

Innovative public procurement – case Finland

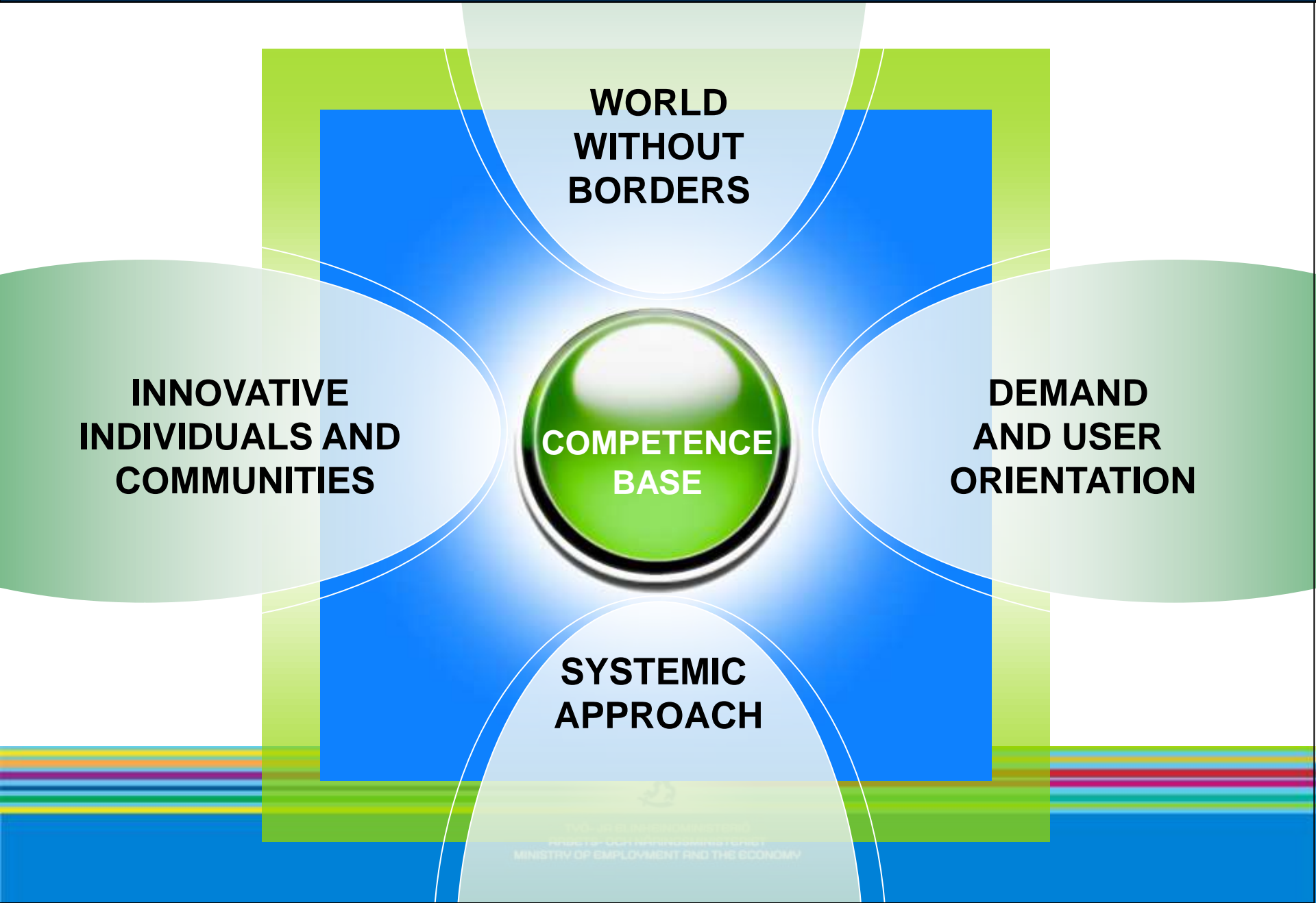
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Finland's Innovation strategy - Focal points

