



PRO INNO EUROPE

**INNO
LEARNING PLATFORM**

Exploratory Team Report - TOWARDS INNOVATIVE PUBLIC PROCUREMENT

Driver: Jef Pleumeekers, SenterNovem,
assisted by Corine van As and Koen
de Pater

Expert: Leonardo Bertini, CONSIP (Italian
Public Procurement Agency)

ILP Consortium: Marc Pattinson, Inno Group

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1. Challenges for trans-national cooperation in innovative procurement

The Lisbon strategy and subsequent reviews identify increasing R&D expenditure as a key instrument to enhance the competitiveness of the EU economy. The objective set by the European Council in March 2002 of raising European R&D expenditure to 3% of GDP by 2010, with the additional objective of **increasing private funding of R&D from 55% to two-thirds of total R&D expenditure** underlines the challenge of using all potential channels, including public procurement, to accelerate the private innovation effort.

Europe can drive forward innovation by harnessing its large expenditure on public procurement. The purpose of this document of the exploratory team is not to review in detail all of this material but to highlight, considering existing experiences and analysis, the main challenges linked to supporting innovation through public procurement, and identifying actions that could secure added value at the trans-national level. The report touches upon issues relevant to public procurement in general but the core theme is the way in which public procurement can be used to enhance levels of innovation and R&D effort.

Yes, there is a major challenge to be addressed, and trans-national cooperation may help to solve it. (See details below)

1. **Challenge 1: Europe must make up for delay vs. its major competitors**

Although no truly comparable or historical data sets exist various figures suggest that the United States and EU have similar expenditure levels regarding public procurement. However, **US R&D public procurement expenditure is more than 20 times that of Europe and US ICT research is more than 4 times** European levels (EC 2005e). These figures illustrate that there is a clear difference in the approach and use of public expenditure allocation on the instruments to stimulate innovation (market pull using procurement in the US vs technology push using State aids in Europe) Indeed, innovative procurement in USA is promoted with explicit policies, which are actively pursued (for example the Small Business Act).

Europe has to **face both committed political organisations and proactive procurement policies implemented** by worldwide competitors. For example, the USA government reserves 2,5% of all R&D procurement for small (often innovative) businesses (and social activities) in order to give preferential treatment concerning procurement of R&D.

2. **Challenge 2: Europe must encourage competition rules**

The opening up of the EU market into a Single Market and the removal of trade barriers is one of the cornerstones of the Treaty. The Member State share the obligation to make a European publication of call for proposals over the threshold (221.000 euro), representing only 35% of the EU total public procurement. There is clearly a challenge here to ensure that the remaining 65% becomes “available” to a wider procurement audience in order to increase competition and access to innovative providers.

A perceived risk of some actors is the concern that if Europe shifts from State aid instruments to procurement driven innovation (e.g. US model) there is a “risk” that the European taxpayer may see their tax financing non-EU R&D laboratories if “innovation contracts” are awarded to non-EU companies. However, it should be kept in mind that innovation is a positive element irrespective of whether it stems from the EU. If European authorities procure innovative products/services, there will be a positive impact regardless the nationality of the innovation provider.

3. **Challenge 3: Convergence between EU procurement directives and national framework**

“Think strategically at the EU level but act locally”. This is a common phrase but it is a very relevant one regarding public procurement. The existing EU public procurement legal framework consists of coordination rules enabling Member States to establish, within the limits of this legislation, a procurement practice that is adapted to their national needs. Trans-national initiatives will need to be based on **national accompanying measures (strategic priorities, legislation, and sensitisation) and regional or local awareness raising**.

Two directives¹ enabling R&D and innovation on public procurement are applicable. A major challenge will be to ensure **that these directives are effective in all Member States** in the short term. These procedures must be translated into national law, keeping in mind the objective of transparency and coherence at the EU level. Public procurement procedures in Member States should be established and run in an equal manner to enable enterprises to be familiar with the rules of the game, regardless of the Member State in which they tender. This will include the organisational issues and natural tendency amongst procurement officials to be risk averse and therefore avoid innovation.

