EUROPEAN UNION

EUROPEAN RESEARCH AREA AND INNOVATION COMMITTEE

– ERAC –
Secretariat

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ERAC 1209/15

NOTE

To:	ERAC delegations
Subject:	ERAC Opinion on Innovation Procurement

Delegations will find attached the ERAC Opinion on Innovation Procurement as adopted by written procedure.

ERAC Opinion on Innovation Procurement

I Introduction

Over the last decade more and more countries in Europe and beyond have realised the potential of innovation procurement[1] as a way to boost demand for innovative goods and services. It has become an established part of policies in many EU Member States, in the form of a wide range of instruments − from setting national percentage targets for innovation procurement to developing action plans and financial instruments. Furthermore, the revised EU procurement legislation combined with financing in Horizon 2020 and in structural funds have increased and widened the interest in the innovation procurement in the EU Member States.

Highlighting the importance of the topic, ERAC has decided to develop the discussion further by drafting its proper opinion to mark the way forward for innovation procurement. The principal aim of the report is to identify good practices across Europe and propose ways to promote and implement these good practices.

Based on the results of the survey carried out among ERAC members as well as using other available resources, ERAC proposes a set of recommendations and policy options to the Council, Member States and the Commission.

To the Member States:

1. **Create a strategic framework for innovation procurement, together with an action plan. The framework should contain definitions, goals and indicators, tools and activities as well as roles and responsibilities**

2. **Set up a national coordinating service offering support to contracting authorities and raising awareness on innovation procurement**

[1] In this document the term Innovation Procurement refers to any kind of public procurement practice (pre-commercial or commercial) that may help the market uptake of innovative products and services.

3. **Provide financial incentives for contracting authorities to undertake innovation procurement, in the form of grants or loans**

To the European Commission:

4. **Set up an EU knowledge-sharing service on innovation procurement, encouraging mutual-learning and providing advice on financing possibilities**

To the Council:

5. **Invite the Commission to develop the monitoring system of innovation procurement in the EU, including a new indicator "innovation procurement" within the Innovation Union Scoreboard, and accelerate the setting of adequate numerical targets**

The structure of the draft opinion follows the most recurrent challenges according to the survey carried out among the members of ERAC: strategic level, implementation and impact.

II Background

It is important to use public procurement strategically. This is a main message from the „Europe 2020 Flagship Initiative Innovation Union" because of two reasons. On the one hand, public procurement is becoming more and more important as a vehicle for encouraging innovation in companies and letting companies sell their innovations to procurers. On the other hand, public procurement of innovative products and services is vital for improving the quality and efficiency of public services at a time of budget constraints. However, little public procurement in Europe is aimed at innovation, despite the opportunities under the EU procurement directives. Important hurdles still remain, as most public sector organisations still prioritize low-cost over innovation. This means that Europe has an enormous – and till now under-exploited – opportunity to spur innovation using procurement because of the large and continually increasing financial volumes involved (see table below).

Total public expenditure on works, good and services[2]

Year	2005	2006	2007	2008	2009
EU 27 Total in Billion €	**1 802,23**	**1 945,80**	**2 091,63**	**2 164,47**	**2 288,44**

Latest estimations position public expenditure on works, goods and services at a value of close to €2.3 trillion in the year 2009, equalling 19.4% of European GDP.

Governments therefore exercise a significant influence on the market. The public sector has the potential to serve as an important driver for innovations, through its role as a 'launch customer' creating lead-markets for sophisticated new products and services. The findings of European Public Sector Innovation Scoreboard 2013 show that an important share of companies sell their innovative products and services to government buyers. Altogether 24% of companies in the EU27 have sold their innovations to the public sector through public procurement since 2009 (EPS Innovation Scoreboard 2013). Also, about one third of companies that had successfully participated in a public procurement tender, had sold innovative products or services as part of this (Innobarometer 2014).

However, there is significant room for improvement in developing public procurement of innovation. Only 6% of companies have taken part in any form of public procurement of innovative solutions. (Innobarometer 2014) . This partly reflects the finding that even if 66% of public organisations consider innovation and low cost equally important in their tenders, the share of organisations prioritising low-cost over innovation is roughly two times higher (respectively 22% and 12%) (EPS Innovation Scoreboard 2013). Therefore, significant work remains to be done on national as well as EU level to unleash the full potential of innovation procurement. This opinion addresses the main challenges and recommends five actions to tackle them.

[2] Source: http://i3s.ec.europa.eu/commitment/21.html

III Recommendations

III.a Strategic level

Policy development varies greatly among the countries that participated in the survey. Some countries are quite advanced and already have in place dedicated innovation procurement strategies or action plans which are in many cases complemented by corresponding implementing measures. Other Member States are just starting to address this policy area.

