

Procurement and Innovation

**Public Procurement Stimulating Research & Innovation
Towards Better Practice – DG Enterprise – 14 December 2005**

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What am I going to talk about?

- Why it is important
- What UK Government has done
- How UK policy is developing
- Pre-requisites for Innovation

Why is it important?

- Economic impact – £125 billion / year spent on goods and services – Competition from Far East
- Potential to:
 - Drive innovation
 - Make new markets
 - Encourage good practice
- Feedback from business:
 - Poor specification....delivery failures
 - Poor planning & communication
 - Bureaucracy/amateurism
 - Risk aversion/specification of inputs....

UK Government Action

- DTI SoS held roundtable with stakeholders (businesses, unions, government, academics etc) in September 2003 on how to open up public procurement
- Key issues emerged:
 - Better forward planning
 - Greater transparency
 - Increasing professionalism of procurers
 - Encouraging innovation

Innovation Report 2003

- Government must “think innovation” to boost innovation and secure future prosperity
- Public procurement has a vital role in stimulating supplier innovation
- Challenge is to become a more intelligent customer
 - More strategic approach to procurement
 - Embedding best practice



Policy Development and Implementation

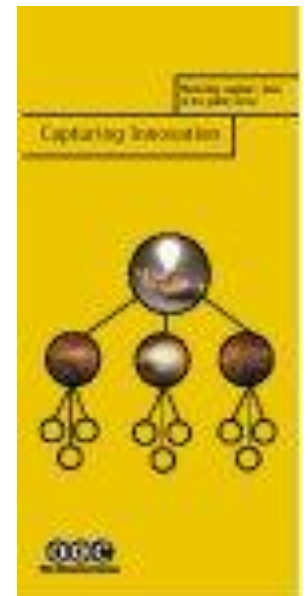
- Laying foundation for better procurement practice
 - Kelly Programme
- Encouraging greater innovation
 - Innovation Report and DTI Five Year Programme
- Removing barriers to small firms - SME pilots, single web portal

Kelly Programme

- *Increasing Competition and Improving Long-Term Capacity Planning in the Government Marketplace Report - 2003*
- Aims of the Programme – to achieve a more systematic & strategic approach to key government markets by:
 - Providing industry with clearer information on public sector demand
 - Gaining a better understanding of markets
 - Sharing market intelligence
 - Strategic shaping of the market
- Three pilot markets – construction (mature), waste (changing) and health treatment centres (new)
- Toolkit for wider implementation based on pilot market findings

‘Capturing Innovation’ Guidance

- Shows how to be a more intelligent customer
- Innovation is possible throughout but greatest potential arises at earliest stages:
 - when policy is being formulated
 - when programmes and projects are being shaped
 - in the formulation of the procurement strategy



DTI Five Year Programme 2004



Key measures to embed innovation in public procurement

- Appoint a senior business person to work with OGC to look at a number of specifically identified projects to promote the use of innovation. Real opportunity to:
 - draw in new technologies and processes
 - facilitate discussions with suppliers
 - look at commercial risk and reward sharing models
 - embed innovation into wider public procurement practices
- Develop a mechanism to allow unsolicited innovative ideas to be submitted to the public sector

How Policy Is Developing

- New approaches to **risk management within the public sector**
- Early supplier involvement
- **Funding** for exploratory work
- Supporting R&D carried out by small businesses
- **Business structures and models** within the public sector that incentivise different parties to adopt new approaches
- Sharing of **best practice** between disparate points of procurement

Pre-requisites for Innovation

- Professional Procurement Organisations – **Government Procurement Must be Re-structured**
- Appropriate Procedures
- Information
- Targeting
- Imaginative Specifiers
- Suitable Supply Markets

Examples of Innovation

- Office Furniture
- Replacing Street Lights
- Re-cycling Waste
- New Procurement Organisations/Consortia

What can be learnt from UK?

- Different tools need to be put in place to achieve change
- Problems are not always within the procurement process – cultural and behaviour can “lock out” innovation before you get to procurement
- Need to take decisive action to overcome the different barriers



THANKYOU

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