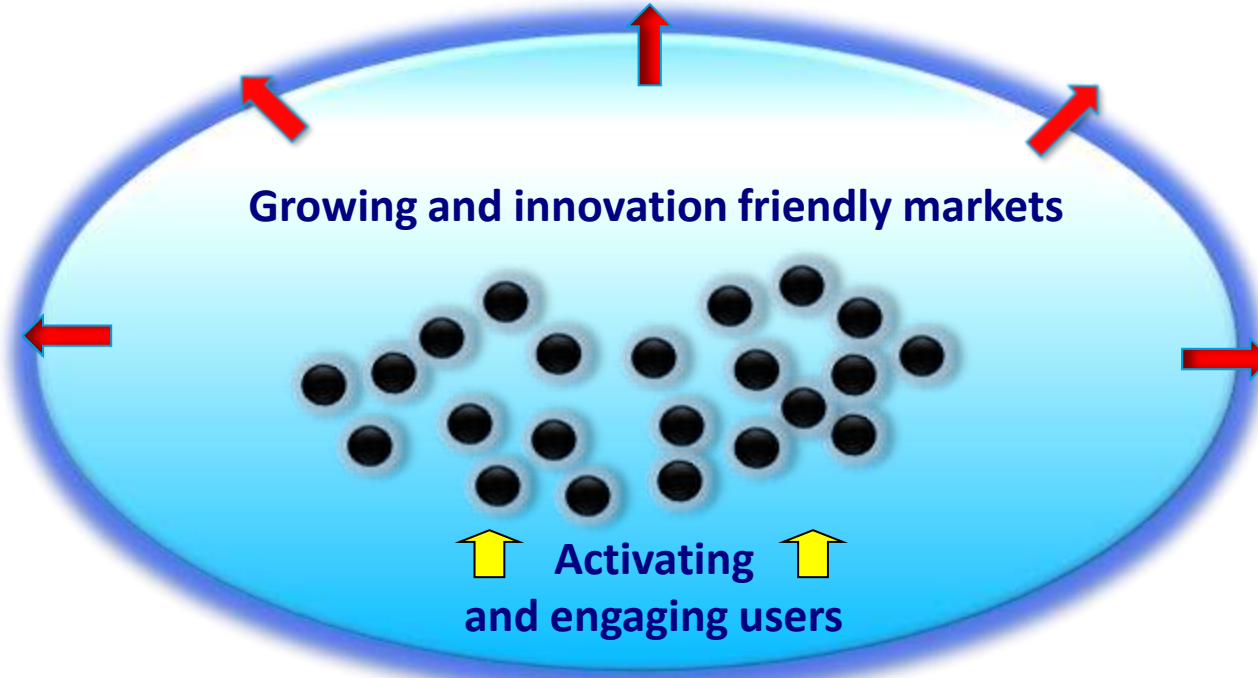


Implementation of the Innovation strategy

- Innovation strategy laid down only the framework for future innovation policies
- Implementation of the strategy is on-going
- Demand and user driven innovation policies are particularly interesting implementation areas
 - But require more than just formulation of new policy actions
 - During spring 2009 policy contents for demand and user driven innovation were worked on
 - An action programme will be finalised during fall 2009
 - Several new actions are already on-going but new ones are needed as well



Demand-driven innovation policy



User-driven innovation policy



Policy framework

The central elements of demand-driven innovation policy

Knowledge and capability development

• Foresights

- Identification of key socio-economic trends and potential leading edge activities
- Communicating the results to wide audiences

• Research

- Focus on major societal challenges and developments
- Analysis of demand-side innovations and their potential benefits

• Education and training

- Innovative procurement practises
- Consumer awareness and readiness to take-up innovations
- Standards as a means to create stimulus for the market approval and take up of innovations

Incentives for demand-driven innovation

• Financing and tax incentives

- Taxation as a means to create demand for innovations
- Financing for R&D and innovation projects

• Pioneering public sector

- Setting example, by increasing public sector led pioneering activities
- Increased resources for demonstration and reference projects
- New development environments and platforms for piloting innovative products, services and processes
- Better incentives for innovative public procurement
- Opening up of data bases and public sector held content for commercial use
- Increasing digital services and novel service delivery method

Infrastructure improvements

• Systemic demand-side innovation policy

- Improved coordination and consistency in innovation policy design and implementation
- Policy actions to promote and enable lead-market development
- Better achievement of jointly agreed targets through improved coordination and governance of public sector of activities

• Public private partnerships

- Exploring new and more effective ways to build partnerships
- Creating opportunities for new types of partnerships and effective delivery of public sector services

Regulatory reform

• Regulatory development

- Future oriented, coordinated, innovation friendly regulation
- Performance based regulation and demanding performance based targets as a way to motivate market actors

• Recommendations and labelling

- Increased transparency as a way to enable well-informed consumer choices
- Usage norms as a way to influence demand