Some common challenges can be identified at the strategic level:

- Innovation procurement is a new policy field and its ownership is not self-evident. Policy development requires co-operation across the administration. In many Member States there are no proper working methods for horizontal co-operation and co-ordination. Political commitment is necessary to facilitate the change in behaviour.

- The potential of innovation procurement is becoming increasingly more recognised, but the evidence is still mostly anecdotal. It will take several years before policy changes and initiatives taken in recent years are able to provide empirical evidence.

Following this, ERAC proposes the Member States to:

Recommendation 1 - Create a strategic framework for innovation procurement, together with an action plan. The framework should contain definitions, goals and indicators, tools and activities as well as roles and responsibilities

Creating a strategic framework for innovation procurement requires that the preconditions for policy development, such as the feasibility, the objectives, stakeholders and the funding, are determined.

This can be achieved by developing an innovation procurement strategy or by ensuring political commitment through embedding it in national innovation strategy, procurement strategies or sector strategies. At the local and regional level this can be done in e.g. service strategies.

In order to implement the strategies it is recommended to work out an action plan for innovation procurement with clear tasks and responsibilities, addressing in particular the challenges of the horizontal policy implementation in the ministries and agencies.

Examples of good practice

In Denmark the innovation procurement is an essential part of the national procurement strategy that emphasizes the importance of intelligent purchasing. The basic objective is to increase synergies and scaling up, emphasising the role of market dialogue to identify market and user needs, using functional requirements to support innovation and development of more efficient solutions. The Danish national innovation strategy also contains a number of policy initiatives concerning public procurement of innovation.

Finland has incorporated innovation procurement into several national sector strategies and programmes (e.g. most recent are bioeconomy strategy, cleantech strategy, Innovative Cities programme). In addition, a comprehensive Tekes innovation programme „Smart Procurement“ has been started to create favourable conditions and necessary financial and other support for innovation procurement. Integrating innovation procurement to most relevant sector strategies creates ownership and links the innovation procurement directly to the future needs of each particular sector.

In Austria an action plan on innovation procurement was developed based on the emphasizing of demand-side measures in the "Austrian Strategy for Research, Technology and Innovation". It establishes the institutional governance for the implementation and defines concrete tasks and responsibilities among the ministries and agencies. The focus is on empowering and mobilising the public procurers. Till now a special focus has been given to the transport, energy and building sectors.

III.b Implementation

While the previous chapter emphasised the need for a coherent strategic framework, the following recommendations reflect the implementation of that strategy. Innovation procurement practices show quite some variety among Member States. As demonstrated by the survey, many countries have already adopted strategy documents recognising the importance of innovation procurement, either in a stand-alone action plan or integrated in the policy scheme. However, innovation procurement polices are often implemented in a dispersed or fragmented way, resulting in a limited scale of market take-up.

In implementation it is important to tackle both the cultural obstacles and change of risk-averse attitudes in the public sector by focusing on capacity building as well as providing different incentives. More advanced policy-systems already include a set of measures on innovation procurement, covering awareness-raising activities, services, and financial support programs. In general, strategic governance, raising awareness among stakeholders, skills development and providing co-financing incentives remain critical elements in order to encourage innovation through procurement policies.

Therefore, the ERAC calls upon Member States to:

Recommendation 2 - Set up a national coordinating service offering support to contracting authorities and raising awareness on innovation procurement

In each Member State, a central service provider should coordinate the implementation of policies dedicated to public procurement of innovation. The promotion of these policies would create the conditions for a thorough engagement of all types of stakeholders (especially public buyers).

The tasks of the service providers could include the following:

- Map promising innovative procurement early demand opportunities and identify strategic innovative procurement sectors, according to the political specificities of the Member State (for instance: healthcare, transport, housing, energy).

- After inviting the different contracting authorities to present an annual innovative procurement plan setting out the innovation procurement projects with forecast amounts and/or targets, this coordination service would then support the management of these plans with an innovative purchase referent in each department.

- Publish the plans and targets to enable companies to identify companies' future markets so they can position themselves upstream. This will also facilitate the reporting of innovation procurement qualitatively.

- Facilitate networking and knowledge-sharing among stakeholders, coordinate implementation initiatives such as trainings, online platforms, trade shows etc. Specialised trainings to mobilise public procurers for innovation procurement should enhance the involvement of different actors into market dialogues.

- Provide support and advice to buyers on defining innovation, solving legal and contractual aspects of innovation procurement procedures, EU instruments available in Horizon 2020, COSME and European Structural and Investment Funds (ESIF).

- Spread best practices among regional and local authorities in order to facilitate awareness raising and peer-learning on innovative procurement. This should also include assessment tools regarding both risk sharing management and benefits of innovation procurement.

