

ETIN



UN-ECE TRANSFORMATIVE INNOVATION NETWORK

ETIN Innovation-Enhancing Procurement (IEP) Workstream: Outcomes and Way Forward

ETIN Policy Paper

Abstract

This paper was developed by the UNECE Transformative Innovation Network (ETIN) Task Force on innovation-enhancing procurement (IEP) and covers the activities under the workstream in 2024. The task force was led by Lina Svensberg (Compare Foundation/DigitalWell Arena) and Jakob Lindvall (ALDAB Innovation/DigitalWell Arena) who are the lead authors of this paper. Co-contributors and IEP Task Force members include Bianca Cavicchi (European Commission), Kjell-Håkan Närfelt (Vinnova), Bunyod Rakhmatullaev (National Office for Innovation Implementation and Technology Transfer of Uzbekistan), Anita Skog (Arctic Pioneers), Annie Vashakmadze (GITA), Jon Mikel Zabala-Iturriagoitia (Deusto University).

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EXECUTIVE SUMMARY

Launched in March 2024 by the UNECE Transformative Innovation Network (ETIN), the Innovation-Enhancing Procurement (IEP) workstream explores how public procurement can support societal transformation and create public value. Representing around 14% (€2 trillion annually) of the EU's GDP, public procurement offers a key opportunity to align with mission-oriented policies supporting the Sustainable Development Goals (SDGs) and Agenda 2030.

During its first year, the ETIN IEP Task Force engaged experts and practitioners in seminars exploring how procurement can be redefined to meet these goals. Insights highlighted the need for flexible, adaptive procurement, a shift from compliance to value-driven mindsets, and the critical role of strategic leadership in driving transformative innovation policy (TIP). Key challenges include fostering cultural change, clarifying leadership roles, and enabling experimentation within procurement frameworks.

Initially a task force, the IEP workstream has evolved into a broader ETIN community of practice, reflecting growing participation and shared learning across individuals, countries, and institutions. Many have also benefitted from resources made available through ETIN's online platforms. At the ETIN Transformative Innovation Action Forum in Brussels (October 2024), IEP was used to explore how procurement can shape markets and drive innovation. Discussions emphasized adaptive learning, alignment with broader policy tools, and the enabling role of intermediary actors. These insights now inform ongoing capacity-building and policy work.

Henceforth, we refer to this effort as the ETIN Community on IEP, reflecting its status as a continuous collaboration.

Looking forward, the ETIN community on IEP will focus on: identifying relevant cases to support peer learning; enhancing learning opportunities to support adaptive practice across contexts; refining policy guidance to balance IEP with other instruments; and improving the capacitation framework for long-term IEP integration in the public sector.

These actions aim to institutionalize IEP as a sustainable element of TIP—moving procurement from a transactional role toward a dynamic tool for mission-driven transformation. Through collaboration, adaptive learning, and leadership, IEP can make a significant contribution to societal change aligned with the SDGs.

This policy paper summarizes the 2024 activities of the ETIN workstream on IEP. It serves to capture key seminar insights, reflect on emerging practices and challenges, and present a forward-looking agenda for coming years.

The paper is targeted at policymakers, officials in innovation-enabling roles (e.g., procurement, finance, audit, risk, legal), innovation practitioners, and researchers at the intersection of procurement and TIP. It is both a snapshot of current thinking and a working document to support continued discussion, experimentation, and capacity-building in the growing ETIN Community on IEP.

Key findings on IEP: learnings, challenges, and future directions

	Main lessons	Remaining challenges	Future discussion areas
 Balancing flexibility with procurement principles	Embracing adaptive, non-predictive approaches to handle uncertainty and respond to insights from user and stakeholder interactions with the evolving innovation. Using experimental methods to meet unmet needs and support mutual learning for both procurers and suppliers.	Establishing guidelines that balance flexibility with regulatory requirements while upholding the core public procurement principles: • Non-discrimination • Equal treatment • Proportionality • Transparency • Mutual recognition.	How can IEP transition from a rules-based to a value-driven approach while still aligning with the core public procurement principles? Can 'IEP sandboxes' or similar experimental methods be effectively used to test alternative internal processes that align with the ultimate contribution of IEP to public value creation?
 Shifting mindsets	Transitioning from short-term, price-heavy and compliance-focused to mission-supporting procurement. Prioritizing positive societal impact and balancing short-medium- and long-term goals spanning generations.	Resistance to change and focus on (false) certainty in procurement culture. Recognizing that internal processes and regulations often pose greater obstacles than procurement legislation itself.	What specific capacitation efforts are most effective in fostering mindset shifts within procurement teams? How can different learning levels—ontology, methodology, and application—be integrated, connecting single, double, and triple-loop learning to IEP's evolving practice?
 Supportive eco-systems	Importance of intermediary organizations for supporting especially the scalability aspects of IEP.	The absence of unified support frameworks limits public sector organizations (PSOs) ability to scale impactful procurement practices and solutions.	What structures or intermediary roles can best support PSOs in transformative procurement — and how might these need to adapt to different administrative traditions (e.g. Scandinavian, Germanic, Anglo-Saxon, Napoleonic)?
 Role of leadership	Leaders play a critical role in aligning stakeholders. Leadership is essential for fostering TIP and IEP momentum.	Clarifying roles for leaders in the IEP process. Limited strategic alignment across public sector entities.	How can public sector leaders better champion IEP? What are the key leadership capabilities and behaviours needed to support IEP growth and mainstreaming?
 Measuring capacity	Focus on building PSO capabilities for TIP. Developing metrics to assess and track IEP progress.	Limited guidelines for an effective practice-oriented capacity building. Challenges in capturing the societal impact of IEP.	How can we measure capacity-building progress effectively? What metrics best reflect IEP's transformative potential?