• Competition

- Stimulation of well-functioning, effective markets
- Demand and competition as drivers of innovation

• Standards

- Standards that create markets and support innovation
- Development of the standardisation system and procedures

Policy framework

The central elements of user-driven innovation policy

Knowledge and capability development

• Research

- More emphasis on user-driven innovation
- Development of indicators for user-driven innovation

• Education

- Users' role as an active and responsible participants
- Multi-disciplinary education and multi-skilled citizens
- Emphasis on arts and design related knowledge and skills
- Strategic design as a business development tool (e.g. service design)
- Intellectual property and intellectual asset management in open innovation context

• Methods and tools

- Better availability and use of advanced methods including foresight, business ethnography, internet and user needs analysis

Incentives for user-driven innovation

• Financial incentives

- New instruments for supporting user-driven innovation
- New financing criteria for existing instruments enabling better support for user-driven innovation
- Other new types of incentives for open innovation and for public sector context

• Building user awareness and channels of influence

- Raising awareness of user-driven innovation among citizens, businesses and public sector
- Stimulus for user influence through empowerment and improved channels of influence

Infrastructure improvements

• ICT infrastructure

- Improvements targeting better quality, trust and more open architectures
- Open and interoperable ICT-infrastructure supporting user-driven innovation especially within the public sector

• Development platforms and environments for public private partnership

- Support for networks that enable user-driven innovation activities reaching across different sectors and branches of administration

• Renewal of public sector services

- Promoting user-driven development as a mainstream activity within the public sector
- Adoption of service design principles in the public sector

Regulatory reform

• Better utilisation of public sector held data and user information

- Evaluation of data protection and privacy regulations
- Making public sector held data more readily usable for user-driven innovation activities

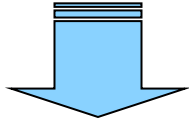
• Collaboration with users

- Regulatory reform to empower citizens influence and ability to make choices
- Stimulus for partnerships in public service production

• Intellectual property

- Renewal of the institutional framework to make it more suitable and supportive for open and user-driven innovation
- More consistent regulation of the intangible value and liabilities resulting from user-driven innovation activities

Procurer

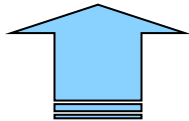


Risk due to failure, public
accountability



Innovative product or service

*Takes funding instrument for innovative
public procurement to cut down the risk*



Risk due to uncertain nature
of new product/service

Supplier



TEKES FUNDING INSTRUMENT FOR INNOVATIVE PUBLIC PROCUREMENT

DESIGN OF PROCUREMENT

1st STAGE:

Planning of procurement e.g.

- Analysis of the long term needs for services
- Dialogue with potential service providers on service specifications
- Comparison of options

Funding

- Typically 75 % of project's total expenses

IMPLEMENTATION

2nd STAGE:

Implementation of procurement e.g.

- Putting the new solutions into use
- Creation of new operational models

Funding

- Typically 75% of (procurer's and supplier's) R&D&I expenses

- Option funding max. 50% of other expenses due to the innovative nature of the procurement (max. 1 milj. €)

Tekes shares the possible risk caused by the innovative nature of the procurement.

PILOT PROJECT: City of Vantaa, sheltered housing for seriously disabled

●Project goals

- Development of a customer oriented service concept
- Creation of functional markets in the area of sheltered housing for seriously disabled

●Challenges

- Until this project no experience in organizing competition among possible bidders in this area has been done in Finland
- Market absence and underdevelopment
- To find adequate measurement of service level and service quality in the case of statutory subjective rights and when service level needs vary by customer



PILOT PROJECT: City of Tampere, Helsinki and Espoo, use of design competition in service procurement, case deduction program for homelessness

- Project goals

- Implement a design competition form (compatible with the procurement law) into service generating design process
- A design process is created, which allows the most innovative solution to arise in the competition phase
- Service provider's know-how and most suitable space and functional solution are combined in the competition process

- Challenge

- Design competition has not been used before in Finland in this type of service generation



Experiences so far

- Strategic, innovation-oriented procurement very rare among risk averse public organisations
- Despite this, interest has been raised, yet only a few concrete projects put forward so far
- It is tricky to specify what are the R&D&I expenses out of total expenses in the projects
- Open, transparent, equal dialogue for service providers can be burdensome
- Diffusion of good practise and lessons learned crucial for wider take-up of innovative practises