Examples of good practice

In Sweden the support, guidance and information on all aspects of innovation procurement is gathered in the Swedish Competition Authority. The agency encourages innovation-friendly procurement as well as supplying method and skill support for innovation procurement. It provides guidance on areas and industries where specific forms of innovation procurement are appropriate, implements regional inspirational seminars, collects and disseminates good examples. The agency participates also internationally on bi- and multilateral level in order to benchmark best practices and to learn more about the development of innovation procurement in the EU.

In France, the professional "reverse" trade shows organized by public institutions at both national and local levels are an example of efforts by Member State authorities to spread awareness on innovation procurement and encourage networking. Public institutions take up the role of the exhibitors, visited by large companies and SMEs, interested in their needs for new products and services. This new kind of trade show foster an effective encounter between emergent needs and innovative companies. Public buyers can identify new suppliers, and companies get opportunities to propose and discuss their specifications. More than 200 participants, of which 100 SMEs, attended the first edition held on 7 July 2014 under the theme of digital administration. Examples of projects include “Software management of biological samples” where the National Agency for AIDS Research found an industry partner for creating an innovative biobank and “Software to improve the storage capacity and network of high performance computing cluster” with National Institute of Health and Medical Research partnering with the private sector in developing its computing capacities.

Recommendation 3 - Provide financial incentives for contracting authorities to undertake innovation procurement, in the form of grants or loans

Member States should aim at developing and providing a comprehensive set of financial incentives, taking into account its political and cultural specificities to stimulate certain sectors and domains. Such a policy could involve grant programs with co-financing for innovation procurement by public contracting authorities in order to encourage innovation via procurement policies.

As a result, procurement is to evolve into an open innovation process where co-creation between supplier companies and users is a critical success factor. Large companies as well as SMEs need to be encouraged to bid on public innovative tenders through financial incentives sharing the risks and benefits of innovative development. Therefore government action plans should provide financial support for innovation procurement schemes on a complementary basis.

Examples of good practice

In Finland, TEKES is running a programme “Smart procurement” (2013-2016) which provides a financial incentive for public procurers in Finland to undertake more "innovative" procurements. The programme budget is about EUR 60 million of which Tekes will cover half. TEKES funds the planning of public contracts aiming at renewal of services and activities. This funding is targeted at all Contracting Authorities, and it typically covers 50% of total project costs. The procurement must be extensive enough to have an impact on the development of the sector, at least regionally. The planning and preparation of an innovative procurement should encourage active dialogue with potential tenderers and end-users. Additionally, strategic commitment to an innovative procurement is expected of the Contracting Authority. Examples of successful projects include the “Flood risk warning system” for comprehensive flood risk management as well as “Zero Energy Building” in Järvenpää testing innovative solutions for the energy-efficient constructions of a nursing facility.

In the UK, the Small Business Research Initiative (SBRI) programme presents a well-established process to connect public sector challenges with innovative ideas from industry, supporting companies to generate economic growth and enabling improvement in achieving government objectives. SBRI works by setting up a competition when a government department or public body wants to procure an innovative product or service to solve a particular problem. Competitions are widely advertised and applications from businesses are invited. The most promising applications are awarded development contracts. Companies can be given up to £1m to develop their ideas into innovative solutions for the public sector, 100% of the development and prototyping / demonstration cost of developing a new product or service are funded. As a recent example of a SBRI success story, the National Oceanography Centre launched a competition to find long-endurance marine unmanned surface vehicles, resulting in the construction of an autonomous vessel C-Enduro that uses multiple energy-sources (solar, wind and diesel) to keep it operational for a long period. Other examples of successful projects include the development of intelligent fabrics, solutions to combatting online fraud, novel lights bulbs and many more.

The European Commission is supporting the development of innovation procurement both with financial measures as well as 'soft' tools, such as knowledge-sharing, awards and guidance. Despite the high visibility of innovation procurement in Horizon 2020 together with the increasing EC financial support, the mobilisation of public procurers on the EU level proceeds slowly. Admitting that the full mobilisation power of Horizon 2020 to unfold requires more time, it seems appropriate to complement it with further actions in order to substantially boost innovation procurement along European public procurers and take advantage of the benefits that could be derived from it.

Therefore the ERAC recommends the European Commission to:

Recommendation 4 – Set up an EU knowledge-sharing service on innovation procurement, encouraging mutual-learning and providing advice on financing possibilities

The tasks of this service would be to collect, to synthesis and diffuse innovation procurement relevant knowledge. The target groups could be threefold: individual public procurers interested in cross-border procurement, national service centres and national policy makers. The service could be organized either as an explicit service point, use the Policy Support Facility (PSF) or a thematic platform/network.

The EU knowledge service on innovation procurement should provide hands-on expertise and one-to-one support to Member States (e.g. for groups of procurers interested in cross-border undertakings, national service centres, national policy makers), such as e.g.,

- facilitate and ease regions and Member States to use ERDF funds for innovation procurement (incl. precommercial phase) through expliciting innovation procurement as an implementation tool in their research and innovation strategies for smart specialisation (RIS3), as Spain or Hungary[3] are already doing
- Build a hierarchy of innovation needs according to EU development strategy targeted priorities.