VOICES FROM THE IEP WORKSTREAM



Lina Svensberg

Innovation Manager, Compare Foundation/DigitalWell
Arena, Lead Expert Innovation-Enhancing Procurement

"Traditional procurement is based on predictability - it assumes you already know what you are looking for. But in innovation, you don't. You go looking for India and may find America."



Jakob Lindvall

CEO at ALDAB, Senior Advisor,
Lead Expert Innovation Enhancing Procurement

"We cannot blueprint a methodology that's hardcoded and strictly adhered to. What matters most is having the right mindset, everything else will follow."



Sam Markey

Taskforce chair Innovation Procurement,
G20 Smart Cities Alliance / WEF

"Even a 5% shift of cities' procurement spend toward innovation could have 12.5 times the impact of NASA's entire R&D budget. That's the scale of opportunity."



Rikesh Shah

Head of Innovation Procurement Empowerment Centre
(and Chair of IPEC Advisory Committee), Connected
Places Catapult

"Innovation isn't invention. It's about applying new ways to achieve better outcomes. We need to shift from 'not invented here' to being open and structured in how we manage innovation."



Jon Mikel Zabala Iturriagagoitia

Researcher on innovation policy and innovation management. Lecturer, Deusto Business School, University of Deusto

"We often assume scale comes from internal invention, but it's really about creating the right conditions for the dissemination of existing technologies/goods/services/platforms/innovation and for their effective absorption and inclusion in productive processes."



Rebecca Rees

Partner, head of Public Procurement, Trowers & Hamlin

"Procurement reform is an opportunity to reset culture and practice—not just change the rules. We don't need to do things the way we always have."



Warren Smith

Director of Insight, Innovation and Impact, Posterity Global, Co-Lead of the Working Group on Intergenerational Procurement for People-Centered Cities, International Telecommunication Union (ITU) United for Smart Sustainable Cities (U4SSC) global initiative

"Too often we see pre-market engagement treated like theatre—performed for the sake of optics rather than as a genuine opportunity to understand and shape solutions with the market."



Ivan Perlesi

CEO, Virotea

"Time and attention from both staff and decision-makers early on makes a real difference. When suppliers get to engage directly with users, we don't have to guess — we can shape solutions that actually fit the real needs."



Annie Vashakmadze

Head of Department for International Relations,
Georgia's Innovation and Technology Agency

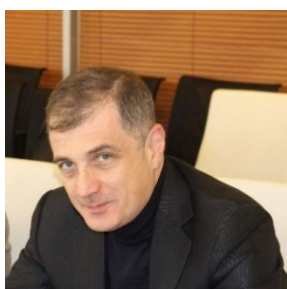
"We were working in a startup mode ourselves—post-Soviet country, two occupied regions, no entrepreneurial mindset, and research institutions still operating with post-Soviet drive. And we really, really wanted to push them to innovate more."



Mange Hareide

Senior advisor, Norwegian Agency for Public and
Financial Management

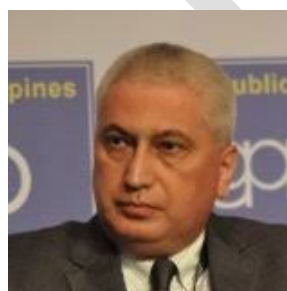
"It's been a journey of baby steps. We didn't start with the moon-landing projects—we focused on changing the culture."



Dimitri Gulisashvili

Head of Foreign Relations Department, State
Procurement Agency of Georgia

"Training Center of the State Procurement Agency of Georgia is conducting special training courses for public procurement specialist, engaged in the public sector. More than 300 procuring specialist are trained annually."



Kakha Demetrashvili

Deputy Chairperson, State Procurement Agency of
Georgia

"In Georgia, we have a fully digital public procurement system that covers every transaction — annually, we run up to 200,000 operations electronically. Every penny is in the system."



Leonard Kelleher

Research Associate, University Commercialisation and Innovation Policy Evidence Unit (UCI), University of Cambridge, Lead expert on Principles of transformative innovation

"One of the biggest challenges is not just bringing in new ways of working—but learning to unlearn the obsolete ones."



Kjell Håkan Närfelt

Chief Strategy Advisor, VINNOVA, and Chairperson of UNECE's Team of Specialists on Innovation and Competitiveness Policies (ToS-ICP)

"Use procurement to drive the innovation process—not innovation to drive the procurement process."

INTRODUCTION

What role can public procurement play in accelerating sustainable transformations?

Public procurement plays a crucial role within the framework of transformative innovation policy (TIP). With approximately 14% (€2 trillion annually) of the EU's GDP attributed to procurement¹, there is significant potential to drive societal change through mission-oriented policies aligned with the Sustainable Development Goals (SDGs) and the UN Agenda 2030. However, to realize this potential, procurement must shift from traditionally risk-averse approaches to ones that foster large-scale, sustainable transformations. Recent findings from the European Commission's evaluation of the Public Procurement Directives highlight this gap: more respondents disagreed than agreed that the directives had encouraged greater efforts in meeting environmental standards, addressing social aspects, or adopting innovative solutions.² This underscores the need for more enabling procurement environments to support the ambitions of TIP.

