Lessons learned & best practices on Innovation procurement in Europe

The 14th Procurement, Integrity, Manageent and Openness Forum

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Agenda

- Regular procurement versus strategic procurement

- Innovation procurement: rationale and definition

- European support

- Best practice examples

- Lessons learnt

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What is procurement

"Public procurement is the process by which public authorities (such as government departments or local authorities) purchase works, goods or services from companies which they have selected for this purpose." (EU)

E.g. building a state school, purchasing furniture for the prosecutor's office; contracting cleaning services for a railway station.

Why do we regulate it ?

"… to ensure that public funds are spent <u>honestly</u> and <u>efficiently</u>, on the basis of a serious assessment and without any kind of favouritism or quid pro quo whether financial or political."

"The main purpose of Community harmonisation is to <u>ensure a free market</u>."

Source: *Opinion of Advocate General Jacobs in Case C–19/00, SIAC Construction Ltd v County Council of the County of Mayo*

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Shift towards strategic use of public procurement

"Public authorities can use [procurement] in a more <u>strategic manner</u>, to obtain better value for each euro of public money spent and to contribute to a more innovative, sustainable, inclusive and competitive economy."

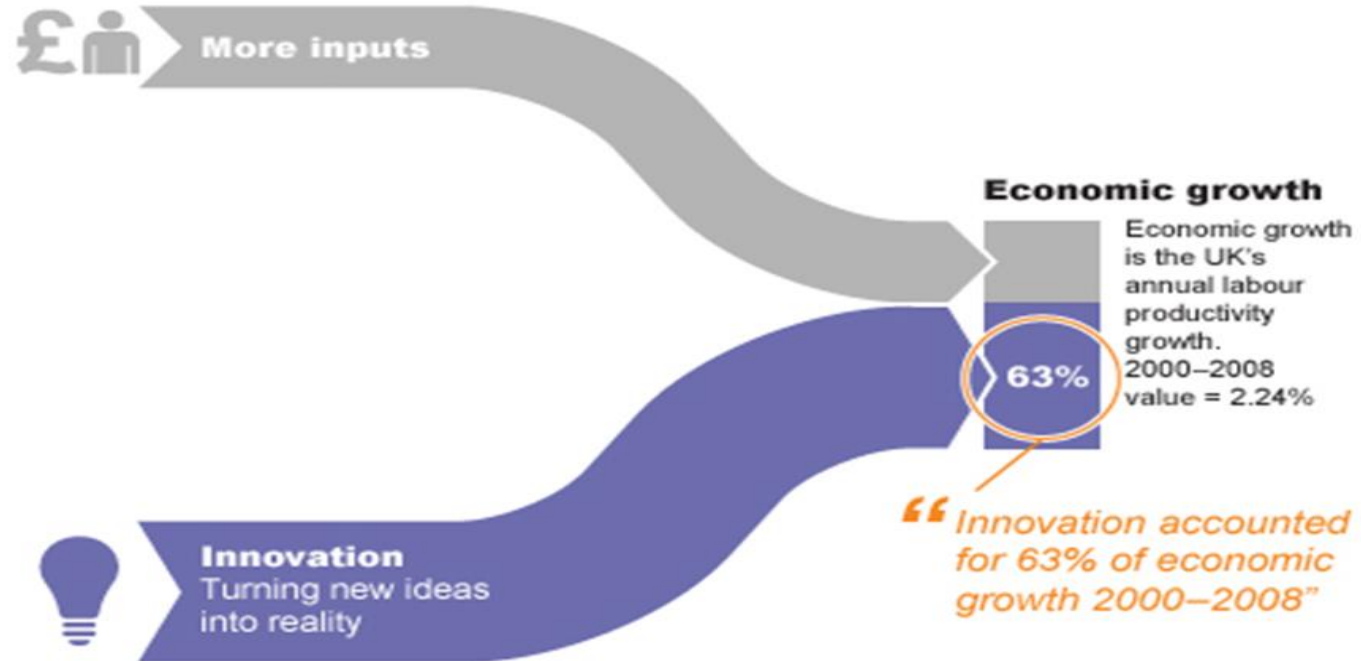(**Source**: *European Commission COM (2017) 572 final*)

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Importance of innovation

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Importance of innovation

Innovation drives economic growth

There are two sources of economic growth:

£👤 More inputs

Economic growth

Economic growth is the UK's annual labour productivity growth. 2000–2008 value = 2.24%