Another critical point relevant to the opportunity for transnational cooperation is related to a “temporal out of phase” between Member States. For example, many large innovation procurement programmes have their own life cycle, “it was born in a particular year and it becomes obsolete the year after”. Many Member States will have their own innovation programme with different priorities and different timescale which reduces the opportunities and creates further barriers for transnational cooperation. For this reason it might be interesting to propose that a common procurement policy should begin with a “zero phase” in which at least some Member States define needs, requirements and do procurement together.

Finally, the EU Guide (http://www.proinno-europe.eu/doc/procurement_manuscript.pdf) on dealing with innovative solutions in public procurement sets out ten areas of good practice which help identify some of the benefits of tackling this issue of encouraging innovation through public procurement. The document does not focus specifically on the benefits of trans national cooperation but it highlights such areas as:

- Consult the market before tendering;
- Involve key stakeholders before tendering
- Seek value for money not just the lowest price
- Use contractual arrangements to encourage innovation

4. Challenge 4: EU dimension as a necessary condition to stimulate innovation

Procurement for innovation can take place at national, regional or supranational levels of government. Demand can be fragmented across or even within purchasing authorities. This fragmentation is perceived by industry as a major weakness of European markets. **Coordination and 'bundling' of demand can be used to create markets of a critical size to incentives innovation.** The European dimension (economies of scale) could justify high R&D costs. Aggregating and coordinating demand at the European level, for instance by European joint procurement (like the European Space Agency) European authorities can create a critical mass of demand, influence normalisation or answer specific sectoral and hence common or shared problems. This notion of the “buying power” at a regional or national level can help create the right conditions for encouraging supplier innovation.

However, trans-national procurement cooperation **can also complicate the procurement process** and so it will be important to assess the value added of trans national procurement. Furthermore, by scaling up the size of markets it **might make it more difficult for innovative SMEs to participate in tenders.**

Trans-national cooperation in procurement will be very difficult and costly in coordinating, because of differences in national procurement legislation which are major barrier. So this can never be a goal in itself. If it has to be encouraged in all sectors, it could become more directive in a few areas like defence, space or international infrastructural projects.

5. Challenge 5: Encourage procurement considering multi level Governance

Public procurement operates at all levels of governance. Therefore potential drivers for enhancing innovation through public procurement can be found at these same levels. EU and national agencies/buyers and ministries are perhaps better informed than the sub national or regional level and given that this level accounts for 47% of public procurement (figures for EU15 1997) it represents a **major challenge to disseminate and involve these actors** but also a tremendous opportunity given the attention decentralization is receiving in some countries, for example the way in which some countries (France) are delivering a variety of national expenditure at a regional level (roads, rail and port infrastructures, delivery of Structural funds etc). Furthermore, many regional

¹ EC Directives 2004/17/EC and 2004/18/EC

structures are acutely aware of the need to develop innovative strategies for their regions and hence are willing partners in securing enhanced leverage and impact of public procurement on innovation. Notwithstanding these opportunities other challenges will need to be faced such as the multiplicity of (semi-)public actors at this sub national or sub central level (hospitals, universities, regional authorities, water boards, public transportation companies) and central government control of “regional budgets”.

6. Challenge 6: Introduction of new tools and practices in administrations

An EU Guide on dealing with innovative solutions in public procurement sets out ten areas of good practice which help identify some of the benefits of tackling this issue of encouraging innovation through public procurement. **Capturing innovation through the procurement cycle will represent a major challenge for public administrations, requiring the introduction of new tools and methods in the procurement cycle.** Central to the spread of successful approaches is the development of a cohort of trained professionals able to meet the criteria for 'intelligent customers'. Detailed surveys on the impacts of GPP (green public procurement) have shown that many of the barriers to innovation in procurement are linked to functioning of public administration and their low knowledge of their market environment. However, it is not a matter of turning the procurement officials into technical experts. What is important is to establish an open attitude to innovative solutions rather than issuing too detailed specifications. **The adoption of these new behaviours will require a strong mobilisation of public bodies at all levels of decision making.** In seeking to develop the intelligent customer concept (for example in sharing good practices) it is necessary to consider what incentives can be put in place for procurement actors to respond to these challenges.