[3] The National Smart Specialisation Strategy (S3) of Hungary mentions the demand-side interventions (like PCP and PPI) as potential market incentive instruments for supporting innovation.

Other services could comprise:

- Knowledge-sharing in the form of guides, examples of good practices, standard documentation for tenders etc. Also the organisation of workshops and training courses for general awareness raising and peer-learning on innovation procurement.

- an NCP (National Contact Point) like, eventually CSA (Coordinated Support Action) supported expert group horizontally promoting the innovation procurement concerns (open topics such as ICT or other) within Horizon 2020 and complementarities with other programmes (COSME) to share among Member States best practices and lessons learned to encourage wider adoption of successful models.

- measures to increase attractive EU access to Horizon 2020 PCP/PPI projects:

    - a dedicated space within the participant portal for PCP and PPI-Cofund Actions (similar to the SME-instrument) could support this,

    - a European platform for innovation procurement gathering needs, projects or even calls for tenders from various European countries, where innovation procurement stakeholders could meet and debate.

Examples of good practice

The 'Procurement of Innovation Platform', a project funded by the European Commission Directorate-General Internal Market, Industry, Entrepreneurship and SMEs (DG GROW), has already elaborated some innovation procurement guides, is distributing relevant news and documentation and serves as a good meeting point for innovation procurement stakeholders. Nevertheless, it does not provide any hands-on expertise or directly organise workshops and events.

DG GROW and DG Communications Networks, Content and Technology organise periodic high-level events (approximately twice a year), which are very good examples of awareness raising and networking.

III.c Impact

The expectations on the impact of innovation procurement are high. The efficiency and quality of public services should be improved, while spurring industrial innovation at the time of budget constraints on the one hand and addressing the major societal challenges on the other. To better realize this impact, a substantial increase of innovation procurement is aimed at.

On the European level, a quantitative innovation procurement target has been discussed – inspired by the US SBIR program Within the "Europe 2020 Flagship Initiative Innovation Union" it was suggested that from 2011, Member States and regions should set aside dedicated budgets for pre-commercial procurements and public procurements of innovative products and services. This should create procurement markets across the EU starting from at least €10 billion a year for innovations that improve the efficiency and quality of public services, while addressing the major societal challenges. In addition, joint public procurement should be facilitated. On the national level Member States such as France, Spain, UK and the Netherlands have already introduced quantitative innovation procurement targets. Other countries such as Austria, Belgium, Finland, Germany, Lithuania and Sweden discuss quantitative targets. Since innovation procurement is difficult to measure, the setting of targets and the monitoring of its achievement are challenging.

The monitoring of the impacts of innovation procurement is just in its beginning. Although member states collect public procurement data on regular basis innovation procurement was not included in the past. This situation is slowly changing. On the European level, innovation procurement is included as part of the Innobarometer Survey, the Community Innovation Survey, and the Public Sector Innovation Scoreboard. On national level, several countries started monitoring activities and have executed or are preparing assessments and evaluations – e.g. the Netherlands, UK, Austria, Belgium, Denmark, Finland, Estonia, France, Germany, Ireland, Italy, Lithuania, Norway, Portugal, Spain, and Sweden. Beyond that the European Commission and the OECD are working on the development of standards for the monitoring and measurement of innovation procurement.

Therefore the ERAC recommends the Council to:

Recommendation 5 - Invite the Commission to develop the monitoring system of innovation procurement in the EU, including a new indicator "innovation procurement" within the Innovation Union Scoreboard, and accelerate the setting of adequate numerical targets

Innovation procurement plans should include qualitative and/or quantitative targets. Whereas quantitative targets can be expressed as dedicated innovation procurement budgets, qualitative targets can range from "more awareness for innovation procurement" to "more frequent use of the innovation relevant mechanism of the procurement law" to "better including R&D in procurement tenders". The setting of targets and the monitoring should be based on prior innovation procurement definitions distinguishing types such as "R&D Procurement" (as it is done in PCPs), "First Commercial Procurement of Innovation" (new for both, the supplier and the contracting entity) or "Diffusion of Innovation" (new for the contracting entity, but not for the supplier).

The Innovation Union scoreboard could provide a new indicator "innovation procurement" .This indicator would stimulate each member state to consider innovation procurement in their procurement strategy if it influences the country ranking. It should be considered whether a monetary indicator would be most appropriate (including a definition and illustrative examples).

Examples of good practice

Concerning targets

With regard to targets, on July 2011 the Spanish Cabinet passed a regulation on innovation procurement which obliges each of the ministries and their public bodies to specify in their budgets and in different multiannual action programs the amounts allocated to this procurement modality. Thereby a target of 3% was set (percentage of procurement budget dedicated to innovation).