63%

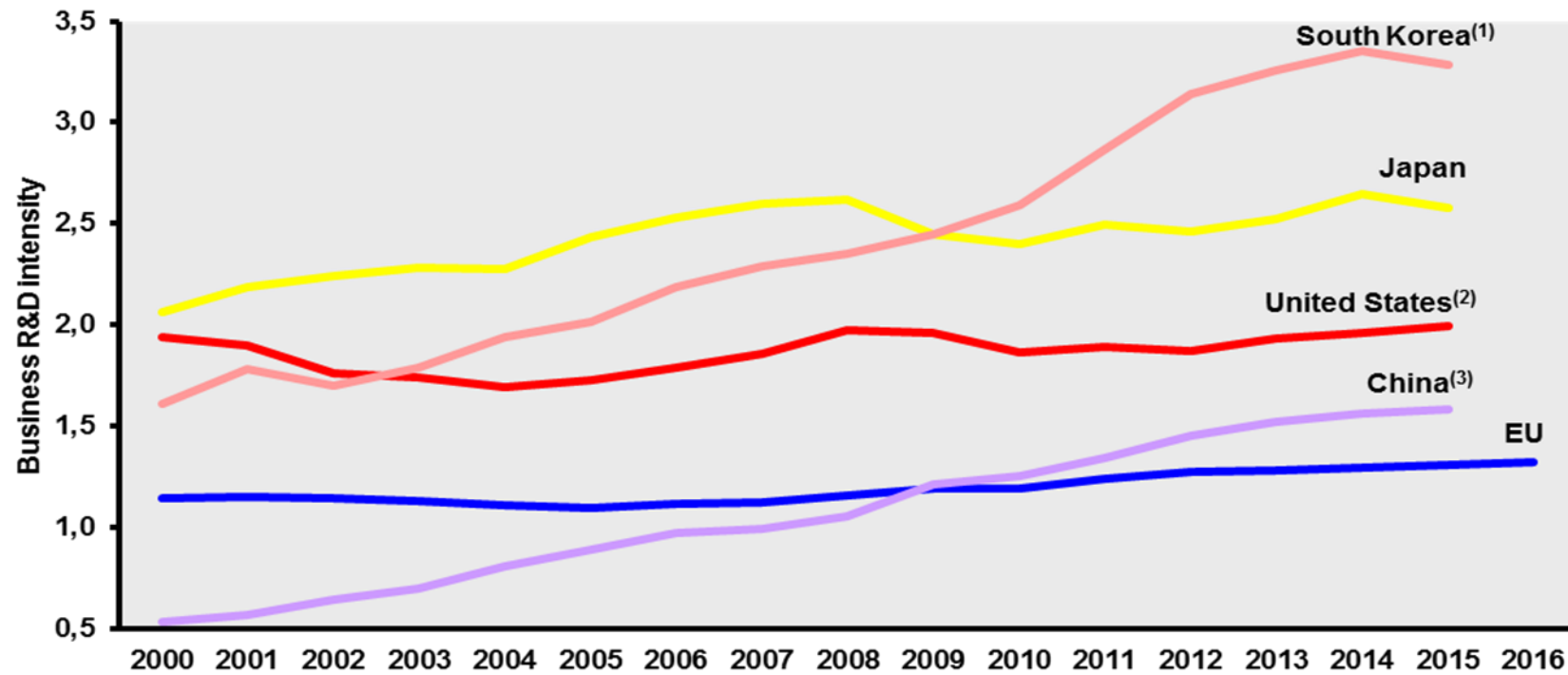**💡 Innovation** Turning new ideas into reality