7. Challenge 7: Encourage innovation through the procurement process

In the early phase of defining the requirements the challenge is to reconcile the expectations, needs and limitations of a large number of users, especially when the category of users is heterogeneous. Key aspects in drawing up tendering specifications include specification of needs, tender structure, defining the ability of possible suppliers, and management of risk. Another challenge that needs to be addressed is the culture of sellers filing a formal protest in procurement process by those who did not win it. Procurers are rather cautious and therefore prefer to define their specifications in a very detailed manner resulting in a reduction of innovation scope. The literature review and the best practices analysis have underlined a number of key elements necessary for the successful use of procurement as an innovation driver. These include:

- **Engagement of suppliers**, common vision can be shared between the demand and supply sides;
- **Public authorities acting as a launching customer** for innovative technologies and solutions;
- **Sectoral approach** (e.g. horizontal: green public procurement, sustainability, energy efficiency and ICT, vertical: aerospace, infrastructure, health system) can accelerate successful innovative public technology procurement;
- **Enhancing the know-how of legal, technical and business issues** in public administrations and procurement agencies is vital for successful innovative public technology procurement;
- **Foresight techniques**, market research, market consultation and technical dialogue to address the needs and understand market potential are a key success factor.

8. Challenge 8: From “providers” to Public Private Partnership

A number of EU member states are increasingly resorting to PPS (public private partnerships) to resolve procurement needs. Much early experience has been confined to infrastructures and services such as hospitals and road and rail infrastructure but also in areas of defence and utilities and in the actual management of such investments. Such a **partnership approach offers a different procurement process in which it might be possible to imagine a greater role for innovation** (earlier consultation with the market, greater dialogue and creativity, value for money not just lowest cost approach, innovative contractual arrangements etc). This form of agreement may also represent a way for bringing in innovative SMEs into the procurement process through sub contracting procedures.

9. Challenge 9: A greater participation of innovative SMEs in the procurement cycle

SMEs and increasing their participation in research and innovation programmes are one of the major priorities of the EU in such programmes as FP7. Encouraging SMEs to play a more active role in innovation via public procurement as in the USA could be an area where benefits could be secured. Europe could develop **specific**

measures to support innovative SMEs participation in public procurement. Measures to increase innovation in procurement would need to be monitored to ensure that the participation of innovative SMEs is not hindered.

10. Challenge 10: Organisation of intellectual property right.

Innovation requires a regulatory environment that is predictable, that accommodates and even encourages new development in goods and services, and protects intellectual property. The same environment is needed to encourage innovation through public procurement. The supplier is more likely to propose innovative solutions if he can keep any resulting Intellectual Property Rights and further exploit the invention. Generally in member states, government keeps the IPR in order to facilitate adoption by other departments and save money. There are cases where the exploitation of an innovative product by the supplier becomes a source of revenue for the public sector (royalties). More generally, an IPR strategy is needed to foster circulation of innovative ideas and to facilitate the transfer of knowledge and intellectual property from public funded to industry.

The protection of intellectual property is governed by many international conventions, signed by EU: the Berne conventions, the Brussels conventions, the Paris conventions, the World Intellectual Property Organisation (WIPO) and the World Trade Organisation (WTO).

The target is to **harmonise intellectual property right** and creating unitary rights at community level. The advantage is the uniform protection and the simplification and centralisation of the protection system.

Summary of opportunities and barriers for trans-national cooperation

Opportunities	Barriers
Political commitment from the highest levels down <i>(EU new directives and Guide on dealing with innovative solutions in procurement)</i>	Language and cultural barriers
Critical size of the EU market (whereas national opportunities are not always profitable enough to encourage innovation)	Lack of information/publicity at EU level <i>(EU information: 235.000€ threshold)</i>
Aggregation and harmonisation of demand across multiple authorities (justify private investment in R&D)	Local interest market protection (trend to support national companies)
Co-ordination between procurement & innovation policies /actors at EU level	Return on public investment (EU taxpayer risk that their tax will go to finance R&D outside EU)
EU competition and participation of (SMEs) which play a key role on product/service innovation	Different Time frames (Annual procurement programmes vs. long term R&D programmes)
Regional and sub central level via decentralisation interest (Growing role of innovation in regional policy making)	Public risk aversion and electoral constraints (leads to short term procurement vision & minimum cost principle)
	Specific national legal environment (EU non-harmonised public procurement environment)
	Different “national” standards or reliability (e.g. Quality standards, procurement in health sector)
	Concentration process could lead to the exclusion of SMEs from many public procurement processes because of their lack of capacity and resources