Innovation-Enhancing Procurement (IEP) emerges as a strategic policy instrument within TIP, reshaping procurement to create public value, build capacities, and stimulate demand for innovative solutions aligned with public missions and societal needs. This approach involves both *articulating demand*—identifying, defining, and clarifying public sector needs—and *stimulating demand* through procurement practices that actively encourage market responses. While demand articulation is foundational, setting out clear public sector objectives and desired impactful outcomes that meet the needs of people and planet, demand stimulation moves further to create conditions that drive market responses aligned with these goals.

Through IEP, public sector organizations (PSOs) can go beyond simply defining needs to actively promoting innovation and co-shaping markets in line with public missions. Public procurers can play multiple roles in this process – such as R&D purchaser, lead-user, catalyst, or broker – supporting providers and social enterprises in co-developing new or improved solutions, and enabling their scaling to maximize public value. This reflects the core logic of transformative innovation policy (TIP), which emphasizes public value creation and directionality in innovation.

¹ European Commission (2024) “Public procurement” https://single-market-economy.ec.europa.eu/single-market/public-procurement_en

² European Commission (2025). *Factual Summary Report on the Public Consultation on the Evaluation of the Public Procurement Directives*. Available at: <https://public-buyers-community.ec.europa.eu/news/factual-summary-report-public-consultation-evaluation-public-procurement-directives> [Accessed June 3, 2025].

An overview of the ETIN IEP workstream activities

Launched in early 2024, the IEP workstream within the UNECE Transformative Innovation Network (ETIN) has served as a platform for peer learning and policy exploration, grounded in the principles of TIP. Through a series of international seminars, discussions, and collaborative sessions, the workstream has aimed to advance the practice of IEP by supporting PSOs in aligning procurement with societal missions.

Over the course of the year, the workstream brought together participants across four thematic seminars, co-led by experts from Sweden, Norway, Georgia, the UK, and other international partners. These seminars explored IEP from multiple perspectives: capacity building and institutional change; national implementation strategies; urban transformation and smart cities; and the role of procurement in complex adaptive systems.

Each session surfaced critical insights about the conditions needed for IEP to thrive, including leadership, ecosystem support, adaptive learning, and culture change. Recurring themes included the importance of intermediary organizations, the challenges of building dynamic capabilities within PSOs, and the need to clarify how IEP complements—rather than replaces—other procurement approaches.

These insights and ongoing discussions culminated in the ETIN Transformative Innovation Action Forum in Brussels (October 2024), where IEP was a key theme explored in depth (annex 2).³ The Forum provided an opportunity to consolidate learning, engage new stakeholders, and shape the forward-looking agenda for the ETIN Community on IEP. Importantly, the reflections from this session also contributed to the co-creation of the ECE Transformative Innovation Charter, helping embed IEP insights into the shared principles and future priorities of the network.

Detailed seminar summaries are available in the annex. Together, the 2024 activities have laid the groundwork for a shared understanding of IEP's transformative potential and informed the proposed agenda for 2025.

KEY INSIGHTS AND CHALLENGES

The workstream highlighted several key insights essential for advancing IEP within TIP:

Shifting mindsets and culture in procurement

Moving from compliance-driven to mission-supporting procurement requires not only targeted training but also capacity-building initiatives to foster an outcomes- and impact-driven mindset among procurement teams. Building this culture shift involves aligning incentives and measures to capture value creation, providing strategic policy support, and promoting an understanding of the broader societal impact of IEP.

³ UN-ECE Transformative Innovation Network (ETIN) 2024. *Navigating the Challenges and Opportunities for Innovation-Led Sustainable Transformations*. Geneva: UNECE. Online document (PDF). Accessed 20 June 2025, <https://unece.org/sites/default/files/2025-02/Navigating%20the%20challenges%20and%20opportunities%20for%20innovation-led%20sustainable%20transformations.pdf>

Flexible and adaptive procedures

To navigate the inherent uncertainties in IEP, procurement processes need to incorporate flexibility without compromising core procurement principles. This includes adopting experimental, non-predictive approaches that support iterative learning and adaptation, allowing procurement to respond dynamically to complex and evolving challenges. At the same time, these adaptive methods must carefully balance flexibility with regulatory principles—such as non-discrimination, transparency, and proportionality—to ensure accountability and fairness in procurement practices.

Policy mixes and intermediary organizations

Effective implementation of IEP relies on a coordinated ecosystem that integrates intermediary organizations, tailored regulations, and multi-level policy guidance. As more flexible and adaptive approaches develop, intermediaries have an evolving role in enabling PSOs to act as catalysts for transformative innovation.

Leadership and policy entrepreneurship

Leaders play a crucial role in championing IEP, driving cross-sector alignment, and fostering the long-term momentum required for TIP. Effective policy entrepreneurs are instrumental in navigating uncertainty, aligning stakeholders around shared goals, and embedding IEP within broader public missions.