❝ Innovation accounted for 63% of economic growth 2000–2008"
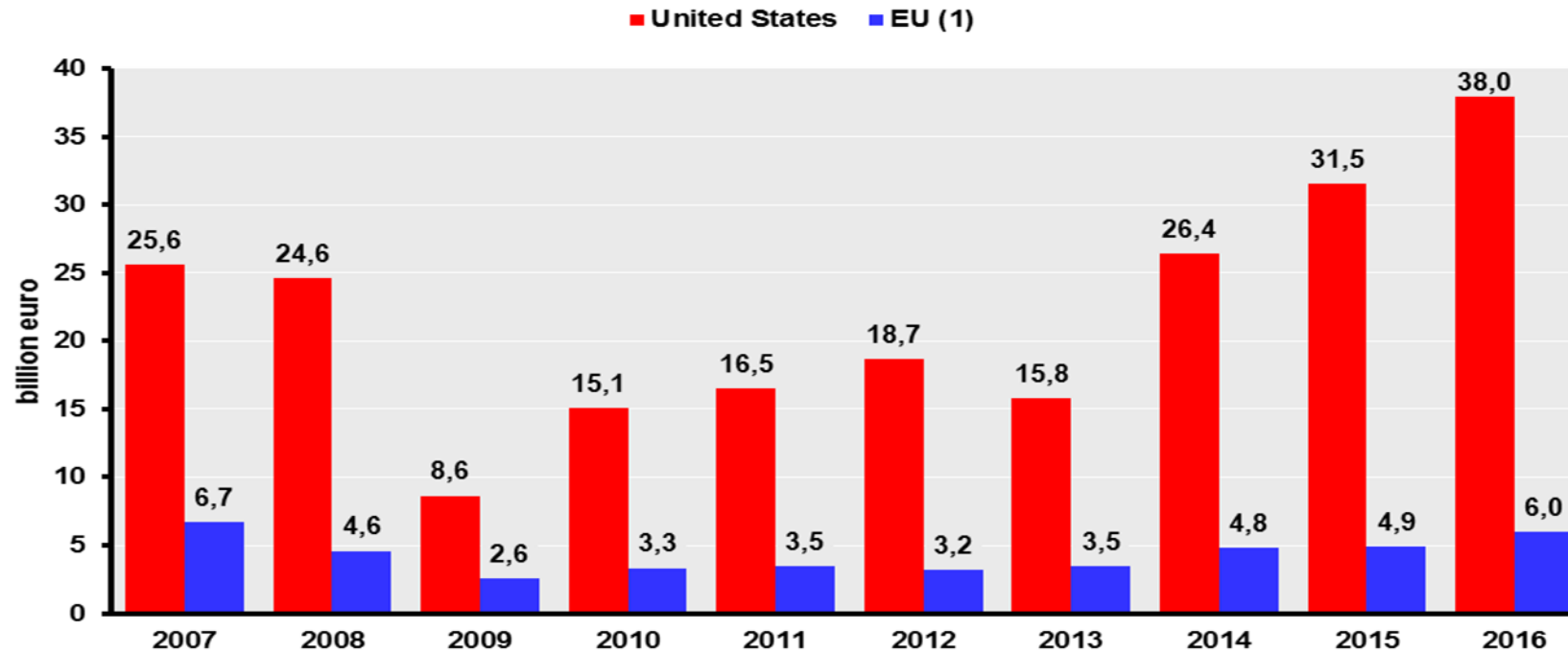
Source: NESTA, UK

SRIP 2018

Figure 1.3-A.10 Evolution of business R&D intensity, 2000-2016

SRIP 2018

Figure I.5-B.9 Venture capital funds raised (billion euro) in the EU and in the United States, 2007-2016

In addition to innovation-friendly regulation, **"*innovation demand policies, such as public procurement will be critical.*** *These actions will speed up the creation of benefits from innovation."* (SRIP 2018)

Innovation procurement - definition

- Innovation procurement happens when public procurers procure the development or deployment of pioneering innovative solutions to address specific mid-to-long term public sector needs.
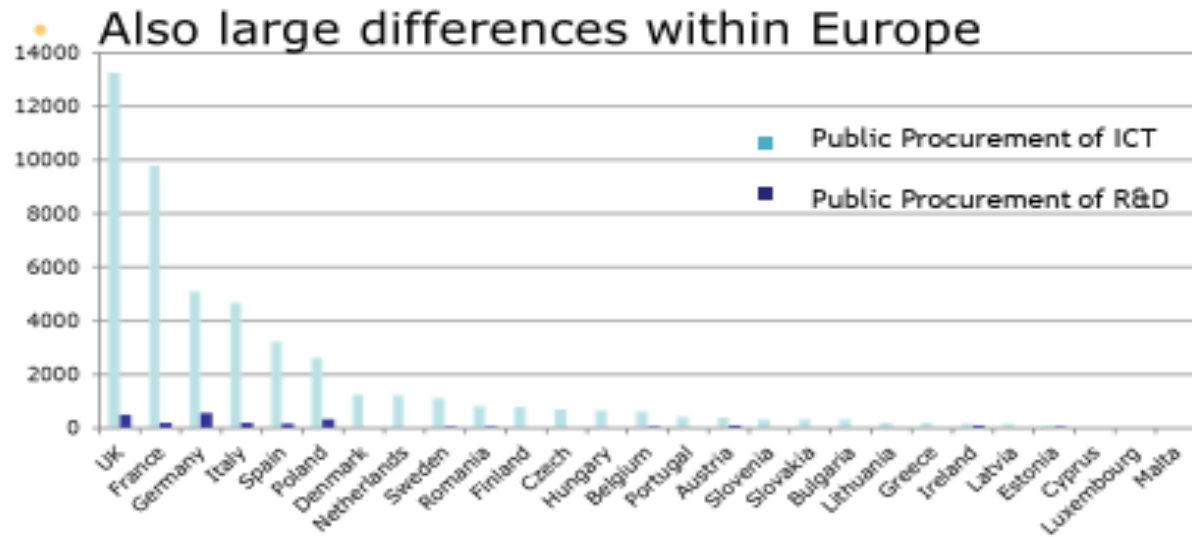
Innovation procurement

