PUBLIC PROCUREMENT TOWARDS INNOVATIONS IN RUSSIA

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Abstract

Public procurement in Russia account for a significant part of GDP – 27% or 28.8 trillion rubles at current prices. The Government, being the largest customer in many industries, can turn state demand into an effective tool for regulating the economy, is able to conduct a structural economic policy through placing orders, supporting subsidized industries[1]. In addition to its main task related to meeting the needs and requirements of the state, through the public procurement system it is possible to achieve the strategic goals of the state, to implement the national priority tasks[2].

One of such priorities is stimulating the innovative activity of economic agents, as well as the development of the country's innovative potential[3]. Within the fourth industrial revolution and considering the active development of high-tech industries, the priority of stimulating and supporting innovations is becoming especially relevant[4]. The importance of this priority today is increased by the growing sanctions crisis and the structural reengineering of the Russian economy, as well as the need to intensify processes of import substitution. Regarding these, public procurement can become an effective tool in the implementation of the priority of stimulating innovations, supporting innovative activity through the demand-side[5].

Institutional regulation of innovations in Russia, in particular, procurement of the innovative products and procurement of strategic innovations, has its own peculiarities. For example, the legislation on public procurement, namely, Federal Law No. 44-FZ, regulates the principle of innovative activity, but the law itself and other regulatory legal acts do not provide the detailed mechanisms for the implementation of this principle. The Federal Law No. 223-FZ establishes an obligation for customers to form and post procurement plans for innovative, high-tech products for a period of 5 to 7 years. Failure to post a procurement plan for innovative products is subject to an administrative fine for customers. However, the complexity of testing products for innovativeness criteria, the lack of a unified federal register of innovative products, the fragmentation of the conceptual and categorical terms in the field of innovations, indicate several difficulties in the implementation of the aforementioned priority. The following questions appears: what procured products in the market are considered by customers to be innovative, and what types and categories of procuring entities are engaged in procurement related to the creation of innovations (e.g. R&D procurement)? What factors are related to the frequency of

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[2] Shadrina, E. V., Vinogradov, D., Kashin, D. (2022). Implicit Incentives in Green Public Procurement: Good Intentions versus Rigid Regulations // Ecological Economics, 198, 107458.
[3] Indicators of Innovation Activity: 2018: Statistical Collection / N. V. Gorodnikova, L. M. Gokhberg, K. A. Ditkovsky et al., Higher School of Economics. Moscow, HSE Publ., 2018. 344 p. (in Russian).
[4] Decree of the President of the Russian Federation dated 01.12.2016 N 642 "On the Strategy of Scientific and Technological Development of the Russian Federation".
[5] Tsygankova E.M. Public Procurement of Innovative Products in Russia // JER. 2018. №4.

procurement of innovative products in Russia? What incentives and barriers to the purchases of innovative products exist for customers? This study tries to empirically answer the questions posed.

The research is based on the analysis of open and survey data on public procurement. Open data is collected in the form of pooled cross-section that includes purchases within 44-FZ and 223-FZ. The data is collected for 3 years, from 2021 to 2023. The first method to identify the innovative procurement is to use a machine search on the UIS and then to pre-process the data and to check the first and second types errors. The second method is to check the procurement items in regional registers of innovative products. When using the survey data, the identifier of innovative procurement is formed directly from the respondents' answers to questions (1) about the conduct of such purchases in the organization; (2) on the criteria of product innovation included in the procurement documentation; (3) the share of innovative procurement in the total number of customer purchases per year.

Customers' decisions on procurement procedures for innovative products are analyzed by methods of statistical testing of hypotheses and through the construction of econometric models – binary, ordinal, and counting models. Among the factors influencing the decisions of state customers to procure innovative products are institutional factors (the type of law under which the customer operates, form of ownership, etc.) and behavioral factors of buyers (for example, the factor of fear of violating procurement rules when purchasing innovative products, the factor of internal incentives to purchase innovative products). The following results were obtained with control variables: (a) the priority of innovative activity is more often reflected in electronic auctions than in other methods of determining the supplier, (b) there are differences in the sectors of the purchased products, namely in industry, the priority of innovative development is reflected more often than in other industries, (c) the procurement of innovative products is on average more expensive than "standard" procurement procedures, however, in the opinion of the customers, this does not have a significant impact on their decisions, (d) the Federal Antimonopoly Service is more likely to receive complaints about the procurement of innovative products than about purchases without innovativeness criteria.

The scientific novelty of the research is in the answer to the research question, which was previously only partially studied in the literature: to what extent does the priority of stimulating innovation affect the decisions of Russian contracting authorities. The results are also of practical importance in terms of identifying specific mechanisms to support the implementation of state priorities.