Overview and latest developments of Innovation procurement in Europe

TRANSFORM Policy Workshop: Cities as customers for Innovation Subtitle - Future Cities Catapult - 29-09-15
Buying Smartly
Strategic use of procurement
- to serve policy goals and to address societal challenges

Transformation of the public sector

Stimulation of the demand for innovation
A demand side instrument
A demand side instrument

**A powerful instrument:**

"Public procurement is at the centre of recent demand-side innovation policy initiatives. Because of their large purchasing power governments can pull demand for innovation and can also create a signalling effect as lead user and influencing the diffusion of innovations more broadly".

*DEMAND-SIDE INNOVATION POLICIES – © OECD 2011*
Demand side innovation

In recent years, more targeted demand-side innovation policies...

- **Innovation procurement**
- Innovation-friendly **regulation**
- Innovation-spurring **standards**
- **pricing schemes, taxes**
- **User-centred/consumer-oriented** schemes
- **Systemic** policies
In 2010, in the EU the public sector spent over **EUR 2 406 billion** on goods, services and works – amounting to around **19.7% of EU GDP**

In 2010, over **160 000 invitations** to tender were published for a value of **EUR 447 billion**
Why innovation procurement?
From a procurer perspective

- fit-for-purpose solutions,
- better price (reduce the cost of first products and increase product quality),
- better and more efficient public service,
Proximity to citizens

Proximity to economic actors

Proximity to societal challenges and unmet needs
Offering better anticipation of the demand for new solutions;

Offering wider market;

Shortening time to market;

Enhanced innovation capacity;

Attracting investors ("seal of approval");

Finding customers;

Increasing commercial performances;
Active companies in PPI are much more likely to win at least one public procurement contract (61% vs. 15%) compared to those not involved in the scheme. Companies encompassed by PPI are much more likely to sell innovative goods or services as part of a public procurement contract compared to those not involved in the scheme (80% vs. 27%).

Flash Eurobarometer 394. The Role of Public Support in the Commercialisation of Innovations, 2004
Figure 3: The knock on effects of selling innovation to the public sector

Q: Innovations that resulted from bidding for or delivering public sector contracts have subsequently helped to:

These innovations subsequently helped us to:
- Win other contracts in the public sector (n=500)
  - Yes
- Increase your sales in the private sector (n=452)*
  - Yes
- Enable or increase overseas sales (n=315)
  - Yes

* Excludes those organisations who said that virtually all their sales in the last three years have been to the public...
Result of UNDERPINN company survey

Which practices encourage innovation?

- Innovation requirements in tenders
- Early interaction with procuring organisation
- Outcome-based specifications
- Advanced communication of future needs
- Emphasis on sustainability criteria
- Full life-cycle costing considerations
- Competitive dialogue
- Incentive contracts such as profit-sharing arrangements
- Negotiated tender
- Open competitive tender
- Framework agreement
- Electronic submission of tenders
- Private finance initiative
- Non-OJ tender procedure
- Restricted tender
- E-auctions
- Provisions related to intellectual property

Source: UNDERPINN Survey
A growing attention at EU level
An increased attention in Member States

**Capacity building**
- PIANOo (NL)
- TEKES (FI)
- VINNOVA (SE)
- KOINNO (DE)
- BBG (AT)

**National targets**
- 3% ES
- 2% Norden countries
- 5% LT for PCP
- ...

**Integrated support programme**
- SMART Procurement Program (FI) €60M
- Swedish PCP program
  - Austria
  - ...

**Specific actions**
- Support to Dialogue procurers-suppliers
  - NO/FR/
  - Private/public joint expression of needs
    (Compact-UK; Catalytic Procurement –FI)
  - ...

**Regional/Local initiatives**
- PCP program in Lombardy (IT)
- Mobilisation of structural funds (ES, IT)
- ...

...
ERAC opinion (June 2015) calling for:
- the creation of national strategic frameworks for innovation procurement (including action plan, support services and financial incentives)
- the set-up of mutual learning initiatives and appropriate monitoring at European level.
An increased attention at EU level

Promotion of demand-driven intervention

Communication on Pre-commercial procurement (2007)
Guidance and clarification of legal framework for the use of PCP

Lead Market initiative (2008)
Demand-driven approach to support emerging markets

Innovation Union dedicated commitment n°17 (2010)
Proposal that Member States and regions should set aside dedicated budgets for Innovation procurement

European Council Conclusions (2012)
More effective use of pre-commercial public procurement

New legal framework enhancing innovation dimension
New PP Directives to be transposed by 04/2016

- New (innovation partnership) or improved procedures
- Strengthened legal framework for pre-commercial procurement (exemption);
- Functional and performance-based specifications; MEAT
- Life cycle costing;
- Clarified rules on preliminary market consultations: to allow a better stimulation of the market;
- Facilitated cross-border joint procurement.
Innovation procurement and Horizon
H2020: Increased focus on innovation

Complementary to grants/focus on demand side

Support started with CIP and FP7

Horizon 2020: 2 new instruments have been introduced:

**Public Procurement of Innovative solutions (PPI) and Pre-commercial Procurement (PCP)**
Up to 115M for direct top up on joint tendering

- 13 PCP/PPI topics supporting (Health, Security, Research infrastructure, ICT, Transport)

+ CSA actions
Up to 115M for direct top up on joint procurement

- 12 PCP/PPI topics supporting (Health, Energy, Climate Change, Security, ICT & Research Infrastructures

+ CSA actions

**Increased cofinancing rates:**

20 => 35% for PPI  
70 => 90% for PCP
ESIF funding per thematic objective: State of play