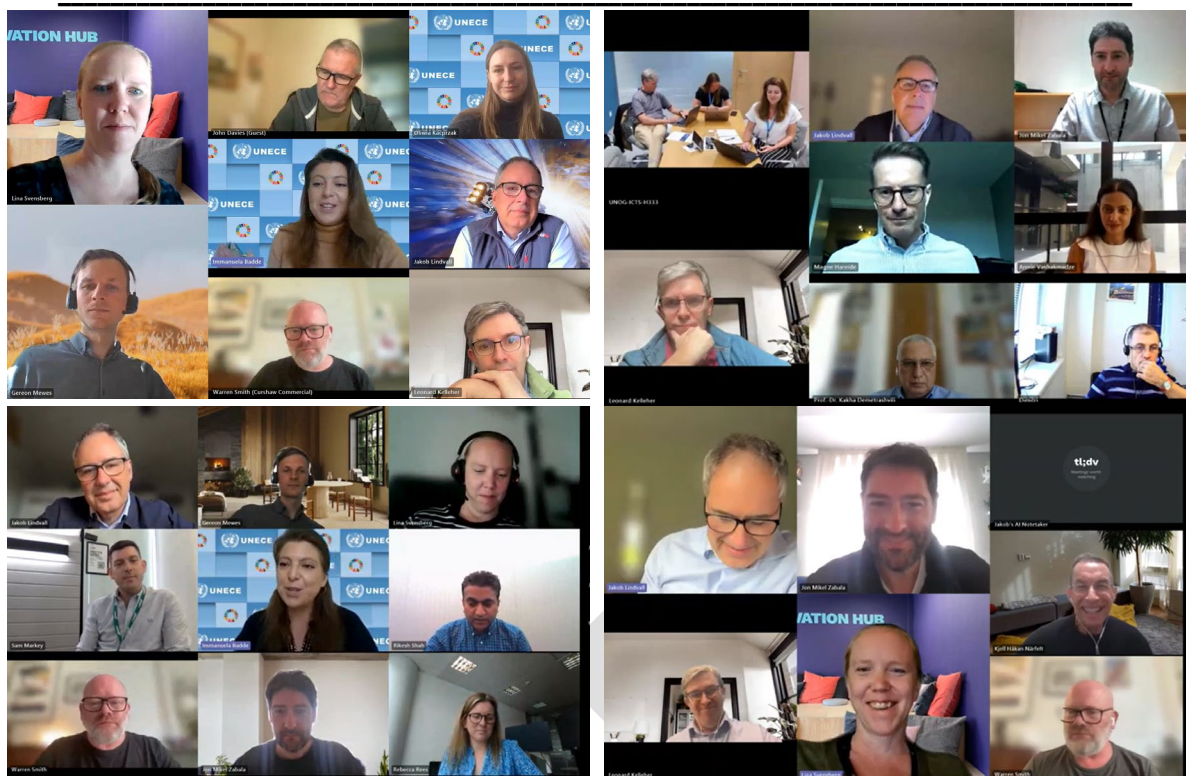
Balancing IEP with traditional procurement approaches

IEP offers a transformative approach but cannot replace all procurement forms. Traditional procurement remains essential for needs focused on cost efficiency and standardization. Balancing IEP with other approaches enables strategic use of IEP for high-impact areas while maintaining efficiency across other procurement functions.

Clarifying the Scope of Pre-commercial Procurement (PCP)

Pre-commercial procurement (PCP) focuses on research and development (R&D) which differs from innovation. This distinction is essential and emphasizing this difference highlights the unique value IEP brings by bridging the gap between R&D and market-driven value creation.

These insights—developed through the seminar series—were synthesized into the background paper *Capacitation in Practice: Innovation-Enhancing Procurement*, which was presented at the ETIN Transformative Innovation Action Forum in Brussels. The full background paper is available in annex 2. The Forum provided an opportunity to further explore these themes, engage additional stakeholders, and refine the workstream's agenda for 2025.



Images depict the ETIN IEP seminar discussions in order of occurrence. Recordings of the seminars are available here: [ETIN Seminars on Innovation-Enhancing Procurement \(IEP\) - YouTube](#).

INSIGHTS FROM THE ETIN TRANSFORMATIVE INNOVATION ACTION FORUM 2024

The ETIN Transformative Innovation Action Forum 2024, held in Brussels from 1-3 October 2024, convened policy makers, researchers, and industry representatives to discuss the role of innovation in driving socio-technical transformations. The Forum was co-organized by the United Nations Economic Commission for Europe (UNECE), the Joint Research Centre (JRC), the Directorate-General for Research and Innovation, and the European Institute for Innovation and Technology (EIT) of the European Commission, with funding from the German Government.

Among the themes explored at the Forum, public procurement was examined as a lever for systemic transformation, with the IEP workstream contributing insights on capacitation and policy alignment, building on previous work on capacitation for IEP and the insights which were included in the background document of the conference⁴. These discussions helped refine the understanding of IEP challenges, highlight new enablers, and shape the way forward for 2025.