The French Government has given priority to the development of innovation procurement with a target of 2% of the overall volume of public procurement awarded to innovative SMEs by 2020.

The Dutch Government has decided to encourage public procurement of innovation, introducing a 2,5% target for public procurement of innovation on a national level. Research shows that around 6% of all procurements aim at attracting innovative solutions. It's however very hard to measure the amount of money spent on innovation in our current measurement system that evaluates the tendering process.

The UK's Budget 2013 set targets for an expansion of the use of SBRI across 6 departments, and confirmed these targets for selected departments. Department SBRI target 2013-14, £ million Defence 50; NHS (Health) 30; Transport 7; Home Office 7; Energy and Climate Change 3; and Environment, Food and Rural Affairs 3. These targets doubled in 2014/15.

Concerning monitoring

Regarding monitoring, within the Community Innovation Survey and the Innobarometer Survey, monitoring indicators have already been developed and tested. Their focus is thereby on the industry impact. Examples of questions are: How important is each of the following customers, whether national or international, for the sale of your innovative goods or services ("other companies", "public sector organizations", "individual customers")? Did your company sell an innovative good or service as part of any public procurement contract you won?

The Dutch Government measures innovation procurement since 2010. This national government-wide indicator of innovation procurement is incorporated in the Ministry of Economic Affairs budget. Next year the measurement system will be improved and expanded.

In the UK - alongside this expansion of SBRI - Innovate UK is carrying out an evaluation of SBRI that is scheduled to report in Spring 2015. It comprises three different stands: a process evaluation to assess the effectiveness of the processes set up to deliver SBRI; a retrospective impact evaluation looking at past SBRI competitions to assess the impact they had on the businesses involved, and; a baseline survey covering the latest full year of SBRI, to enable future assessment of impact.

In Austria the development of a comprising monitoring system has been started in 2014. A first set of impact indicators has been developed: Procurement of goods/services newly developed for the procuring entity; first commercial procurement of goods/services; and diffusion by procurement of innovative goods/services only recently available at the market. Statistics Austria has been commissioned to carry out a representative innovation procurement survey, the result of which is expected in mid-2015.

In France, a procurement performance system was installed 2014 including 2 cases: (i) the procurement of innovation is the object of the market and aims to cover a new need; (ii) the procurement which responds to an existing covered need but for which an innovative response is possible (new and improved response necessary). A distinction between total amounts of innovation procurement contracts per department and innovation procurement contracts per department for SMEs is included.

In 2015 the Danish Government will evaluate the initiatives launched in the Strategy for Intelligent Public Procurement and the development in the public procurement in general.

A research project to measure the innovation impacts of public procurement has been carried out in Finland. Based on a company survey and survey to public procurers, the project attempts to gather knowledge on the impacts of innovation procurement at the firm and procurement unit level and deepen the understanding of the mechanisms as well as risks and barriers related to purchasing innovative solutions.

As demonstrated by the good practice examples, every country has its own monitoring approach. A first generalization results in the following steps:

1) Setting the scope of innovation (e.g. new for which entity? company, procurer, market national/international, end-user/citizen?)

2) Specification of indicators (e.g. number of innovative procurements, or monetary value of innovation procurement?)

3) Group to be monitored: procurement officers, project managers, companies

4) Preparation of illustrative examples

Annexes to the draft ERAC Opinion on innovation procurement

List of Annexes:

Annex 1. Composition of the ERAC Task-Force on Innovation Procurement

Annex 2. Suggested structure for strategy and action plan

Annex 3. Financial support instruments for innovation procurement in the Member States

Annex 4. Examples of national monitoring systems for innovation procurement

Annex 1. Composition of the ERAC Task-Force on Innovation Procurement

Rapporteur – Mart Laatsit (EE)

- David Adolphe (FR) *also Bastien Beley*
- Eva Buchinger (AT)
- Miguel Ortiz Pajares (ES) *also Juan Manuel Garrido*
- Valentinas Kvietkus (LT) *replaced by Romualdas Kalytis*
- Ivana Pavlaković (HR)
- Sigrid Rajalo (EE)
- Lena Svendsen (SE)
- Hilde Vermeulen (BE)
- Kirsti Vilén (FI)
- Lisa Van de Voort (NL) *replaced by Marieke van Putten*

Annex 2. Suggested structure for strategy and action plan[4]

Suggested structure for strategy and action plan includes a list of topics to be covered in developing a strategic framework for innovation procurement. It is suggested to be as explicit as possible. Embedding figures and flowcharts is encouraged. The structure and content suggested must be regarded as an example that must be adapted to the local conditions in the country or region.

I INTRODUCTION

1. Rationale for designing a strategy and action plan – includes challenges that will be addressed by innovation procurement. A discussion about the balance between best price / life time quality/social benefits and green benefits can be included.