- **Almost all ERDF/CF OPs adopted**: Last adoptions concern Italy and ETC
- EAFRD, EMFF and ESF programmes slightly behind

**In billion EUR**

- **01. RTD and innovation**
- **02. Access to and use and quality of ICT**
- **03. Competitiveness of SMEs**
- **04. Shift towards low-carbon economy**
- **05. Climate change adaptation risk prevention**
- **06. Environment and resource efficiency**
- **07. Sustainable transport, key network infrastructures (energy)**
- **08. Employment and labour mobility**
- **09. Social inclusion, combating poverty and discrimination**
- **10. Education, training and lifelong learning**
- **11. Institutional capacity and efficient public administration**

**Over €160 billion**

- **€117 billion ERDF**
- "thematic concentration"

Source: Final ESIF partnership agreements as of December 2014
ESIF funding per thematic objective: State of play

Distribution of ERDF allocations between thematic objectives (Adopted Partnership Agreements - Chart 2)

- TO 1 - RTD & innovation: 22%
- TO 2 - ICT: 7%
- TO 3 - SMEs: 17%
- TO 4 - Low carbon economy: 14%
- TO 5 - Climate change and risk management: 8%
- TO 6 - Environment: 6%
- TO 7 - Transport and network infrastructure: 3%
- TO 8 - Employment: 1%
- TO 9 - Social inclusion: 2%
- TO 10 - Education and training: 2%
- TO 11 - Administrative and institutional capacity: 1%

Excluding Technical Assistance
Available Support for procurers/policy makers

Innovation procurement Platform
Infodays/NCP project(s)
Technical assistance – new contract
Policy Support Facility (under development)
Technical assistance from ESIF
**Resources on Procurement of Innovation**

The Resource Centre contains a wide range of useful resources on PPI and PCP of interest to procurers, policy makers, researchers and other stakeholders. It provides a centralised database for procurement of innovation guidance, gathering quality information in one place.

Resources include national and European policies and strategies, tools, good practice case studies, projects and initiatives, reports and useful links on innovation and procurement.

**Procurement criteria (1)**

- Pro-EE purchasing criteria
  - Pro-EE project
Consortium of experts appointed that will do promotion and provide training and local assistance to public procurers across the EU Member States:
- Identification of key procurers for PCP/PPI in all sectors of public interest in all MS
- Next 3 years, **12 info and training events on PCP & PPI** in different EU countries.
- **Training based on a toolkit for policy makers, public procurers and legal staff.** Procurers can also send questions to a helpdesk that posts replies to FAQs online.
- **Local assistance for public procurers** that intend to start concrete PCP and PPIs for ICT based solutions (includes legal assistance in the start-up and implementation phase of a PCP or PPI).

http://www.eafip.eu/
27/28 October 2015 - Paris

The European Commission is supporting public procurers to start and implement more and better innovation procurements of ICT-based solutions across the EU thanks to this three year initiative.

Have you thought of the possibility of matching your needs to those needs of others procurers in Europe? Do you want to identify yourself as a key public procurer or can you help identify key procurers in your country or across Europe? Are you interested in receiving more information on any of the activities on this website? Keep your minds open to innovation!

Sign-up for updates

Contact Us

Learn about other EC initiatives on PCP and PPI. Visit the Commission website on Innovation Procurement.

http://eafip.eu/events/major-events/eafip-major-event-paris/
Conclusions

Clear legal framework (New innovation friendly PP Directives and R&I State aid rules – Communication on PCP)

2 new dedicated instruments in Horizon 2020

Growing attention in Member States on innovation procurement
Need to (re)connect:
- political/administrative
- administrative/operational
- administration/citizens & users
- procurers/suppliers

Need to:
- raise awareness
- build capacity
Participant portal: find a call
http://ec.europa.eu/research/participants/portal/desktop/en/opportunities/h2020/ftags/innov_proc.html#c,topics=flags/s/InnovationProcurement/1/1&+callStatus/asc

WP Annexes related to PCP/PPI

Annotated Grant agreement:
Background

Communication on Pre-commercial procurement (2007)

New Public Procurement Directive adopted in 2014

New R&D&I State aid rules adopted in 2014

Innovation procurement platform
https://www.innovation-procurement.org/

Erac Opinion on Innovation procurement (2015)

Technical assistance
http://www.eafip.eu
The European Capital of Innovation Award 2016
The 'Innovation Ecosystem'

A place to bring ideas to life
Check before applying!

- A population of 100,000 or more
  
  *In countries where there is no city with more than 100,000 inhabitants, the largest city is eligible to apply.*

- A complete application must be submitted

- The achievements for which the city applies must relate to on-going activities started after 1st January 2012

- The achievements have not been previously awarded with a monetary prize by an EU institution.
The Prizes

The new European Capital of Innovation:

**EUR 950 000** to scale up its innovation activities

**EUR 100.000** for networking activities

**EUR 50.000** for networking activities
## Timetable

<table>
<thead>
<tr>
<th>ACTION</th>
<th>TIMING</th>
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<tr>
<td>Launch of the Call</td>
<td>JULY 2015</td>
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<td>Deadline for submission</td>
<td>18 NOVEMBER 2015 – 17:00 Brussels time</td>
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<td>Eligibility screening and remote evaluation</td>
<td>By early JANUARY 2016</td>
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<td>Hearings and final evaluation</td>
<td>JANUARY / FEBRUARY 2016</td>
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<td>Award ceremony</td>
<td>MARCH 2016</td>
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Thank you for your attention and I am looking forward to hearing lessons learnt from TRANSFORM and sharing experiences to support innovation procurement uptake

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