

PRIMES

[7] Innovation in GPP

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Overview

Innovation in GPP

- ⊙ **Different types of public procurement of innovation**
- ⊙ PPI and PCP
- ⊙ Innovation in 2014 Procurement Directives
- ⊙ Benefits and challenges
- ⊙ Good practice example
- ⊙ Useful links



Innovation Procurement

Different types

Procuring innovatively (procurement process)

- ⊙ Using new techniques or methods to procure
- ⊙ E.g.: TenderNed, Tender Electronic Daily, micro-procurement



Procuring focused on innovation (criteria)

- ⊙ Stimulating market parties to invest in innovation and R&D
- ⊙ E.g. Functional specifications



Procuring innovations (product)

- ⊙ Procuring the innovation itself, one or more public authorities act as a launch customer for innovative goods or services.

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PPI and PCP (I)

Public procurement of innovation (PPI)

- ⦿ occurs when public authorities act as a launch customer for innovative goods or services. These are typically not yet available on a large-scale commercial basis and may include conformance testing.

Example PPI:

Rhine Main Neckar, Germany

German administrations in Baden-Württemberg, Rhineland-Pfalz and Hesse have agreed to procure **four "fire boats"** capable of fighting fire outbreaks along the river Rhine. As well as controlling blazes, the boats are designed for rescue missions and other water-based assistance. They include a hydraulic crane, a recovery platform, and powerful foam and water cannons. The prototype for the boats has been intensively tested by the Hessen authorities for the past two years. The cities of Karlsruhe and Hanau are sharing the procurement costs with the states involved. The boats will be stationed flexibly along the river, ensuring optimal coverage.

PPI and PCP (II)

Pre-commercial procurement (PCP)

- ⊙ is an approach within the public procurement of innovation, developed specifically for the procurement of R&D services rather than actual goods and services;
- ⊙ if the goods or services developed during the R&D phase are to be procured, this would need to be based on a separate procurement process.

Example PCP:

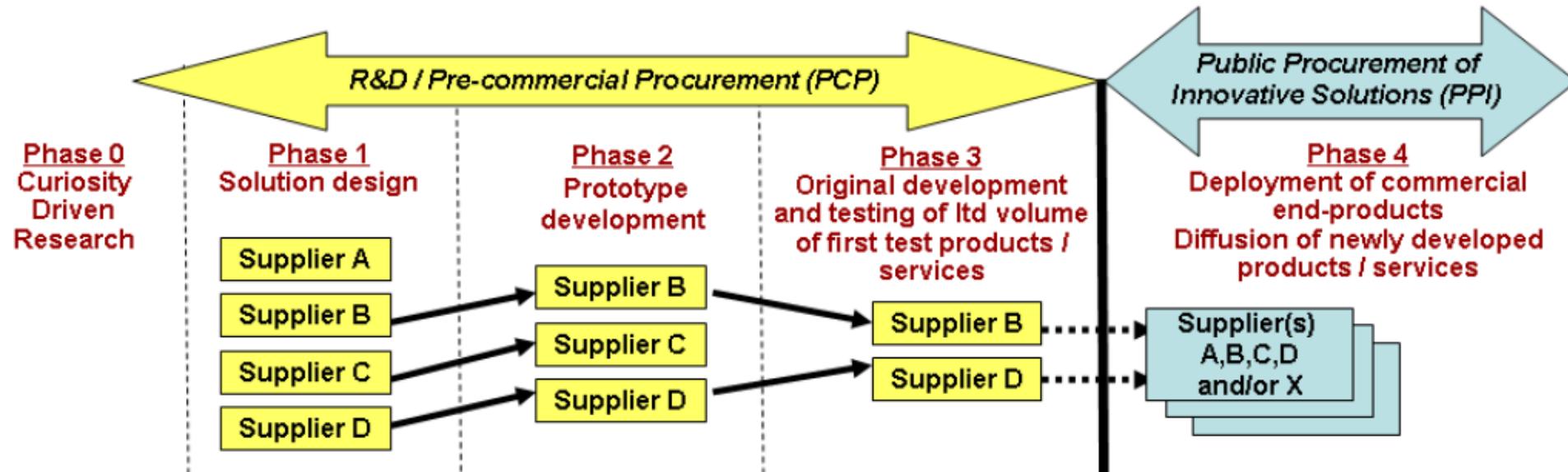
Stockholm, Sweden

Sweden's capital is experiencing a rapid expansion, generating a demand for new tools that facilitate more effective ways of travelling. The innovation competition "ITS Innovation Stockholm Kista" aims to stimulate the development of new solutions for a **more efficient use of transport infrastructure**. The project was launched in autumn 2012 as Sweden's first PCP. 14 companies initially tendered and six of those were awarded contracts in phase 1. During autumn 2013, three companies were selected to further develop their solutions in phase 2. Launch and commercialisation of the finished solutions is planned for autumn 2014.

