Interreg Sudoe

Co-funded by the European Union

SOLLAGUA

Funseam
Fundación para la Sostenibilidad Energética y Ambiental

Public Procurement as an Innovation Policy



Olga Chiappinelli, University of Barcelona

18/11/2026

PUBLIC PURCHASES ACCOUNTS FOR 15% OF EU GDP EVERY YEAR

- Governments can leverage their purchasing power to achieve welfare goals, including innovation and sustainability
- Public procurement can (contribute to) create demand for innovative and green goods that have a limited market
- This in turn creates incentives for companies to invest in innovative and green goods
- Draghi report (2024): lead markets for European producers are needed to bridge the European innovation gap in strategic sectors such as digital technologies, artificial intelligence and clean energy

PUBLIC PROCUREMENT IS BECOMING THE CENTERPIECE OF EUROPEAN (GREEN) INDUSTRIAL POLICY

- Industrial Accelerator Act (IAA) (March 2026)
  - "Made in Europe" and low-carbon requirements for public tenders in sectors that include batteries, solar panels, wind turbines, electrolyzers, vehicles, steel, aluminum and cement
- Public Procurement Act (PPA) (September 2026)
  - Give every public buyer in the EU an optional "European preference" toolbox
  - Clearer legal basis for environmental requirements (circular economy, energy efficiency…) including possibility of mandatory environmental requirements for certain categories.

WHAT DO WE KNOW ABOUT PROCUREMENT AS AN INNOVATION POLICY?

- **Does it spur (green) innovation?**
- **How should it be designed?**
- **What hinders it?**
- **Where does it fit in the policy mix?**

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

WHAT DO WE KNOW ABOUT PROCUREMENT AS AN INNOVATION POLICY?

- **Does it spur (green) innovation? (QUALIFIED) YES**
  - Innovation is mostly incremental: procurement accelerates diffusion more than breakthroughs
  - Innovation is concentrated among young, small, and financially constrained firms.
  - Innovation happens when firms have room to propose their own solutions

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

WHAT DO WE KNOW ABOUT PROCUREMENT AS AN INNOVATION POLICY?

- **How should it be designed? THERE IS NO ONE SIZE FIT ALL**
  - Bundling R&D and follow-on production if innovation mainly serves the public sector and if there are large economies of scope between R&D and implementation
  - More discretion for the government when innovation quality and innovator effort are difficult to specify contractually, provided that the buyer has adequate capabilities.
  - Technology-neutral award rules favor exploration but leave rents to suppliers, while technology-specific rules reduce rents at the risk of locking in the wrong technology
  - The effect of greater competition on innovation is ambiguous, depending on the uncertainty surrounding contract specifications and the characteristics of suppliers
  - Larger demand scale, obtained through centralization or joint procurement, strengthens the incentive to innovate

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

WHAT DO WE KNOW ABOUT PROCUREMENT AS AN INNOVATION POLICY?

- **What hinders it? MOSTLY POOR CAPABILITIES ON THE BUYER SIDE**
  - The competence of procurement officials, which is an important driver of contract performance in the case of standard procurement, becomes crucial for the case of procurement of innovation

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

WHAT DO WE KNOW ABOUT PROCUREMENT AS AN INNOVATION POLICY?

- **Where does it fit in the policy mix? YET UNCLEAR**
  - In some circumstances, procurement might outperform supply-side policies when used in isolation.
  - However, there are synergies between the instruments, indicating that a policy mix, for example combining procurement with R&D subsidies, can have a greater impact

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

WHAT DO WE KNOW ABOUT PROCUREMENT AS AN INNOVATION POLICY?

OVERALL well-designed procurement can be an effective innovation policy, but the evidence is thinner than the policy ambition

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

LESSONS FOR EUROPEAN (GREEN) INNOVATION POLICY?

1. **Expect diffusion rather than breakthroughs**
   - Procurement mainly accelerates the adoption of known technologies, which fits the IAA's focus on scaling up batteries, heat pumps or solar manufacturing.
   - Closing the frontier gap in digital and AI technologies requires open, R&D-stage instruments such as pre-commercial procurement
2. **Award on quality and keep tenders open**
   - Since price-only tenders depress innovation, the proposal of the PPA to make the best price-quality ratio the default award method may matter as much as the preference toolbox.
   - Use functional specifications that describe needs rather than prescribe technologies.

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

LESSONS FOR EUROPEAN (GREEN) INNOVATION POLICY?

3. Pool demand at EU level

- A preference applied voluntarily by the multitude of public authorities across Europe risks fragmenting the very lead markets the IAA wants to create.
- Joint procurement of strategic technologies, as for COVID-19 vaccines, can deliver the necessary scale.

4. Invest in buyers before adding tools

- The new rules ask contracting authorities to determine origin, compute content shares…
- Without professional training, specialized central purchasing bodies, and more resources, the new tools effort will be ineffective.

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026

Interreg Sudoe | Co-funded by the European Union | SOLLAGUA | Funseam Fundación para la Sostenibilidad Energética y Ambiental

THANK YOU

olga.chiappinelli@ub.edu

Chiappinelli, O, L M Giuffrida and G Spagnolo (2025), "Public procurement as an innovation policy: Where do we stand?", *International Journal of Industrial Organization* 100: 103157.
Chiappinelli, O, L M Giuffrida and G Spagnolo, "Buying innovation vs buying protection: What we know about public procurement of innovation", CEPR Vox EU Column, 30 Oct 2026