2. Target group of the document.

3. Aim of the document

   a) Nature of the document, e.g. to give a strategic framework, practical guides, coordinate, obligatory/recommendation etc.

   b) Mandate of the document and its links to related strategic documents

   c) Positioning of the document in relation to different policies (innovation policy; procurement policy etc.)

[4] examples of existing strategies, action plans or frameworks:

- „Public Procurement of Innovation Policy Framework“ (2014), Rijkswaterstaat, Ministry of Infrastructure and the Environment, the Netherlands: http://www.rijkswaterstaat.nl/en/images/Factsheet%20Policy%20Framework%20-%20Public%20Procurement%20of%20Innovation_tcm224-368853.pdf
- „Demand and User-driven Innovation Policy“ (2010), Ministry of Employment and the Economy, Finland: https://www.tem.fi/files/27547/Framework_and_Action_Plan.pdf
- Strategi for intelligent offentligt indkøb 2013, Denmark (Smart Procurement strategy, in Danish) http://www.fm.dk
- Austrian action plan: Leitkonzept für eine innovationsfördernde öffentliche Beschaffung (IÖB) (BMWFJ/BMVIT 2012). www.ait.ac.at/.../projekte/IOEB/IOEB_Leitkonzept___2012.pdf

4. Scope and scale – e.g. in terms of domains, fields, including description of legal framework.

II DEFINITION OF INNOVATION AND LEGAL FRAMEWORK

Definition of innovation and related concepts, e.g.:

1. Public procurement of innovation / pre-commercial procurement in relation to regular procurement

2. Types of innovation relevant to the context of the document, e.g. incremental vs radical innovations; process, product, organisation innovation.

3. the description of innovation process (including PCP and PPI and their sub-activities like market research, partner evaluation, validation, test-beds etc.),

III OBJECTIVES AND INDICATORS

Clear list and description of strategic and / or operational objectives. It is suggested to be explicit on the level of objectives. It is also suggested to include a timescale expressing the expected time horizon of achieving the set objectives.

Description of monitoring system and impact indicators corresponding to the objectives.

The document should describe challenges and bottleneck in the implementation and describe how the document will address them. Also risk management should be addressed.

IV SUPPORTING MEASURES

This chapter should include coordination of tasks, tools for implementation and supporting measures and allocate responsibilities and tasks for different actors, for instance:

- Designation of Responsible bodies for providing practical support (guidance, training, awareness raising, competence development within public procurement units)
- Developing and setting up financing schemes for support of procurement units, or other incentives
- Development of tools for risk management

Annex 3. Financial support instruments for innovation procurement in the Member States

Norway

Innovation Norway's Research and Development Program

The business community can contribute to innovation in the public sector by providing new and unique solutions that improve the efficiency and quality of public services. The pilot customer could be a government agency, a hospital, a municipality or any other public entity. If their specific needs are not covered by what is available on the market, an IRD project with financial support from Innovation Norway could provide them with the products or services they need. The public customer will obtain a better solution to important societal challenges and a better understanding of how to perform innovative procurement processes.

Annually support to PRD projects around €8 million and 60 projects.

http://www.innovasjonnorge.no/PageFiles/254777/2013%2002%20IRD%20Fact%20sheet.pdf

Austria

In Austria two types of financial incentives are implemented till now, a PCP-scheme and a PPI-Scheme. The PCP-scheme was started in 2011 in the transport sector, seeking for solutions of explicit formulated challenges of the Austrian Federal Railways and the Austrian Federal Motorways and Expressway (who contributed 50% of the financing). This first phase of the PCP-scheme awarded €4 Mio. involving about 70 contractors. It has been a great success from the point of the procurers and the next phase started already in 2014 with competitions in "transport" an "energy beneficial historical building renovating", and PCP preparations for the ICT sector are ongoing. The financial incentive of the PPI-scheme is provided in the form of services. It is based on a project competition which took place first time in 2014 with a budget of € 80.000 and will be probably increased in the next round. The first round winning procurers are seeking solutions for quite different problems: University Mozarteum Salzburg (digital access systems), Leopold Franzens University and Medical University of Innsbruck in collaboration (cutting down of energy and water use), University of Applied Science Joanneum Styria (electronic signposts systems), Environmental Association Vorarlberg (interactive services to foster multi-modal transport), Community-Aid-Center Vienna (reduction of energy and required space).

Spain

The INNODEMANDA programme is a financing instrument managed by CDTI which supports technology bids taking part in the public purchase of innovation processes. Funds will be given to companies to cover innovation costs so that the public body pays the same amount as if it bought the already developed technology, in this way, affording greater exposure of these companies' products and services in the Administration.

The INNOCOMPRA programme, implemented through FID (Fostering Innovation through Demand) Agreements, is managed by the MINECO and uses ERDF funds to co-finance Innovation Procurements carried out at regional level. To date some 21 operations have been covered by this instrument mobilizing some 270 M€.