Available solution on the market

Function and performance evaluation

Significant innovation gap with respect to actual need

No

(1) No = PPI
(2) Yes = PCP

(1) Improvements are needed but don't require new and significant R&D (only integration, incremental adaptations and improvement, customization…), so authority can act as early adopter of innovative commercial end-solutions newly arriving on the market

(2) There isn't any solution or the problem is so technologically demanding that a radical and breakthrough new solution and significant R&D is needed.

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- Public procurement is 'the tool' that enables potential buyers to steer industry R&I to its needs. However, it is under-used in EU.

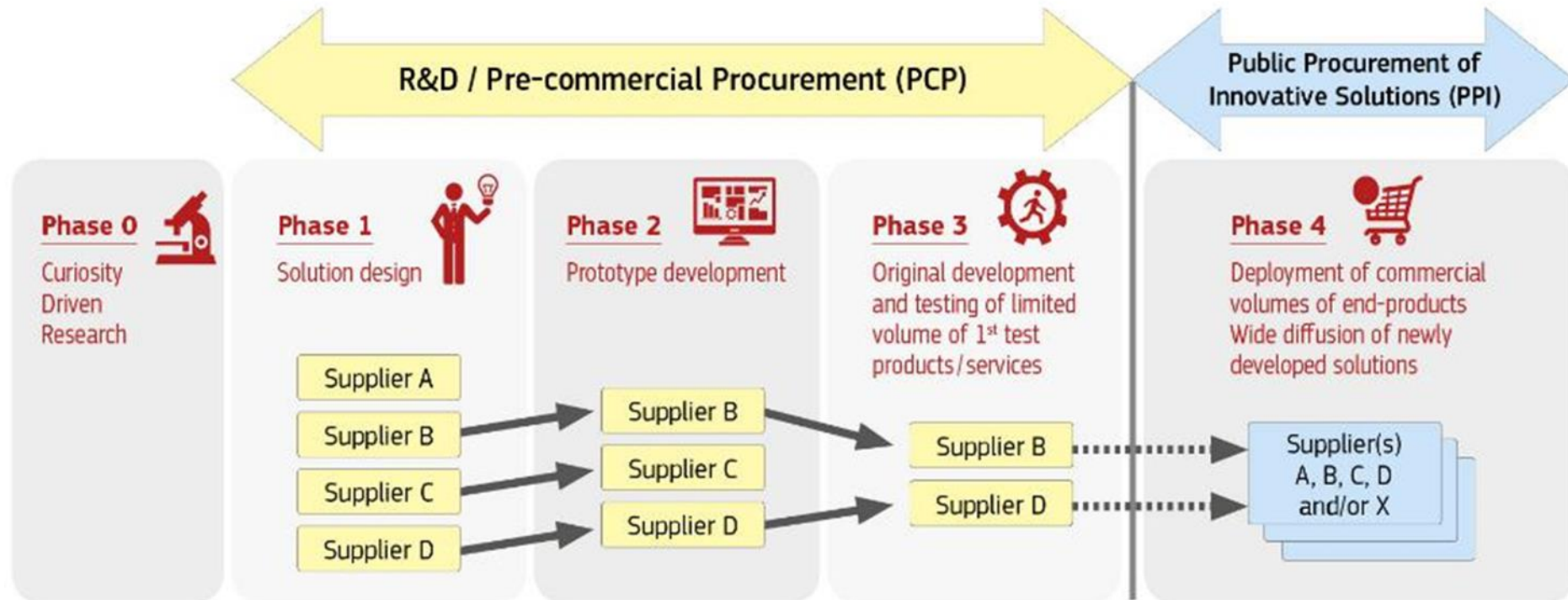|	US	EU	
PCP:	50 $Bn	10 €Bn	of R&D public procurement/year
PPI:	15%	5%	of e-gov solutions procured are 'innovative'

