Denmark*

**Strategic framework, action plan and scope for procurement for innovation policy**

The framework for procurement for innovation is part of a national procurement strategy. In October 2013 the Danish government launched a “Strategy for Intelligent Public Procurement”. The strategy included a number of actions that were intended to strengthen focus on:

- ensuring that public procurement supports public sector effectiveness (e.g. through low prices, total costs of ownership and transaction costs)
- using public procurement to develop innovative and high quality solutions (e.g. through support of immature markets, more clear and flexible public procurement processes and increased use of public-private innovation partnerships)
- supporting sustainability and green growth through public procurement (e.g. through increased use of environmental targets and social clauses).

Procurement for innovation policy in Denmark has a broad scope and covers a variety of innovation-friendly procurement tools (e.g. pre-commercial procurement, functional requirements and public-private innovation partnerships). A formalised innovation partnership is called OPI (*offentlig-privat innovationspartnerskab*) and is synonymous to PPI.

**Implementation**

The government has decided to implement the revised EU directives on public procurement in a Danish law. The purpose is to enhance clarity and flexibility in the public procurement process, including the use of new public procurement tools.

In 2013 the government established a council (Rådet for Offentlig-Privat Samarbejdewith) with the overall target to promote effective and innovative public procurement (mandate expired in 2015). In 2013, the council published an analysis (*Innovationsfremmende indkøb*) that provided an overview of PPI in Denmark and gave examples of PPI in the United States, Great Britain, the Netherlands and Finland. Related to the analysis, the council also published a PPI guidance targeted to public procurement units.

The “Strategy for Intelligent Public Procurement” includes 29 concrete actions related to public procurement and a number of them are related to procurement for innovation:

- offer financial support to pre-commercial procurement initiatives (through *Markedsmodningsfonden* and concrete projects related to the government’s 2012 innovation strategy)

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• provide guidance on how to use functional requirements in public procurement (published 2014)

• collect and disperse examples of innovation-friendly public procurement.

Denmark’s “Strategy for Intelligent Public Procurement” builds on seven guiding principles for public procurement, and the country considers this strategy one of their best practices. The following principles are included:

1. Make sure that public procurement units have sufficient competences and strategic focus to gain from centralisation, synergies and economies of scale.

2. Use dialogue to gain knowledge of the market and user needs and be sure to support market competition in both the short and long run.

3. Choose the tendering form that is best suited to the specific situation and that reduce total costs of ownership.

4. Always consider using functional requirements to support innovation and development of more efficient solutions.

5. Always consider using total costs of ownership to use more efficient resources.

6. Support green growth by using energy and environmental requirements.

7. Prioritise implementing and monitoring contracts to make sure that potential gains of intelligent public procurement are realised.

The Danish government published its first national innovation strategy in 2012. The strategy contains 27 policy initiatives on how to increase the effects of public research and development and innovation (R&D&I) investments on growth and job creation. A number of the policy initiatives concern public procurement of innovation (as defined above):

• Initiative No. 2: Restructure the Business Innovation Fund into a Market Development Fund. By using more tenders with functional requirements or pre-commercial procurement the Market Maturation Fund could, as an example, support the public sector to encourage the development of innovative business solutions via its procurement processes.

• Initiative No. 4: Establishing “INNO+”, a solid, professional basis for the prioritisation of innovation policy.

• Initiative No. 5: Establish a model for societal innovation partnerships.

• Initiative No. 6: Initiate pilot innovation partnerships in 2013.

Initiatives 4, 5, and 6 concern the preparation and implementation of a new model for OPI based on societal challenges.

**Challenges, risks and solutions to overcome obstacles**

The 2013 publication from the council (Rådet for Offentlig-Privat Samarbejde) identified five barriers to innovative public procurement:

1. public procurement legislation

2. opposing interests in the public and private sector and internally in the public sector
3. lack of knowledge sharing  
4. unclear responsibility for co-ordinating initiatives at the national level  
5. risk aversion.

Solutions to overcome the obstacles: A new law on public procurement will enter into force on 1 January 2016 and introduces the new procedure “innovation partnership”. The Danish law on public procurement is based on Directive 2014/24/EU on public procurement. The innovation partnership aims at the development of an innovative product, service or works and the subsequent purchase of the resulting supplies, services or works. The expectation is that the innovation partnership procedure increases the acquisition of new innovative goods, services and works. The new procedure is also expected to create a further incentive in the private sector to develop new innovative goods, which can be used by public authorities to improve the general welfare for its citizens.

**Measurement and impact assessment**

If not already complete, the initiatives launched in the Strategy for Intelligent Public Procurement are continued and monitored by the accountable ministries and agencies. No central evaluation or assessment is planned in a short term perspective.