⁴ UN-ECE Transformative Innovation Network (ETIN) 2024. *Navigating the Challenges and Opportunities for Innovation-Led Sustainable Transformations*. Geneva: UNECE. Online document (PDF). Accessed 20 June 2025, <https://unece.org/sites/default/files/2025-02/Navigating%20the%20challenges%20and%20opportunities%20for%20innovation-led%20sustainable%20transformations.pdf>

IEP Insights from the Action Forum

At the Action Forum, the discussions on IEP capacitation were linked to the broader themes of directionality, experimentation and learning, coordination, and capacitation. The IEP workstream was featured in Session 2, where it was examined as a mechanism for shaping markets and fostering innovation.⁵

Key takeaways from the Forum discussions included:

- Bridging procurement and innovation logics: Procurement operates traditionally on predefined requirements, while innovation deals with uncertainty. The Forum reinforced the need for structured learning processes within PSOs to bridge this gap.
- Institutionalizing IEP within PSOs: IEP should not remain a niche activity but must be embedded at all levels of procurement organizations.
- Peer learning networks as a critical enabler: PSOs learn best from other PSOs, highlighting the need for community-driven capacitation models.
- Funding challenges: Participants noted that current funding systems favour compliance over innovation, making it difficult to scale IEP approaches.
- Policy misalignment: There is no single policy framework for IEP, leading to fragmentation across different governance levels.

These discussions reinforced the importance of capacitation but also revealed new gaps and intervention points, which now inform the IEP agenda for 2025.



Images depict ETIN task force members at the ETIN Transformative Innovation Action Forum, Brussels, 1-3 October 2024

PATH FORWARD – PROPOSED IEP TASK FORCE ACTIVITIES IN 2025

Building on the insights and capacitation framework developed through this workstream, the next phase will focus on strengthening the institutional foundation for IEP across public sector organizations. Key actions for 2025 include deepening our commitment to peer learning, advancing capacitation, and developing supportive policy frameworks. The following actions are proposed:

Enhanced peer learning

To further foster a community of practice around IEP, additional opportunities for peer learning will be developed. This includes establishing new forums for sharing practical insights and lessons learned across different regions and contexts.

⁵ UN-ECE Transformative Innovation Network (ETIN). 2024. Draft Meeting Report: ETIN Action Forum (as of 14 November). Geneva: UNECE. Online document (PDF). Accessed 20 June 2025.

These exchanges will strengthen PSO's capacity for adaptive learning and support innovation that can be applied across diverse contexts.

Policy guidance development

A comprehensive policy paper will be drafted to guide public sector leaders in adopting IEP strategies that support TIP goals. This guidance will underscore the need for balancing IEP with other procurement approaches and clarify the role of PCP as a stage focused on R&D, distinct from innovation deployment. By making this distinction, the policy guidance will help PSOs make informed choices on where and when to apply IEP, PCP, or traditional procurement to achieve mission-aligned goals. This includes for example:

- Leveraging the work of the ITU U4SSC Working Group on Intergenerational Procurement for People-Centred Cities (co-led by Warren Smith), which will develop a model policy between October 2024 and September 2025; and
- Further exploring opportunities to constructively influence the Working Party on Public-Private Partnerships (PPP) within the UNECE Economic Cooperation and Trade Division (the eighth session of this Working Party took place in Geneva on 25-26 November 2024, and the ninth UNECE International PPP Forum took place in Belgrade on 14-16 May 2025 where Lina Svensberg and Warren Smith participated among others in a panel discussion that highlighted how lifecycle-based PPP frameworks address complex infrastructure challenges by embedding green practices and innovation, including emerging technologies and systems thinking).

Capacitation framework advancement

Informed by feedback from the seminars, the capacitation framework will be refined to support the long-term development of IEP capabilities. This will include defining metrics to measure progress in capability-building. Capacity-building efforts will focus on creating an enabling environment where PSOs can engage in TIP without the constraints of short-term project funding, fostering a more sustainable, long-term transformation agenda.

Evaluation and impact assessment

As IEP is embedded within the broader TIP framework, evaluation approaches will be adapted to reflect the complexity of the systems in which TIP operates. Evaluations should consider implications across the three learning levels—ontology, methodology, and application—and support adaptive learning within complex adaptive systems. Future evaluations should aim to capture the broader impacts of TIP on IEP, providing insights not only on specific procurement outcomes but also on systemic changes across all levels of learning and impact.

CONCLUSION

The IEP workstream has demonstrated how public procurement can serve as a transformative tool within TIP. Moving forward, the goal is to institutionalize IEP as a core practice for mission-oriented procurement across sectors. Achieving this will require sustained collaboration, ongoing learning, and strong leadership to embed IEP as a strategic function — not just for innovation, but for driving systemic change aligned with the SDGs. By fully embracing IEP, public procurement can evolve from a transactional process into a dynamic enabler of societal transformation.

ANNEX

Annex 1 – Summary of the seminars organized by the ETIN IEP task force in 2024

Seminar 1: Capacitation for Innovation-Enhancing Procurement

Date: April 25, 2024

Key Speakers: Jakob Lindvall, ALDAB Innovation/DigitalWell Arena and Lina Svensberg Compare Foundation/DigitalWell Arena, ETIN Lead Experts on IEP

The first seminar on innovation-enhancing procurement (IEP) and transformative innovation policy (TIP) explored how public procurement, can be a significant driver of public value by addressing demand articulation failure and aligning with mission-oriented policies. The discussions highlighted challenges in scaling innovative solutions, particularly the tensions between procurement processes and the principles of innovation. Participants emphasized the importance of sustainable business development and identified bottlenecks, especially in the selection phase of the innovation process.