- Also large differences within Europe

Frontrunner Member States invest 5 times higher % of total public procurement budget than followers on ICT and R&D procurement
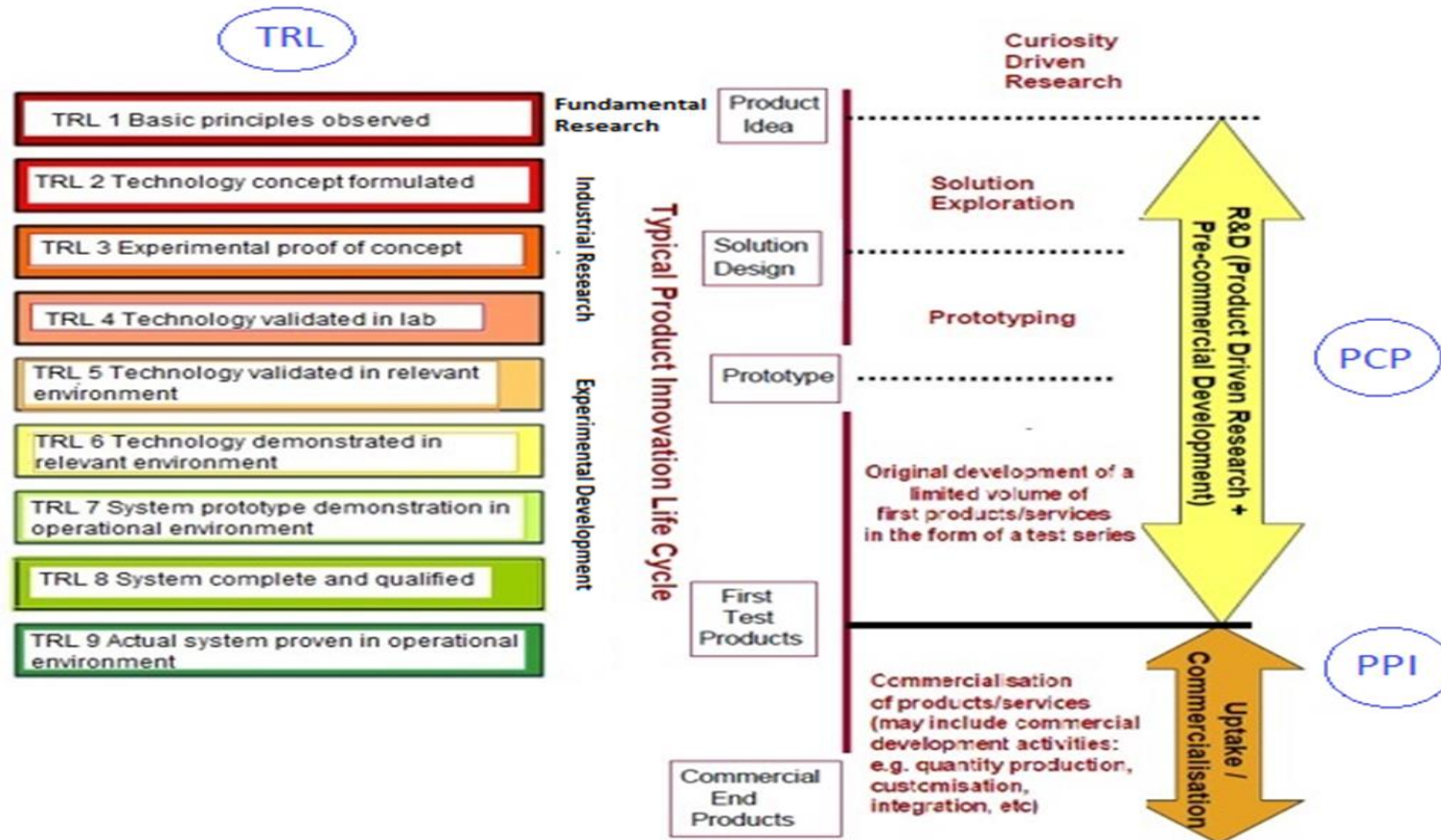
Source: European Commission;: https://ec.europa.eu/digital-agenda/en/news/quantifying-amount-public-procurement-ict-and-rd-across-europe