Today Europe is clearly under exploiting and not realising the potential of public procurement to meet its innovation and research objectives. Experiences from abroad show that progress in this field is possible and the public sector has the potential to positively influence innovation and R&D through public procurement. Indeed good practices in terms of procurement in support of innovation are emerging in several EU member states and this is taking place at national, regional and supranational levels indicating the wide variety of intervention opportunities.

2. Actions to be developed at trans-national level

The purpose of this second chapter is to identify and review the opportunities for developing trans national cooperation to meet the challenges and to secure the potential benefits identified. As a general comment most of the literature and “best practices” presented in various reports rarely mention the issues surrounding trans-national policy cooperation, much is focussed on national level best practices.

The EU has already begun to think how this might be progressed. For example, the Commission's proposal for a **Competitiveness and Innovation Programme** (CIP) is proposing the development of European networks for public procurement practices that are conducive to innovation, and is launching public procurement projects which can foster innovation on technical specifications elaborated in co-operation with Member States. However, at present these measures are foreseen as being confined to a pilot in Information and Communication Technologies. This focus on ICTs should perhaps be reviewed given the opportunities in other sectors.

The exploratory team supports the general thrust of the Paper ‘Future development and planning for the Europe INNOVA initiative (2007-2011)’, in particular the need for the next generation of Europe INNOVA networks to go beyond the identification and exchange of good practice and follow a more result-oriented approach, by facilitating the creation of lead markets. This aims to bring together different actors in fields of strategic interest, including horizontal activities such as a network between public procurement agencies within INNO NETS or INNO ACTIONS type projects. The aim of such networks would enable actors to share good practices in lead markets and develop the ideas set out in the Commission’s Guide on Public Procurement (see above). Much work and network creation has already taken place in the field of clusters, start ups etc but little similar work exists in the field of procurement. The idea of network bringing together the key actors in this field would therefore seem a priority.

Yes, there are clear ideas how to foster trans-national cooperation in this field. Potential activities have been identified which bear the potential of addressing the challenge through trans-national cooperation building upon:

- existing measures; and
- new tools /instruments to be launched through trans-national cooperation.

(See details below)

Below are seven actions that could drive the agenda forward.

ACTION 1 - Early procurement procedures

Description of actions	<ul style="list-style-type: none"> • New standard form, to give contracting authorities the opportunity to improve preparations for a formal procedure within the context of the Directives 2004/17/EC or 2004/18/EC (e.g. technical market survey) • The introduction of innovation-orientated technological requirements in tendering procedures can stimulate the use of new but not yet commercialised technologies. • Introduce foresight and market analysis (already areas of established trans-national cooperation) in preparation of tenders at national level. • Stimulate early buyer-supplier exchanges and dialogue • Support Unsolicited proposals • Introduce innovation on award criteria for contracts, where relevant • Build a database of EU innovative procurement information • Manage intellectual property rights (increasing the opportunity of commercialization by suppliers) • Organize markets for sectors where relevant (communication between buyers and market for relevant sectors)
Trans-national added value	<ul style="list-style-type: none"> • EU network and comparative studies/exchanges before selecting the most appropriate technical solution • Stimulation of innovation by EU competition • Convergence of EU procurement legal environment (Directive application) • Sharing of Foresight and Market Analysis activities
Expected output	<ul style="list-style-type: none"> • Increase the awareness and the share of innovative solutions in public procurement • Increase the value (job creating, new market, patents...) generated by public procurement
Existing initiatives	<ul style="list-style-type: none"> • Review the need for new Directives or Guidelines to support innovative procurement <p>Example: the 2001 "Netherlands' strategy for innovative procurement", aims to promote innovative procurement, "<i>by presenting a challenge in the invitation to tender and tailoring the contract forms to this</i>".</p> <p>A knowledge centre has been created (www.pianoo.nl), which aims to raise awareness through, for example, the publication of a fact-sheet with information on innovative procurement. It also supports knowledge sharing between public procurers from all domains of government, including health and education.</p> <p>The "Innovation Platform" (a joint government-industry initiative) has proposed an action plan which envisages specific actions and targets, such as a 2.5% target of the total procurement budget reserved for goods or services not yet available on the market.</p>

