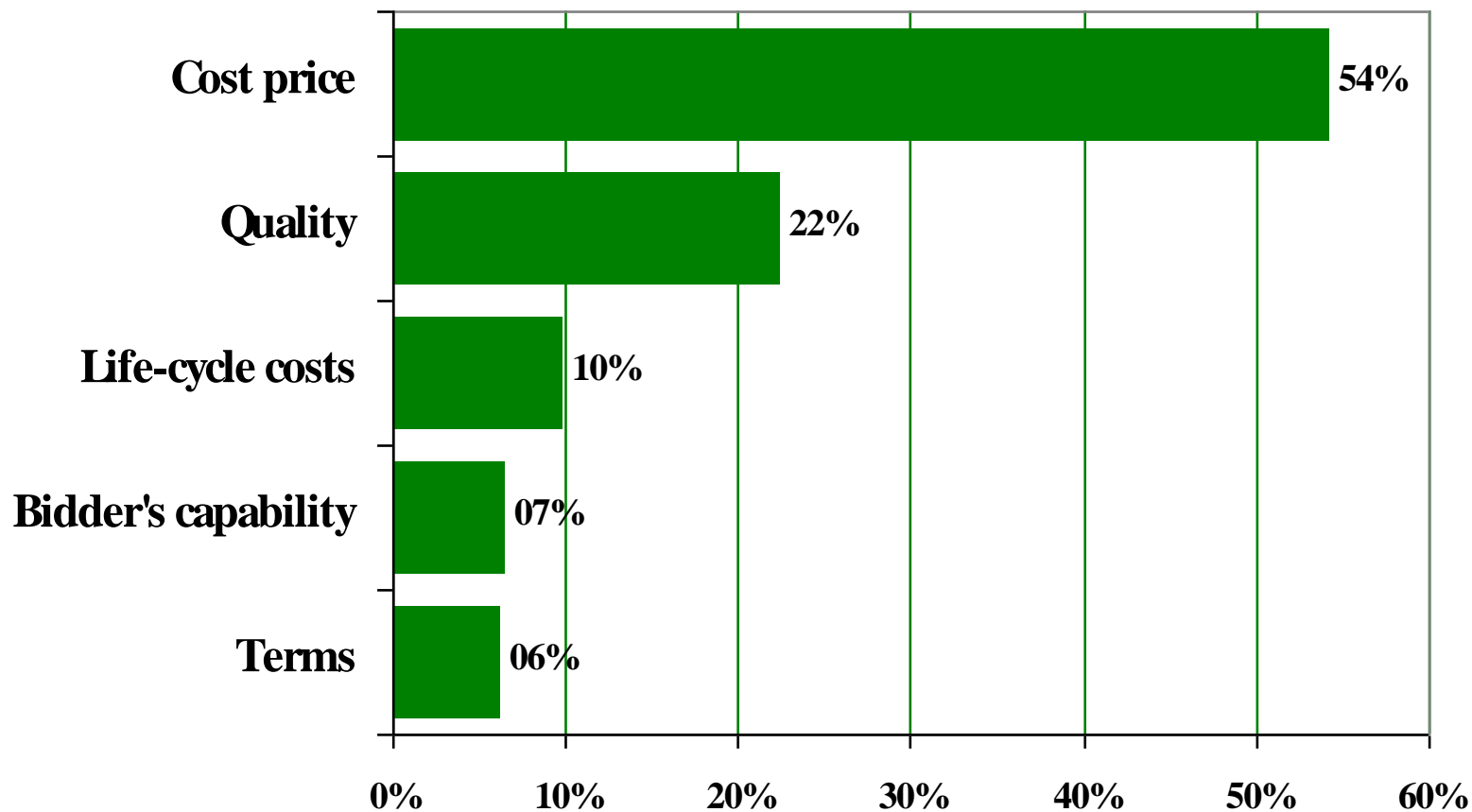
Acceptance of variants



Award criteria

- Award criteria as an important instrument to promote innovation;
respondents identified the award criteria as one of the three most important instruments besides specifications and market analyses
- Life-cycle costs as award criterion:
 - May lead to more innovative solutions
 - Lead to economic efficient solutions
- Life-cycle costs should be the rule, cost prices the exception

Average award criteria

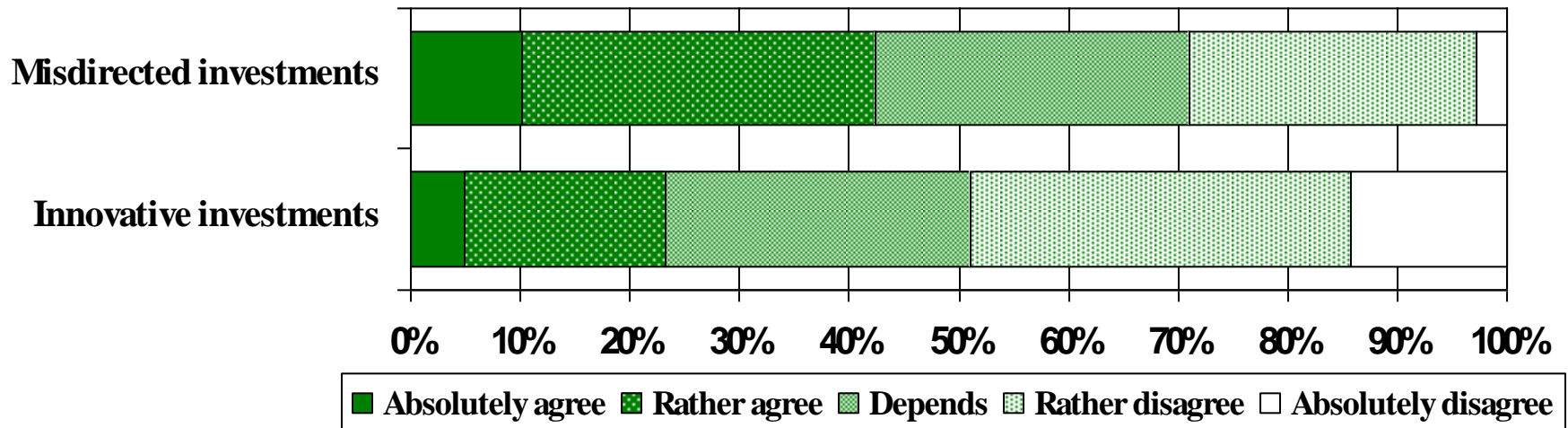


Source: own survey, 226 valid cases

Federal Government's Package of Measures



- Acceleration of tender processes
- Increase of thresholds: free choice of award procedure below 100,000 (supply contract) and 1 million (works) euros
- “What impact do you expect?”



Source: own survey, 245 valid cases

Summary: empirical findings

- Promotion of innovations through public procurement still is the least important strategic goals
- Variants are often accepted, but a declining use of this instrument is observed
- 95 competitive dialogues between 2006 and 2008
- Cost prices are the most important award criterion, live-cycle costs are rarely used
- A boost for innovative solutions from the economic stimulus package seems unlikely

Current developments

- Working group on the federal level
- Plenty of best practices on all state levels
- Intensification of experience exchange between procurement agencies
- Increasing number of guidelines for innovation procurement, especially in the field of green procurement
- Discussion about the impact of the new antitrust law: innovative aspects are mentioned as possible selection criteria
- Taken together, these trends may lead to a more innovative procurement in the medium term