Rationale for innovation procurement

- Steer private R&D investments towards solving public challenges

- Modernise public service

- Enhance the innovation capabilities of European companies

- Create competitive advantages for European companies

- New markets, new employment opportunities

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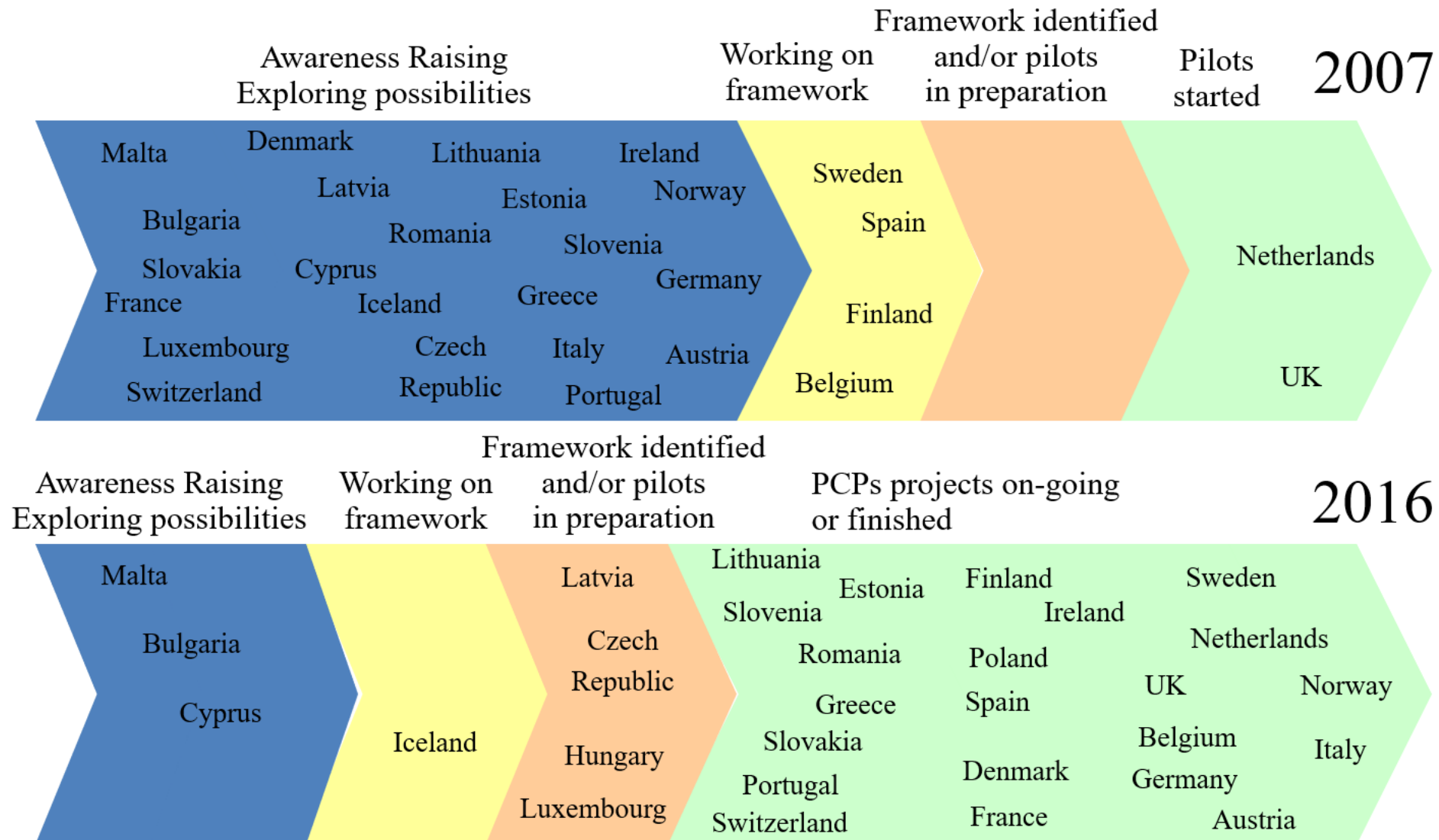
What is PCP ?