The seminar introduced the Demand Acceleration Framework⁶ as a model that integrates venture logic into procurement processes to foster scalability beyond the initial customer. Its core values embrace the complexity and uncertainty inherent in innovation, emphasizing demand-driven development and positioning procurement as a transformative tool. Guiding principles in the Demand Acceleration Framework are:

- Non-predictive control of the procurement process
- Iterative interaction-based procurement processes
- Innovation driven procurement, not procurement driven innovation
- Scalability beyond the first customer

An action research case study on ViroteaED demonstrated the framework's application in developing a VR-based education solution for healthcare personnel. The case spanned phases of preparation, idea seeking, and empirical research, resulting in significant scaling—from an initial customer to 12 public organizations within the first year. Since then, adoption has expanded to over 40 public organizations, including municipalities and educational institutions. Key success factors included the early involvement of suppliers, which provided deep insights into needs, effective risk management through manageable risks and clear communication, and cross-functional teams that ensured compliance with procurement legislation.

The seminar underscored that IEP has the potential to drive transformative change if supported by appropriate policies. Recommendations included integrating the Demand Acceleration Framework into procurement policy guidelines, developing capabilities within public sector organizations, and encouraging responsible risk-taking. Further, policies should promote collaboration across sectors, establish new evaluation criteria, and recognize the resource-intensive nature of IEP processes.

⁶ <https://digitalwellarena.se/en/digitalwell-demand-accelerator/>

Supporting the scaling of successful innovations will require dedicated policy frameworks that facilitate the broader application of innovation-enhancing procurement practices.

Seminar 2: Innovation-Enhancing Procurement in Georgia and Norway

Date: June 6, 2024

Key Speakers: Magne Hareide, Senior Advisor, The Norwegian Agency for Public and Financial Management (DFØ) and Annie Vashakmadze, Head of Department for International Relations, Georgia's Innovation and Technology Agency, Dr Kakha Demetrashvili, Deputy Chairperson, State Procurement Agency, Dimitri Gulisashvili, Head of Foreign Relations Department, State Procurement Agency of Georgia

The seminar provided key insights into the approaches taken by Norway and Georgia to implement innovation-enhancing procurement (IEP), highlighting progress made, challenges encountered, and lessons learned.

Norway has conducted over 400 IEP projects since 2010, including pre-commercial procurements and innovation partnerships, yet IEP remains only 1-2% of the country's total public procurement. Challenges include recent cuts to funding, fragmented support systems, and insufficient impact documentation. Key takeaways emphasize the need for centralized support ecosystems in decentralized environments, the value of starting with incremental projects, and the importance of effective tools for procurement officials. Norway also noted the significance of adapting communication strategies to engage innovative companies and is exploring AI to improve tracking of IEP activities.

Georgia, supported by UNECE, has recently integrated IEP into its procurement laws, adopting innovation partnerships and developing comprehensive secondary legislation and "soft law" tools like manuals and guidelines. The main challenges lie in building capacity, changing mindsets, and implementing new procedures across more than 4,800 contracting authorities. A study visit to Norway provided valuable insights, and Georgia seeks further international collaboration, especially in pre-commercial procurement.

Both countries identified several critical factors for advancing IEP: the need for capacity building and tailored training programs, robust legal frameworks with supporting guidelines, and dedicated support structures to facilitate IEP practices. Financial incentives are crucial, as is the promotion of IEP opportunities to attract innovative suppliers. Monitoring and evaluation systems should be implemented to measure the impact of IEP, while fostering a culture of controlled risk-taking is essential for enabling innovation. Cross-sectoral collaboration and securing leadership support are also vital for successful implementation.

The experiences of Norway and Georgia underscore the importance of supportive ecosystems, legal frameworks, and international collaboration in scaling IEP. The seminar highlighted the potential of IEP to drive transformative change and stressed the need for ongoing efforts to address capacity gaps and cultural barriers within public procurement.

Seminar 3: Innovation-Enhancing Procurement for Smart Sustainable Cities

Date: June 19, 2024

Key Speakers: Warren Smith, Co-Lead of the Working Group on Intergenerational Procurement for People-Centred Cities⁷, ITU U4SSC global initiative, and Director of Insight, Innovation and Impact at Posterity Global, Sam Markey, Executive Chair, Innovation Procurement Empowerment Centre – IPEC, Rikesh Shah, Head of Innovation Procurement Empowerment Centre – IPEC and Dr Rebecka Rees, Head of Public Procurement at Trowers & Hamlins

The seminar focused on innovation-enhancing procurement strategies for smart sustainable cities, featuring insights from experts in the UK. Presentations highlighted the importance of shifting procurement mindsets and building capacity to foster more agile, outcomes-focused approaches.

Warren Smith provided an overview of the UN ITU "United for Smart Sustainable Cities" (U4SSC) initiative, emphasizing the need for digital skills and adaptive mindsets in procurement. He stressed the significance of solving real problems and delivering social value, alongside the importance of transparency, experimentation, and agility in procurement processes. The U4SSC guidelines⁸ aim to operationalize new digital and commercial paradigms in city development.

Sam Markey discussed the World Economic Forum's G20 Global Smart Cities Alliance and its work on establishing innovation-friendly procurement policies⁹. He highlighted the need for purpose-driven procurement that is shaped by desired outcomes, proactive supplier engagement beyond traditional vendors, and empowering procurement teams to advocate for new approaches.

Rikesh Shah introduced the UK's Innovation Procurement Empowerment Centre (IPEC), which seeks to change procurement culture by working with public sector buyers and suppliers, particularly startups and SMEs. IPEC focuses on training, guidance, and support for innovation procurement methods. Key points included the importance of pre-market engagement and effective communication with suppliers.

