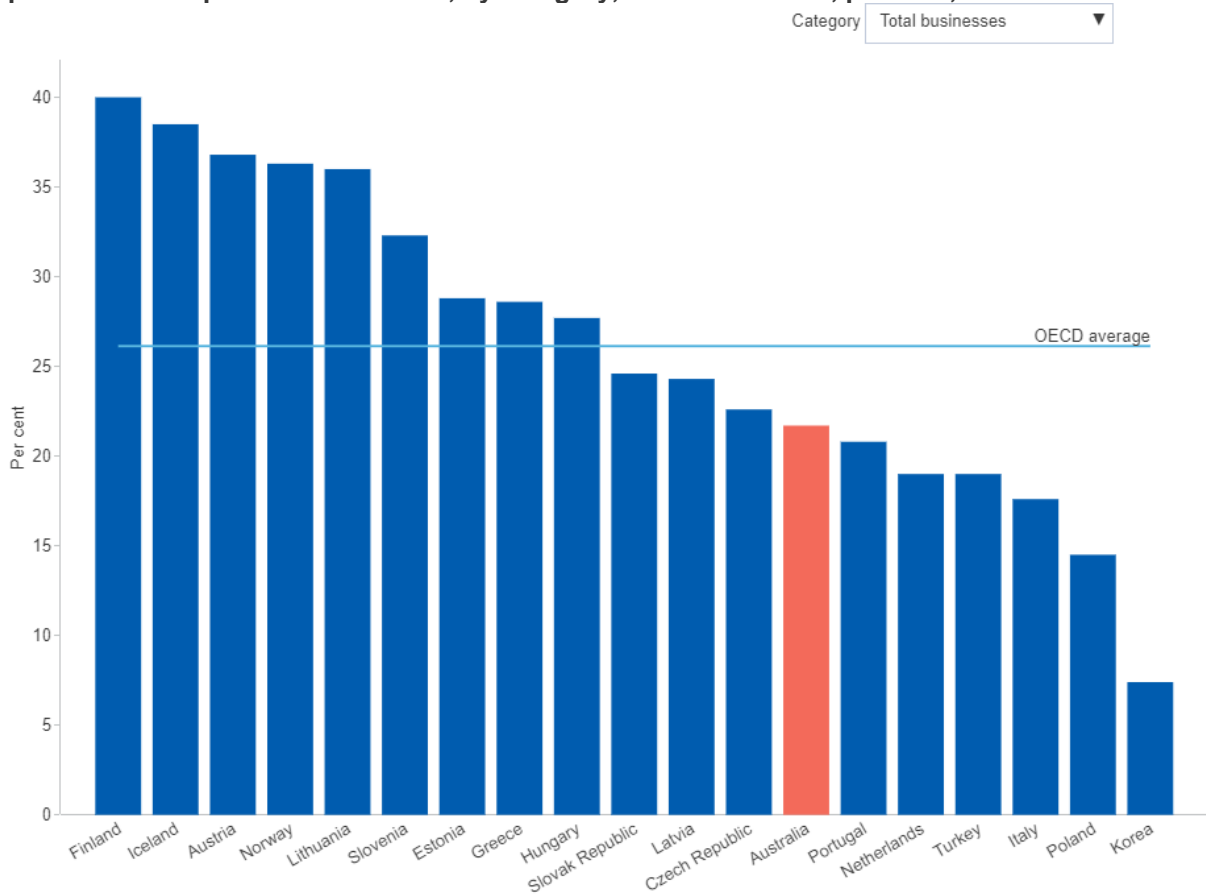


4.3.3 Innovation-active businesses with public procurement contracts

Public procurement affects innovation by influencing the demand conditions in which businesses innovate and compete. The use of public procurement as a tool of innovation has been gaining in popularity in recent years, and there are some notable examples of long-standing successful adoption of such policies. However, the evidence base on the effectiveness and economic value of this type of support is surprisingly sparse. A recent survey of evidence suggests that the barriers encountered by businesses generally correspond to the deficiencies addressed by procurement policies but are not sufficiently addressed by them.¹ In 2014–15, *Australia's* share of innovation-active businesses with public procurement contracts was estimated at 21.7 per cent, below the latest available *OECD average* estimate of 26.1 per cent. Countries with the highest proportions include *Finland, Iceland, Austria* and *Norway*.² The data only relate to businesses pursuing product and/or process innovation.

Figure: Innovation-active businesses with public procurement contracts, only relates to product and/or process innovation, by category, OECD countries, per cent, latest 2017



¹ Georghiou L, Edler J, Uyerra E and Yeow J (2014) *Policy instruments for public procurement of innovation: Choice, design and assessment*, Technological Forecasting and Social Change, Volume 86, July 2014, Pages 1–12 (<https://www.sciencedirect.com/science/article/pii/S0040162513002552>)

² OECD (2017) *Innovation indicators*, OECD Publishing (<http://www.oecd.org/innovation/inno/inno-stats.htm>)