History of European support

- Funding
  - Since 2009: funding for networks of procurers
  - Since 2011: funding of PCPs and PPIs
  - 2014: new Procurement Directives
  - 2014: State aid Framework for R&D&I
  - 2014: Horizon 2020 and ESIF reinforcing EC support for PCP/PPI:

    H2020 support increased from 4,5€M in 2009-10 -> 43 €M in 2011-12 -> 94 €M in 2013 -> 130 €M in 2014-15 -> 130 €M in 2016-17

- Expert assistance: Eafip initiative

Progress PCP implementation
Learn from first movers

2007

Awareness Raising Exploring possibilities	Working on framework	Framework identified and/or pilots in preparation	Pilots started
Malta, Denmark, Lithuania, Ireland, Latvia, Estonia, Norway, Bulgaria, Romania, Slovenia, Slovakia, Cyprus, Germany, France, Iceland, Greece, Luxembourg, Czech Republic, Italy, Austria, Switzerland, Portugal	Sweden, Spain, Finland, Belgium		Netherlands, UK

2016

Awareness Raising Exploring possibilities	Working on framework	Framework identified and/or pilots in preparation	PCPs projects on-going or finished
Malta, Bulgaria, Cyprus	Iceland	Latvia, Czech Republic, Hungary, Luxembourg	Lithuania, Estonia, Finland, Sweden, Slovenia, Ireland, Romania, Poland, Netherlands, Greece, Spain, UK, Norway, Slovakia, Belgium, Italy, Portugal, Denmark, Germany, Switzerland, France, Austria

Examples of initiatives without EU support: http://ec.europa.eu/digital-agenda/news/innovation-procurement-initiatives-around-europe
Overview of EU funded PCPs/PPIs: http://ec.europa.eu/digital-agenda/eu-funded-projects
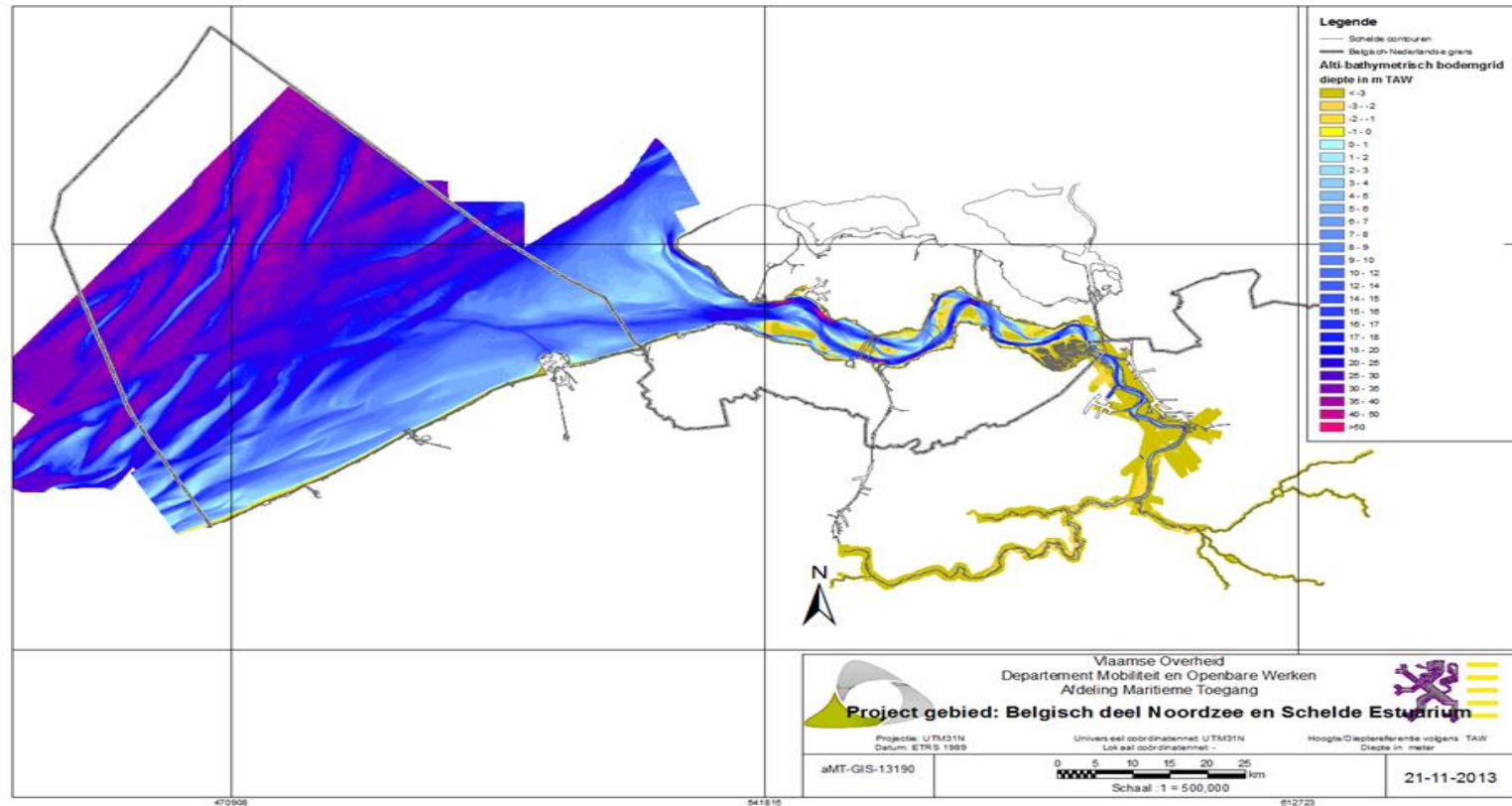
FP7 funded PCPs