Rebecca Rees presented on a recent IPEC report, "The Art of the Possible"¹⁰, which emphasized the role of pre-market engagement, the need for strategic leadership, and building procurement capacity. She also discussed the use of new flexible procedures enabled by recent procurement reforms to better accommodate innovative solutions.

⁷ International Telecommunication Union, United for Smart Sustainable Cities (U4SSC). n.d. *Digital Transformation*. Geneva: ITU – U4SSC. Online resource. Accessed 20 June 2025. <https://u4ssc.itu.int/digital-transformation/>

⁸ International Telecommunication Union (ITU) & United for Smart Sustainable Cities (U4SSC). 2023. *Procurement Guidelines for Smart Sustainable Cities*. Geneva: ITU – U4SSC. Online document (PDF). Accessed 20 June 2025. https://www.itu.int/en/publications/Documents/tsb/2023-U4SSC-Procurement-guidelines-for-SSC/files/downloads/23-00230_U4SSC_Procurement-guidelines-for-SSC.pdf

⁹ World Economic Forum (WEF). 2024. *Innovation-Friendly Procurement Model Policy for G20 Cities*. Geneva: World Economic Forum. Online document (PDF). Accessed 20 June 2025. https://www3.weforum.org/docs/WEF_Innovation_Friendly_Procurement_Model_Policy_G20_2024.pdf

¹⁰ Innovation Procurement Empowerment Centre (IPEC). n.d. *The Art of the Possible*. [online]. Accessed 20 June 2025. <https://www.ipec.org.uk/art-of-the-possible/>

Across the presentations, several key themes emerged. There was a strong focus on changing the culture and mindset around procurement to embrace innovation, building skills and capacity within procurement teams, and engaging early with markets and suppliers to foster collaboration. Flexible, outcomes-focused procurement approaches were identified as crucial for solving real problems and generating social value. Leadership support and strategic alignment were emphasized as essential elements for driving successful innovation-enhancing procurement initiatives.

The seminar concluded with an interactive discussion, exploring practical applications and sharing case studies that illustrated innovation procurement practices in the UK and other countries. These discussions highlighted the ongoing need for capacity building, cultural change, and strategic leadership to fully leverage procurement as a tool for city transformation.

Seminar 4: New Perspectives on Innovation-Enhancing Procurement in Complex Adaptive Systems

Date: August 9, 2024

Key Speakers: Kjell-Håkan Närfelt, Chief Strategy Advisor, Vinnova, Jon Mikel Zabala Iturriagagoitia, Researcher on innovation policy and innovation management at Deusto University and Leonard Kelleher, Research Associate, University of Cambridge

The seminar addressed the need to rethink procurement practices, offering fresh perspectives on innovation-enhancing procurement (IEP) within complex adaptive systems. Presentations explored how procurement can drive innovation and emphasized learning and adaptability.

Kjell Håkan Närfelt highlighted the role of procurement in driving the innovation process, rather than being shaped by it. He advocated for experimentally driven learning processes and emphasized considering suppliers' capacity to scale innovations to a wider market. He also framed innovation as a co-creation process between customers and suppliers, which is essential for transformative outcomes.

Jon Mikel Zabala discussed the development of specific capabilities needed in public organizations to support IEP, introducing a framework of 45 capabilities categorized into ordinary, dynamic, and functional. He emphasized that procurement approaches should be adapted based on the clarity of needs and the availability of solutions, advocating for a tailored approach to innovation procurement.

Leonard Kelleher introduced the concept of "mission washing," where transformative innovation policies are implemented without fundamentally new approaches to knowledge creation and use. He discussed the importance of different types of learning—first-order, second-order, and third-order—in transformative innovation. Kelleher pointed out the challenge of building dynamic capabilities in public sector organizations to effectively engage in IEP.

The discussion underscored several recurring themes. There was a strong call for shifting mindsets and culture around procurement to embrace innovation, recognizing the inherent uncertainties in the process. The seminar highlighted that procurement should be seen not only as a means of addressing public sector needs but also as a driver of market transformation. Balancing current and future uncertainties was identified as a key challenge, with participants suggesting that lessons could be drawn from other fields, such as dating apps, to better manage uncertainty.

The seminar also emphasized the need for cross-departmental collaboration within public organizations to break down silos and foster a more integrated approach to innovation procurement. The importance of learning from both public and private sector experiences was noted, as was the need to develop procurement practices that embrace system-wide thinking, uncertainty, and continuous learning. The session concluded by acknowledging the complexity of IEP in complex adaptive systems and calling for approaches that go beyond traditional practices to incorporate dynamic, learning-based strategies that can adapt to evolving challenges.

Annex 2 – Background paper on IEP for the Action Forum: Capacitation for IEP

Capacity building in IEP is essential to tap the power of public procurement because innovation and procurement operate on fundamentally different principles.¹¹ Innovation navigates uncertainty, while procurement relies on assessing procurement against predefined criteria. Our experiences in IEP capacitation suggest that PSOs typically respond to this tension by adapting innovation frameworks to fit procurement processes. This can inadvertently constrain the capacity to respond to public missions for which no solutions exist in the market and therefore undermine the potential of public procurement and the public value this can bring to society.

