Innovation procurement
The European perspective

State of Play
May 30th, 2017

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Agenda:

1. Introduction
2. EC – FP7 – lessons learned
3. Dutch experience – lessons learned
4. Eafip – lessons learned
5. Closure
Team & partners Corvers

- Partnership with e-Law Department at Leiden University
- Partnership with Management School Maastricht: Corvers Chair for Innovation Procurement
Corvers Chair Innovation Procurement
Maastricht School of Management
Eafip - initiative

- www.eafip.eu
- Consortium partner
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. It is a tool to provide tax payers with public services of the best possible quality and efficiency.

- PCP (pre-commercial procurement)
- PPI (public procurement of innovative solutions)
Innovation Procurement: PCP + PPI

Complementarity

- 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
Why European cooperation on PCP-PPI?

- **Speed up public sector modernisation** – improve quality and efficiency of public services with breakthrough solutions

- **Get better value for money through cooperation** - enable public sector around Europe to share cost + experience to buy new solutions that can respond to concrete public needs

- **Address issues of common interest together** – e.g. where interoperability and coherence of solutions across borders, pooling of resources or market defragmentation is required

- **Create growth and jobs in Europe** – help innovators bring European R&D to the market (the majority of R&D in H2020 funded PCPs should take place in Europe, ltd set of first test products can be bought in the PPI from companies in the PCP)
Innovation Procurement

- Some crucial elements:
  - Strategic goals
  - Business case approach
  - Strong interaction with the market (market consultations)
  - PCP & PPI
  - NOTE: STRONG RELUCTANCE TO IMPLEMENT INNOVATION PARTNERSHIP DUE TO LEGAL RISKS RELATED TO STATE AID
  - Contractsmonitoring
  - Value Engineering
History

- 2005 Wilkinson report
- 2007 PCP communication
- Funding programmes (-now)
  - FP7
  - H2020
- 2014 Procurement Directives
- 2014 State Aid Framework
Progress PCP implementation
Learn from first movers

Awareness Raising
Exploring possibilities

Working on framework
Framework identified
and/or pilots in preparation
Pilots started

2007

Malta
Bulgaria
Slovakia
France
Luxembourg
Switzerland

Denmark
Latvia
Romania
Cyprus
Iceland
Czech Republic

Lithuania
Estonia
Slovenia
Greece
Italy
Portugal

Ireland
Norway

Sweden
Spain
Finland
Belgium
Netherlands

UK

2016

Malta
Bulgaria
Cyprus

Latvia
Czech Republic
Iceland

Lithuania
Slovenia
Romania
Slovakia
Portugal
Switzerland

Finland
Ireland
Poland
Spain
Denmark
France

Sweden
Netherlands
Norway
Belgium
Germany
Austria

UK

Examples of initiatives without EU support:

Overview of EU funded PCPs/PPIs:
http://ec.europa.eu/digital-agenda/eu-funded-projects
First results 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.

• Contracts awarded
  - Tender docs downloaded typically between 50 to 300 times
  - Nr of offers received typically between 10-34 (4-7 for specialised/low budget PCPs)
  - 75 contracts awarded in total (126 companies/universities involved)
Results of first (11 out of 13) FP7 funded PCPs

• Opening route-to-market for new players/SMEs
  - 71% of contracts won by SMEs (SME lead bidder, bidding alone or with partners)
  - Compared to 29% in public procurements across Europe
    Mostly small young SMEs: 27% below 10 people, 60% below 50 people, 49,5% less than 10 years old

• Joint procurement stimulates cross-border company growth
  - 34,6% of contracts won by bidders that are not from a country of any of the procurers in the buyers group (e.g. DE company working for UK+NL procurers)
  - Compared to 1,26% in public procurements across Europe (also in national PCPs)

• Relevance to universities & bringing scientific results to market
  - 28% of winning contracts have university/R&D center partner in consortium
  - Winning SMEs are also often university start-ups

• Encouraging commercialisation – budget efficiency
  - Bidders offered ~ 50% price reduction on R&D cost (market beyond procurers)
    -> PCPs can get twice as much R&D done for same budget as R&I action

• Creating growth and jobs in Europe
  - 98,7% of bidders do 100% of R&D in Europe
    (2 have committed to do minimum 68% resp. 85% of R&D in Europe)
Still companies out there that don't know about these contract opportunities. New additional Horizon 2020 PCPs will launch their call for tenders in coming months. Who can help promote such upcoming call for tenders in their countries?