Sweden

VINNOVA launched a programme to finance procurements of innovation in 2011. The aim was to encourage Swedish contracting authorities to perform procurements of innovation and gain experience. Funding is today available via the strategic area Innovation Capacity in the Public Sector. Up until now, some 20 projects have been financed, mostly pre-studies and pre-commercial procurements, and knowledge about procurement of innovation in Sweden has increased.

Finland

In Finland, TEKES is running a programme “Smart procurement” (2013-2016) which provides a financial incentive for public procurers in Finland to undertake more "innovative" procurements. The programme budget is about EUR 60 million of which Tekes will cover half. TEKES funds the planning of public contracts aiming at renewal of services and activities. This funding is targeted at all Contracting Authorities, and it typically covers 50% of total project costs. The procurement must be extensive enough to have an impact on the development of the sector, at least regionally. The planning and preparation of an innovative procurement should encourage active dialogue with potential tenderers and end-users. Additionally, strategic commitment to an innovative procurement is expected of the Contracting Authority. Examples of successful projects include the “Flood risk warning system” for comprehensive flood risk management as well as “Zero Energy Building” in Järvenpää testing innovative solutions for the energy-efficient constructions of a nursing facility.

United Kingdom

The Small Business Research Initiative (SBRI) programme presents a well-established process to connect public sector challenges with innovative ideas from industry, supporting companies to generate economic growth and enabling improvement in achieving government objectives. SBRI works by setting up a competition when a government department or public body wants to procure an innovative product or service to solve a particular problem. Competitions are widely advertised and applications from businesses are invited. The most promising applications are awarded development contracts. Companies can be given up to £1m to develop their ideas into innovative solutions for the public sector, 100% of the development and prototyping / demonstration cost of developing a new product or service are funded. As a recent example of a SBRI success story, the National Oceanography Centre launched a competition to find long-endurance marine unmanned surface vehicles, resulting in the construction of an autonomous vessel C-Enduro that uses multiple energy-sources (solar, wind and diesel) to keep it operational for a long period. Other examples of successful projects include the development of intelligent fabrics, solutions to combatting online fraud, novel lights bulbs and many more.

Belgium

In Belgium, the IWT program on innovative procurement provides financial incentives focused to stimulate pre-commercial procurement. All policy domains of Flemish government can apply to this program and have to this end a budget of one million € available. When IWT has approved the project proposal, the procuring entity discusses the state of the art in market consultation processes to develop together with companies and the knowledge community a technological solution suitable for the government needs. Risk benefit sharing scheme is the basis for the financial support.

www.innovatiefaanbesteden.be

Netherlands

In the Netherlands, the PPI programme "Inkoop innovatie urgent" focuses on Public Procurement of Innovation and Precommercial Procurement. The aim of the programme is to ensure that ideas about procurement innovation also lead to action and results.

The IIU programme supports over 25 innovation procurement projects focused on eight figureheads. Through implementing these projects, the contracting authorities get added value for less money while also gaining experience in innovation procurement. These experiences are presented in the online 'innovatiekoffer' (innovation package), www.innovatiekoffer.nl, and at meetings on innovation procurement.

In 2015 the national government supports 14 SBIR-projects on safety and security and sustainability. A total amount of 8 mln. euro is budgeted for SBIR-projects in 2015.

www.inkoopinnovatieurgent.nl

Annex 4. Examples of national monitoring systems for innovation procurement

Austria's Innovation Procurement Monitoring System

The Austrian PPPI Action Plan (Action Plan: Public Procurement Promoting Innovation) foresees several measures for monitoring and benchmarking innovative procurement.

An overall evaluation of the impact of the PPPI Action Plan is scheduled for 2016. It will consider the three main stakeholder groups: (i) business impact (i.e. stimulating firms to innovate); (ii) service impact (i.e. delivering better public services for citizens), and (iii) performance impact (i.e. enhancing efficiency and effectivity of contracting public entity). It will be further (iv) considered if there exists a contribution to major societal challenges (health, environment, social inclusion, safety & security etc.).

As one of the preparatory steps of this evaluation, the development of monitoring indicators capturing the quantitative dimension of innovation procurement in Austria has been started in 2014. This first step covers public procurers. To achieve robust results, a simple set of indicators has been formulated by the PPPI Steering Group and Statistics Austria has been commissioned to carry out a representative PPPI survey, the result of which is expected in mid-2015. It will give an answer to the question how big the innovation procurement budgets are (% of the overall budget). The following three indicators are used in this survey:

1. Procurement of goods/services newly developed for the procuring entity: i.e. newly developed for the needs of your organization, including R&D services and excluding standard expert reports/investigations.