To facilitate capacitation efforts, a range of PSO capabilities have been identified along a four phase IEP cycle which begins with clarification of unmet needs and missing solutions, and moves through development of a procurement strategy, execution of the procurement process, and use of learnings for future procurement.¹² These capabilities were categorized as ordinary (“doing things right”), dynamic (“doing the right things”), and functional (“doing the right things right” to address the functional challenges of IEP). Once the capabilities are identified, attention is now turning to how these can be effectively built within PSOs.

Capacitation challenges

Here, our experiences indicate that capacitation efforts face several challenges.

First, public sector workers can be reluctant to engage in transformative innovation efforts, or face significant impediments when they attempt to do so.^{13,14} Evidence suggests that the development of PSO dynamic capabilities, in particular, may require prerequisites such as the availability of critical mass of motivated and talented people wanting to work for the PSO, high-level political support and legitimisation, and internal dissatisfaction with existing ways of working.¹⁵ This suggests the need for a broader approach to capacitation which incorporates capabilities necessary to manage institutional resistance to change and to continually renew ways of working.

Second, recent evidence suggests that ‘mission washing’ is prevalent as PSOs implement mission-oriented innovation policies through existing institutions and policy schemes, expecting transformative outcomes but without incorporating new ways of working and knowing.¹⁶ This highlights the importance of different learning processes to support IEP, and the need to develop capabilities which deliberately facilitate these learning processes.

¹¹ Edquist et al (2018) “Mutual Learning Exercise: MLE on innovation-related procurement”, Report for EC DG R&I

¹² Grimbert, Zabala-Iturriagagoitia & Valovirta (2024) “Transformative public procurement for innovation: ordinary, dynamic and functional capabilities” Public Management Review, 1-24

¹³ Braams et al (2022) “Understanding why civil servants are reluctant to carry out transition tasks”, Science & Public Policy, 49, 905-914

¹⁴ Braams et al (2024) “Civil servant tactics for realizing transition tasks: understanding the microdynamics of transformative government”, Public Administration, 102(2), 500-518

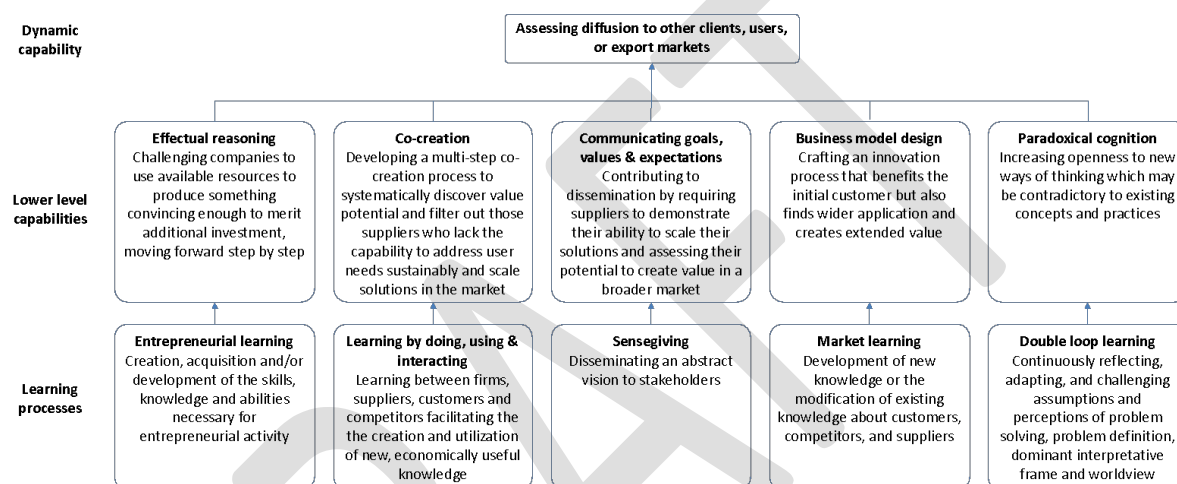
¹⁵ Kattel & Takala (2024) “Dynamic capabilities in the public sector: The case of the UK’s Government Digital Service” UCL IIPP Working Paper 2021/01

¹⁶ Kattel & Mazzucato (2023) “Mission-oriented innovation policies in Europe: From normative to epistemic turn?” UCL IIPP Working Paper 2023-09. <https://www.ucl.ac.uk/bartlett/public-purpose/wp2023-09>

Third, dynamic capabilities are known to be difficult to imitate or substitute because they are made up of complex combinations of resources and lower-order capabilities.¹⁷ The building and (re)configuring of these lower-order capabilities is an important strategic consideration for PSOs which may determine the success of IEP efforts.

We are currently exploring an approach which may address these challenges. Based on capacitation experiences outlined in our handbook for policymakers¹⁸, we have distilled the lower-order capabilities and learning processes which underpin one specific dynamic capability – assessing innovation diffusion to other clients, users, or export markets – the lack of which inhibits scalability (Figure 6).

Figure 1. IEP dynamic and lower-order capabilities



By focusing capacitation efforts on a broad set of lower-level capabilities and associated learning processes, our ambition is that this approach to capacitation may eventually lead to the institutionalization of IEP, so it becomes the 'business as usual' of PSOs, rather than the exception.

¹⁷ Teece (2007) "Explicating dynamic capabilities: the nature and microfoundations of (sustainable) enterprise performance" Strategic Management Journal, 28, 1319-1350

¹⁸ Svensberg et al (2023) [The demand acceleration handbook – policymaker's edition](#), Compare Foundation