Overview on-going projects: http://ec.europa.eu/digital-agenda/en/eu-funded-projects
Lessons learnt from on-going EU projects

• Importance concrete procurement need
  • Surveys: what companies need = customer requirements. No use to do PCP/PPI for the fun of funding innovation.

• Importance preparatory work
  • Still R&D needed? Need to compare competing solution approaches. No test proof yet whether any can meet procurement need. (PCP)
  • Already solutions near or on the market. No R&D but perhaps still close-to-market adaptation/integration/scaling up needed. (PPI)

• Importance of open market consultation
• Importance of defining IPR conditions up front in call for tender
• Importance of wide promotion of call for tender
• Learn from others – no need to reinvent the wheel
National level: Commissie Elias

Naar grip op ICT – Parlementair onderzoek naar ICT-projecten bij de overheid:

10 conclusions & 34 recommendations
Attention and understanding of the various phases in an ICT project

Governance: Monitoring, management, control and organization

Initiate → Planning → Design → Realization → Implementation → Management

Purchasing, procurement and contract management

Lessons and pitfalls can be linked to different aspects of ICT projects

- Governance: Monitoring, management, control and organization
- Implementation (from initiation to management) ICT projects
- Procurement and contract management
Commission Elias: Lessons and key issues for control and management of ICT projects

- Project execution
- Design and implementation of IT systems
- Governance and organization
- Changes in management and culture
- Suppliers - and contract management
Organization of processes within IT projects

*Plan-Do-Check-Act (PDCA) cycle*

The establishment of an ICT project should be based on clear objectives and a constant evaluation of these objectives

The **PDCA** cycle is a good tool to this reflectivity within ICT realizing projects:

- ICT projects should start on the basis of a clear problem definition and objectives (**PLAN**)
- During the execution of the project (**DO**) it should be constantly monitored whether the objectives are achieved (**CHECK**)
- If it appears that objectives are not achieved, improvements shall be adopted (**ACT**) and/or the objectives be modified (**PLAN**)
- The **PDCA** cycle applies both to the entire project in different phases and sub-phases
Schematic: Capturing Innovation through the procurement cycle

**Procurement Process**

1. **Business Strategy**
2. **Establish Need**
3. **Develop Need**
4. **Develop Procurement Strategy**
   - Competitive Procurement
   - Award/Implement Contract
   - Manage Contract
   - Closure

**Capturing Innovation – Behaviours**

**Before Procurement**
- Earlier Supplier Involvement
- Communicate long-term plans to the market
- Early cross-functional dialogue (incl. policy, procurement and project staff)
- Be responsive to unsolicited proposals
- Decide how best to handle IPR and understand why
- Use output/outcome specification
- Decide whether to allow variant bids
- Consider contracting strategy (incl. use of SMEs; appropriateness of partnering)
- Evaluate risks early

**During Procurement**
- Evaluation of proposals – evaluate the value outputs from proposed innovations
- Evaluation of risk
- Evaluate variant bids (if applicable)
- Include appropriate provision for innovation in contract

**After Procurement**
- Risk/Reward sharing
- Manage incentives
- Continuous improvement via contract management

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Eafip-initiative

- European Commission DG CONNECT
- 2015-2018
- Knowledge transfer to contracting authorities throughout Europe
  - Workshops & conferences
  - Toolkit
  - Local assistance (e.g. Waterschapshuis)
- Netwerk-approach
- Demand driven policy – no support to companies
Eafip-initiative

- Innovation procurement
- Coherent approach
- Legally validated
- Lessons learned from FP7 (and H2020)
- Lessons learned from member states (e.g. Netherlands – Elias)
Eafip - initiative

- [link] www.eafip.eu
- Consortium partner
Thank you for your attention

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