2. First commercial procurement of goods/services: i.e. goods/services for which you are the first buyer, as far as you know (e.g. your organization will serve as case of reference)

3. Diffusion of innovative goods/services: i.e. procurement of goods/services already supplied to the market but new for your organization (e.g. your organization refers to already existing references)

Another preparatory step is the analysis of the most recent CIS data. This covers the industry as stakeholder group. This will be followed by capturing the citizens as stakeholder group.

These activities are complemented by interim assessments concerning the awareness and information measures.

Measuring innovation procurement in The Netherlands

Indicator, related to the motion: On 18 December 2008, the Lower House of the Dutch Parliament adopted a motion tabled, requesting the inclusion in the Budget of performance indicators for the government as launching customer and for innovation procurement. In response to this motion, the Minister of Economic Affairs 2009 broadened the definition of procurement innovation. Where the focus was initially on finding a first buyer for an innovation (government as "launching customer"), from 2009 the focus was broadened to include the full procurement procedure, from strategy building to upscaling. Therefore, the indicator was formulated as: 'The number of innovation procurement tenders organised by central government'. A national government-wide indicator of innovation procurement was incorporated in the Ministry of Economic Affairs budget.

Design of the measurement of PPI in the Netherlands: Following a pilot in 2010 concerning the financial year 2009, audits have been carried out since 2011 on the 2013 financial years. The purpose of the innovation procurement indicator is to encourage innovation procurement within government by measuring how much innovation procurement takes place. The TED database has been used to compile a sample of tenders which might be eligible for innovation procurement.

A written survey is conducted for the Monitor each year among the coordinating procurement directors at the various ministries. This is supplemented by telephone surveys with stakeholders. Desk research is also carried out on tender documents in order to identify the extent to which the tenders concerned contain elements relating to innovation procurement. 14 elements in the procurement process have been identified as "enhancing innovation". Based on the score on those 14 elements, tenders are identified as enhancing and allowing for innovation.

Future of the measurement system: In 2015 we will organize a market dialogue on improving the current measurement system. Wishes are to include monitoring the business side and to cover the whole PPI process, not just the tendering procedure. Since 2011 there has been political pressure in measuring the 2,5% target on public procurement of innovation.

It is however very hard to measure the 2,5% goal, because: (i) It is hard to get information on the budget spent on innovation, as it will be available much later and may not be documented in a proper way. Information on the procurement process is available at an early stage. (ii) Innovation procurement is much harder to define than pre-commercial procurement, because it refers to a wide range of projects and procurement methods.

Measuring innovation procurement in Spain

One of the measures taken in order to reach the already mentioned 3% target is the implementation of a new "tick" within the State Procurement Platform (PACE, https://contrataciondelestado.es/wps/portal/plataforma) to indicate if it corresponds to IP, either CPP or CPTI.

There is currently little follow up if the target is fulfilled, apart from the numbers that could derived from the sum of INNODEMANDA/INNOCOMPRA evaluated and approved IPs, and the selection of all IPs introduced in PACE (not evaluated/contrasted). More resources could be focused on this particular matter.

Yet, before mentioned tools such as the Type-K investment project (Type K – Public Procurement of Innovation), in use for national budgeting since 2013, as well as a more intensive use of early demand mapping, at least deriving from operations backed by ERDF, could facilitate the traceability an d the monitoring of IP tools.

On the other hand, DG CONNECT estimated the total value of R&D procurement contracts in Spain as about 170 million Euro in 2011[1].

Measuring innovation procurement in France

The Department of State Procurement ("Service des Achats de l'Etat - SAE") ensures that public procurements are carried out in the most economic advantages terms and that they respect the objectives of sustainable development and social development, and with the new measures contributing to support the innovation.

Since 2012, the government has given priority to the development of innovation procurement with a target of 2% of the volume of public procurement awarded to innovative SMEs by 2020.

Since 2014, the SAE has included in its procurement performance measurement system an innovation prong.

The indicator is based on the following definition:

- The procurement of innovation that is the object of the market and aims to cover a new need (Case 1);
- The procurement which responds to an existing covered need but for which an innovative response is possible (new and improved response necessary) (Case 2).

The indicator is measured under two aspects as follows:

- The total of the amounts of innovation procurement contracts awarded by the department / Total procurement from the Department (excluding defence and security)

- The total of the amounts of innovation procurement contracts awarded by the Department for SMEs / Total procurement of the Department (excluding defence and security).

The indicator is reported at the time of purchase by the buyer.

Measuring innovation procurement in UK

An evaluation of SBRI is currently underway and due to report at the end of March 2015.

The evaluation comprises of three different strands:

- a process evaluation to assess the effectiveness of the processes set up to deliver SBRI;

- a retrospective impact evaluation looking at past SBRI competitions to assess the impact they had on the businesses involved, and;

- a baseline survey covering the latest full year of SBRI, to enable future assessment of impact.