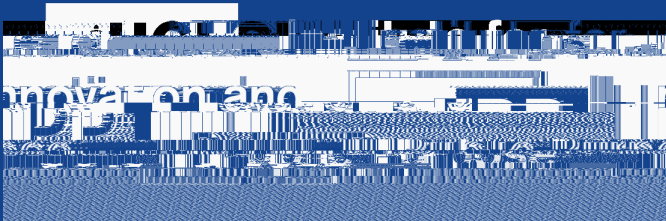


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# About the Institute for Innovation and Public Purpose

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# Mission -oriented public procurement: lessons from international examples

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## 1.1 Design, project and implementation of a mission oriented approach to public procurement -

The effectiveness of the mission-oriented approach is tied to specific tools that are important for implementing and achieving the best result possible within the mission oriented framework. Among these, public procurement is an essential tool for

Figure 1: From challenges to projects through missions

The mission-oriented approach, which the European Commission

procurement in different ways within a mission-oriented approach. They can create new markets for cutting-edge products and systems thanks to the boosting effect of public demand, which enables them to bear the risk of companies that invest to obtain technological innovations. Similarly, procurement can encourage innovation by creating a lead market for new technologies and solutions or by providing a testing ground for innovative products.

This report illustrates the main configurations of public procurement and presents some examples from international cases. It particularly focuses on green public procurement, also in the Italian context, given its relevance within the Italian Green Deal and the EU, as well as the allocation criteria of resources from the Next Generation EU program.

## 2.1 Different types of public procurement

Public procurement is a crucial component of public spending and is therefore a fundamental tool for directing demand and supply. Estimated expenditures amount to over 15 per cent of world GDP, while in Europe this figure reaches 19.4 per cent.

## 2.2. Product procurement and functional procurement

Conceptually, when discussing public procurement, it is important to distinguish between product procurement and functional procurement.

In the former, the public servant describes the product it intends to purchase, which must be something that already exists in its complete form.

The latter relates to those contracts in which the administration describes the function, the objective or, even better, its mission rather than the product itself. Hence, this is a tender for a product with a certain function. In this case, innovation capacity of the process, or at least this option is left open. If functional elements are indicated in the tender, the documents generally contain both the description of the product and that



Classifications according to horizontal elements imparting directionality to public procurement

- !! **Green public procurement** Relates to the procurement of goods and services (of any sectoral area), which conjugates environmental aspects, such as the demand for more environmentally friendly products, a greater attention to the sustainability of the production chain of the good or service covered of the contract, or criteria that relate to the life cycle of the good or service. The Swedish government introduced a food policy stipulating that, by 2030, 60 per cent of food consumed by the public sector must be organic.
- !! **Innovation public procurement** Relates to the use of public purchasing centres to stimulate the adoption of innovative solutions that are not yet commercially available.

Several countries have combined these types of procurement, to different extents. In the United States, for instance, military

Among these, a special role is played by the capabilities of the different administrations in charge of setting the tender and managing the entire process; that is, the public buyers. There is a need for specific technical skills to write a tender and be able to choose the best offer, especially when the selection includes elements other than cost. The link between the quality of the announcement and the contract as a whole is even more fundamental when other criteria are inserted such as environmental matters.

The lack of technical capabilities (in the chemical, physical or engineering fields) in constructing a tender and evaluating the proposed technologies undermines the ability of the purchasing entity to obtain a policy result through procurement. Capabilities must be found in the public administration, but they can also be the result of a learning process of public procurement, as they occur within companies through the accumulation of dynamic capabilities by means of learning-by-doing processes.

The state must invest in its own resources, developing internal capabilities in strategic areas, including the ability to design contracts aimed at achieving public policy objectives. Without these key competences, which the private sector normally develops, the public sector will not be able to achieve its objectives. Investing in the capabilities within the public administration, especially in the procurement area, becomes a prerequisite for rethinking the relationship that public procurement agencies establish with private suppliers in a more dynamic and symbiotic way.

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### 3.1 Rethinking procurement to implement missions: international examples

With a view to adopting a mission-oriented approach to economic policy, governments must rethink their tools, starting with procurement. The quality of procurement, that is, how it is structured and oriented, is crucial, as is the quantity. The following sections focus on this aspect, exposing some international cases where public procurement has been oriented towards achieving economic and social objectives, within the framework of a mission.

### 3.1. The US and the UK

USA (SBIR). The Small Business Innovation Research

- o! Phase III, during which federal funds can be received on a non-competitive basis and cover the commercialisation of the project

SBIR prizes cover 100 per cent of the project's costs and include a profit margin. This is a crucial difference with respect to the EU schemes, where the joint contribution of SMEs is always required. At the same time, the partnership with other organisations is not compulsory.

- !! At the end of the process, the company owns the intellectual property rights of the project.

#### Box 2

##### The NASA example

An interesting case of procurement is that of NASA in the United States. In



monitoring the supply chain, etc.); economic criteria (the creation of jobs, the creation of apprenticeship opportunities, opport

emissions from domestic transport, excluding air transport, will be reduced by 70 per cent compared to 2010.

The Climate Policy Council This specific institution has the role of supporting the government by contributing through independent analyses (assessments) if the plans presented by the government





Mission-Oriented public procurement!

### 3.4. Italy

Recent experiences, such as the reconstruction of the Genoa Bridge and especially that of the health emergency, have shown how targeted projects can be implemented

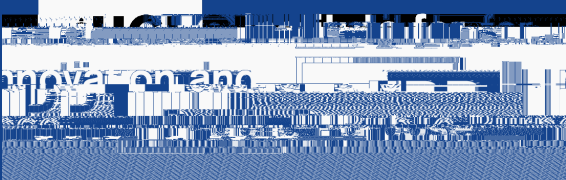
by the Ministry of the Environment, as required by the Procurement Code (Article 34 of Law 50/2016)<sup>13</sup>.

- 2.! Article 95 of the procurement code provides for the evaluation on the basis of the quality-price ratio, except in some cases (provided for in paragraph 4 of article 95), in which special reference is made to the criterion of the lowest price. In evaluating the value for money, as required by paragraph 6 of the same article, reference is made to "objective criteria, such as qualitative, environmental or social aspects, connected to the subject of the contract". However, the system is made more complex both by the fact that the quality price ratio lends itself to different interpretations, and by the obligation of having to specify the different criteria in each project. Furthermore, the inclusion of these objective criteria leads to an increase in costs and the consequent fear of signing. This aspect, combined with the scarcity of flexible and negotiated procedures and the need to rationalise public spending, has halted the change that was required.
- 3.! There are two other rules, article 93 and article 100 of the Procurement Code, which encourage – albeit timidly – the adoption of environmental criteria. Article 93 states that the surety that the contracting authorities require is reduced if the operators are in possession of environmental certification. Article 100, on the other hand, concerns the execution of the contract and provides

## 4.1 Conclusions: lessons for mission-oriented public procurement

The lessons drawn from this paper are summarised below:

- !! **Discretionality** Within EU procurement rules, there is a certain degree of discretionality in shaping public procurement for wider goals, as long as the tenders respect certain competitive criteria
- !! **Directionality**



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