PPI and PCP (III)

Influencing the market toward innovative solutions

- ❑ PCP to steer the development of solutions towards concrete public sector needs, whilst comparing/validating alternative solution approaches from various vendors
- ❑ PPI to act as launching customer / early adopter / first buyer of innovative commercial end-solutions newly arriving on the market



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Innovation in new procurement law

Procurement Directives 2014

- ⊙ Procedure for the development of an innovative product, service or works
- ⊙ Allow public authorities to call for tenders to solve a specific problem without pre-empting the solution (functional criteria)
- ⊙ Solutions are not yet available on the market.
- ⊙ The innovation partnership allows for the award of a phased contract covering all stages from R&D through to acquisition of commercial volumes of finished products or services with the involvement of one or more economic operators in each phase.

"Innovation partnerships" (IP)

Procurement Directive 2014/24 (Art. 31)

- ⊙ Procedure for the development of an innovative product, service or works
- ⊙ Allow public authorities to call for tenders to solve a specific problem (functional criteria) whilst solutions are not yet available on the market
- ⊙ PCP and IP are two alternative approaches that correspond to different needs and/or situations:
- ⊙ IP is a genuine public procurement procedure with full legal guarantees, while pre-commercial procurement is an exemption and falls outside the scope of the Directive.

”Innovation partnerships”

Procurement Directive 2014/24 (Art. 31)

- (1) The **competitive phase** will take place at the very beginning of the procedure, when the most suitable partner(s) are selected on the basis of their skills, abilities and price;
- (2) the partner(s) will **develop the new solution**, as required, in collaboration with the contracting authority. This research and development phase can be divided into several stages, during which the number of partners may be gradually reduced, depending on whether they meet certain predetermined criteria;
- (3) the partner will then **provide the final solution** (commercial phase).

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The need for PPI

Systematic GPP uptake

- Public procurement of innovation (PPI) occurs when public authorities act as a launch customer for innovative goods or services.
- These are typically not yet available on a large-scale commercial basis



Heat-resistant uniforms

© Photo courtesy of nokhoog_buchachon by <http://www.freedigitalphotos.net>



Hydrogen buses



Energy efficient green houses

Innovation Procurement: benefits

Increasing economic growth

- ⊙ The power of demand (e.g. first buyer or lead customer) can move the market to stimulate the economy and increase competitiveness of firms in future markets, creating new businesses and increasing the level of employment.

Better products and services

- ⊙ Direct benefits to the public as the users of public services can be the result of bringing new ideas onto the market. These can be then provided more efficiently and effectively and also more cheaply.

Solving the challenges facing society

- ⊙ Scientific and technological breakthroughs can be the result of PPI and PCP processes. The outcome of these can help tackle key societal challenges such as health and well-being; food security, sustainable agriculture, clean and efficient energy; sustainable and integrated transport; or climate change and resource efficiency.

Innovation Procurement : challenges

- ⊙ Dealing with output-performance, instead of detailed descriptions
- ⊙ Preparing the procurement and specifying the demand costs time
- ⊙ Clear distribution of responsibilities needed, concerning e.g. permits , intellectual property rights (IPRs)
- ⊙ Remain objective if offers differ strongly
- ⊙ Know what you want
- ⊙ For PCP a risk assessment should be done

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Good practice example: Zurich (I)

High energy-efficient floor lamp

- ⊙ Building Department applies “General Ecological building criteria” as minimum criteria in all concerned tenders
 - Use of sustainable building materials
 - Barrier-free construction
 - Control of indoor air quality
- ⊙ 2002: Project for the development of floor lamps with high energy efficiency standard Minergie ®
- ⊙ Pre-procurement phase:
 - Workshop with 27 manufacturers
 - 18 out of total 30 developed floor lamps complied with tender criteria

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INNOVATION



Good practice example: Zurich (II)

Result of innovation procurement

- ⊙ New high energy-efficient floor lamps on the market
- ⊙ Bidders apply new technology to other models
- ⊙ Great interest in new floor lamps in the private sector (e.g. banks)
- ⊙ Half energy consumption, lower LCC, ergonomic benefits and less electromagnetic pollution
- ⊙ Substantial cost savings for Zurich
- ⊙ Good profiling for successful bidder

Regent Lighting



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Useful links

- ⦿ **The Procurement of Innovation Platform:**
www.innovation-procurement.org
- ⦿ **Smart SPP:** www.smart-spp.eu/guidance
- ⦿ **Functional Specification Guide**
- ⦿ **Forward Committed Procurement**
- ⦿ **[other links...]**