ACTION 2 - Support Public-private partnership in procurement

Description of actions	<ul style="list-style-type: none"> • Public private partnership to integrate private innovation in public sector • Sharing of risks and ROI • Financing of pre-definition stage procurement (co-definition of the services provided) • Could be applied to “public oriented sector” defined by large programs and long term procurement (ex. health, environment, defence...)
Trans-national added value	Support trans-national collaboration in the field of innovation and technology
Expected output	Increase the long term collaboration projects on procurement process
Existing initiatives	In the USA, pre-commercial public procurement schemes exist and improve the link between private sector R&D investment and the public sector for new technologies.

ACTION 3 - Increase EU competition and access to “national” innovative procurement

Description of actions	<ul style="list-style-type: none"> • Support the use of e-tools to increase EU procurement transparency • Aggregate public procurement at the national level (critical mass of demand) if beneficial for innovation • Member States should develop national portals to allow buyers from across the public sector to advertise tender opportunities below the Official Journal of the European Union (OJEU) notification. • DG Internal Market is developing approaches to standardise E portals. • Create an EU database of innovative providers for procurement actors • Mutualisation of tool and uniformity (facilitated access to information as national portals could have the same structure).
Trans-national added value	Increase the number of publications at EU level
Expected output	Diversify procurement sources whilst avoiding the standardisation of tender specifications
Existing initiatives	Italy has a centralised <u>e-procurement platform (Consip)</u> , providing consultancy and technology services (eAuction, eShops and an eMarketplace for procurement under EU threshold) to all public administrations especially for Central PA. In 2006, more than 1.000 suppliers were registered on the portal and there were more than 42.000 public administration ordering centres (3.500 on eMarketplace). In 2006, only in the eMarketplace around 11.000 orders (38mln euro, 230.000 on line articles) were placed, mainly in office material and IT products and accessories. In Ireland the <u>Government Supplies Agency</u> uses elaborate criteria for selecting firms that could be modified to include innovation considerations

ACTION 4 - Support technology adoption by “Public Launching”

Description of actions	<ul style="list-style-type: none"> • Lead users or launching customers are those who are prepared to take the higher initial costs and risks involved in early adoption of an innovation. • Test approaches like mobility, ICTs or green public procurement (to stimulate innovation in new fields e.g. solar panels) • Public Procurement Information Service on best available innovative technologies and solutions, supported by Foresight and Market Analysis activities • Setting world-class standards that lead the market, in the mould of the GSM and ADSL experiences.
Trans-national added value	<ul style="list-style-type: none"> • Coordination at EU level on standard or new technologies to be adopted • Critical mass at EU level to compete with USA / Asia standards
Expected output	<ul style="list-style-type: none"> • Creation of new markets • Adoption of new EU standards • Foresight and Market Analyses
Existing initiatives	<p>The European Commission has made significant efforts during the past decade to identify options for using public procurement as a measure for environmental policies. In 2004 the Commission also published a handbook on environmental (“green”) public procurement, which had impact on the Member States practices. Recent legal packages include provisions specifically intended to deal with environmental and employment protection. In Canada, according to Dalpé et al. (1994), who studied innovations between 1945 and 1978, 25% of innovations were used first by the public sector, as were 13% of patents and 8% of manufactured products. The main innovative sectors were “hospitals, electrical energy, defence, the central government, railway transport and telephone systems”.</p>

ACTION 5 - Transnational Network for Training, dissemination and good practices diffusion