- 11 out of 13 FP7 funded PCPs have awarded contracts by now
  - SILVER (Robotics for elderly care)
  - CHARM (Traffic management)
  - PRACE 3IP (Energy efficient supercomputing)
  - SMART@FIRE (Smart protective equipment for fire fighters)
  - PREFORMA (Long term digital preservation)
  - DECIPHER (Mobile health services)
  - Human Brain Project (High Performance Computing for brain simulation)
  - V-CON (Virtual construction of road infrastructure)
  - Cloud for Europe (Cloud computing for governments)
  - Thalea (Telemedicine for intensive care unit patients at increased risk)
  - IMAILE (Personalised e-learning solutions)

  HBP PCP doesn't result from a PCP call. HBP decided itself to use PCP under its subcontracting activities.
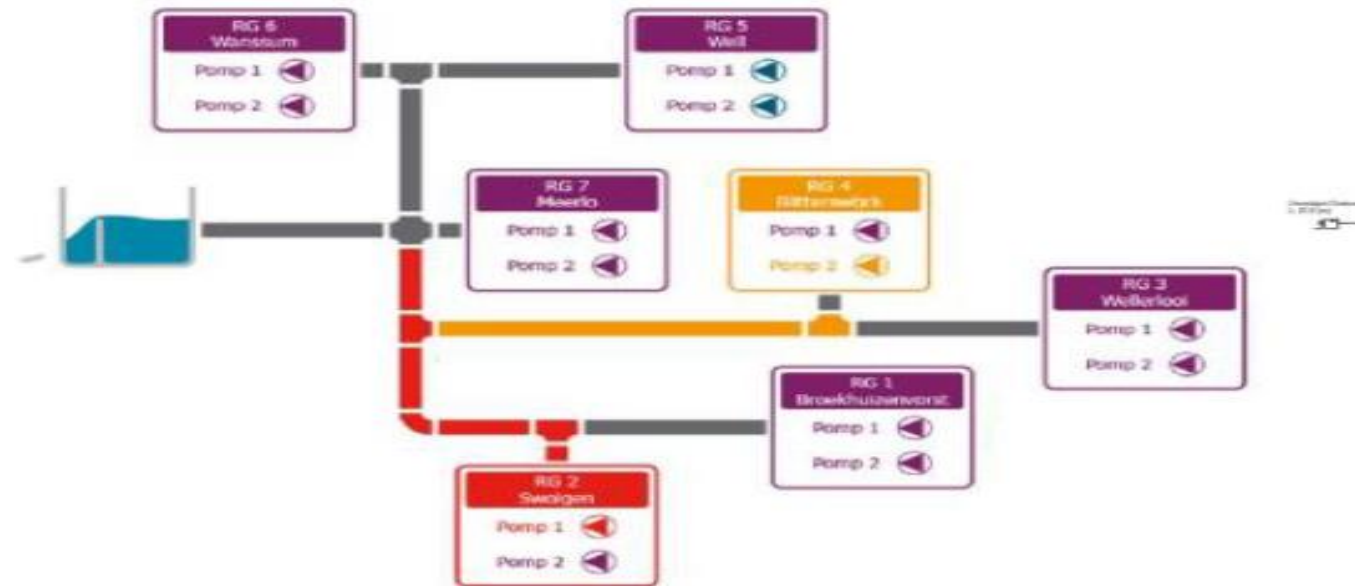
SILVER PCP - LEA (Lean Elderly Assistant) robot

Flemish Digital Elevation Models PCP

Waterboard Limburg (NL) pilot on sensor data analysis

Lessons learnt

- European funding v expert assistance
- Concrete/real procurement need
- State-of-the art analysis
- Calibrate the procurement requirements and conditions
- Dialogue with the market
- Communication with the selected companies/consortia during the PCP

Thank you for your kind attention

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