Description of actions	<ul style="list-style-type: none"> • Creation of a trans national network of national innovation and procurement bodies. This network can be a great source of knowledge by bundling the innovation world and the procurement world and a driving force behind many of the actions mentioned in the report. After three years of experience and external evaluation, a new European agency focusing on procurement for innovation can be considered. • Public bodies, at all stages of decision-making have to be informed and trained about innovation opportunities through procurement, at regional and local level. • Purchasers should be familiar with trends in technologies, markets and supplier capabilities, be able to specify functional and quality requirements, and subsequently to assess tenders in terms of whole-life costs. • A substantial effort in training and networking of experience is needed. • Member States should conduct a review of current procurement practice • Creation of an information portal at the EU level on procurement policies; • Further research on added value of trans national procurement for innovation by fundamental research and good practices exchanges; • Risk management is a consideration in relation to suppliers • Put in place an award scheme to promote excellence and good practice diffusion
Trans-national added value	<p>Two different approaches for network exchanges:</p> <ul style="list-style-type: none"> • Member states/national level to support the policy making • Procurement practitioners
Expected output	<p>Challenge to overcome the needs of the different levels of actors Networks based on experience sharing</p>
Existing initiatives	<p>The EUPPLL is a permanent network of over 30 institutions across Europe in which each participant actively cooperates bringing its own experience, strengths and specific public procurement competences. The initiative was launched in November 2003.</p>

ACTION 6 - EU Monitoring of public procurement for innovation

Description of actions	<p>As an innovative policy approach in itself, the development of procurement for research and innovation requires rigorous evaluation at all levels so that lessons may quickly be taken on board in practice.</p> <p>Monitoring innovation on public procurement will be allowed by the creation of specific indices (comparable between EU member states).</p> <p>The innovation scoreboard or Eurostat should take into consideration these indices.</p>
Trans-national added value	<p>Allows member states to observe the performance of other MS in terms of innovation in procurement policy (benchmarking)</p>
Expected output	<p>Clear analysis of policy implementation</p>
Existing initiatives	<p>At present, there seems to be no consistent monitoring of innovation through public procurement in the member states.</p> <p>E-procurement (procurement via internet) is a form to innovate the procurement process, if not the procured product. Various EU member states are working on this: Germany, the Netherlands, the UK and others. In the UK, the OGC (Office of Government Commerce) has created the e-Procurement Assessment Tool (ePAT) for assessing the business case for e-procurement. The tool has been approved by the National Audit Office (NAO) and takes into account factors such as the organisation's size and provides recommendations on what system to implement.</p> <p>In Germany, a system http://www.evergabe-online.de/ supports public procurement tendering. The 'Kaufhaus Des Bundes' supports the online ordering of products within framework contracts.</p> <p>In the Netherlands, www.tenderned.nl supports public procurement tendering.</p>

ACTION 7 - Support trans-national procurement in innovative EU strategic lead sectors

Description of actions	<p>Some Member States define needs and requirements in highly innovative sectors that support innovation and that facilitate trans national procurement together.</p> <p>Use pre-commercial procurement in advanced commercial sectors (e.g. ICT, health, environment, transport, space/satellites) to stimulate innovation.</p> <p>Communicate long-range procurement needs to potential suppliers.</p> <p>Some sectors such as defence and space have put in place trans national procurement practices through the European Defence Agency and the European Space Agency.</p>
Trans-national added value	<p>The EU's Europe INNOVA draft planning document highlights the need to develop thematic priorities such as lead markets. Trans-national cooperation would clearly play an important part in achieving this objective.</p>
Expected output	<p>Identification of procurement opportunities in key sectors/lead markets.</p> <p>Work and share with existing pan European sector and procurement agencies</p>
Existing initiatives	<p>The DTI's five year program, published in 2004, committed the DTI and the OGC to:</p> <ul style="list-style-type: none"> • Establishing an ideas portal, 'a mechanism for firms, inventors and researchers to submit unsolicited, innovative proposals to the public sector.' In this case, the OGC and the DTI are now working closely with the National Health Service to evaluate their ideas portal for wider government use. • Working together on a number of specifically identified tasks to support the promotion of innovation in public sector procurement, including identifying significant and high profile projects where government is seeking innovative solutions. <p>US do with the military expenditure.</p>

Other ideas for separate actions that were discussed by the exploratory team included:

- Member states training programmes for procurement officials, and/or EU level seminar and training schemes (an EU diploma) for example the Federal Acquisition Institute in the USA
- Transnational foresight and market analysis in lead markets at a national level (already areas of established trans-national cooperation) in preparation of tenders and procurement as a benefits of trans national co-operation.

- An action to improve communication between market and buyers;
- Promoting greater research into the area of public procurement as a whole would also seem to be an interesting area of study.
- The issues surrounding the exploitation of IPR (national and European level) also need to be addressed, but this is probably a separate theme in itself rather than an individual action. It could be addressed within the terms of reference of a study (see above).

3. Potential actors to drive the actions further

Yes, strong interest in cooperating in this field has been identified. Potential partners are well defined and seem ready to work together.

(See Details Below)

Type of activities	Potential Actors
1 Early procurement procedures	<ul style="list-style-type: none"> • Member states • The economic and social committee • Ministries and departments of R&D and innovation • Public organizations such as universities, hospitals, • Legal and economic experts • Sub national Administrations
2 Support Public-private partnership in procurement	<ul style="list-style-type: none"> • Ministries and departments of R&D and innovation • National and regional public sector agencies (innovation, development) • Private and public agencies in each sector (health, ICTs, environment, electronics, defense...) • Public organization such as universities, hospitals...
3 Increase EU competition and access to “national” innovative procurement	<ul style="list-style-type: none"> • Ministries and departments of R&D and innovation • National agencies • E-procurement platform (ex. TED)
4 Support technology adoption by “Public Launching”	<ul style="list-style-type: none"> • Ministries and departments of R&D and innovation • National and regional public sector agencies (innovation, development) • Public research centres
5 Transnational Network: Training, dissemination and good practices diffusion	<ul style="list-style-type: none"> • National, Regional and local procurement agencies • Expert networks (ex. Europe INNOVA • Supplier organisations)
6 EU Monitoring of innovation in public procurement	<ul style="list-style-type: none"> • Regional and local procurement agencies • Group of business, industry associations • Statistic bodies (national, regional and EU)
7 Support trans-national procurement in high innovative EU strategic lead sectors	<ul style="list-style-type: none"> • Network of procurement agencies • Ministries and departments of R&D and innovation • Private and public agencies in each sector (health, ICTs, environment, electronics, defense...) • E-procurement platform (with sector sub-section) – ex innova

This list is not complete without taking into account the political actors, the policy makers who are central to the re-orientation of public procurement policies towards innovation. The issue of protectionism needs to be tackled

with politicians and the message that innovative procurement is not inevitably related to protectionism and international collaborations have to be disseminated.

A further issue to be addressed is the multi-disciplinary and horizontal nature of the issues concerning procurement requiring the involvement of a cross section of actors. The teaming of the different disciplines (business, technical and legal) and professional management of the procurement process are therefore key success factors. This would need to be reflected in any network that would be created in this field.

The exploratory team considers political commitment, professional training and preferably lobbying from the industry important ingredients of success.

4. Funding instruments for the proposed actions

Yes, the proposed action would respond to the identified key challenge in this area. It is expected that a strong initiative in support of trans-national cooperation could be built, which would produce the expected results. (See details below)

The seven actions proposed in the previous chapters require a mixture of funding instruments. The main ones such as Action 5 and 7 could find finance in the Europe INNOVA initiative and other finance could be found in the wider CIP.

Future Europe INNOVA Initiative Theme 2 Lead Markets

The (draft) work programme provides the following opportunities:

- The procurement theme is horizontal and does not concern only actors linked to innovation matters
- The theme could logically be developed in the strategic theme “The facilitation of lead markets” and address issues of skills and regulation
 - Objective: “Facilitate the creation of lead markets, by bringing together different actors in fields of strategic interest and stimulating entrepreneurship, finance and demand in support with the European Lead Market Initiative”
 - Activities: representative of the “product”, network of experts, standardization, access to finance
 - Creation of a network of “procurers”, creation of new procedures, link with national legislation, training, exchange of good practices, dissemination in innovative SMEs
- The project should not be limited to good practices exchange, needs also concrete results
- The duration of 3 year would permit concrete results

If the idea of creating a **INNO Net**, for instance “Innovation Procurement network” is pursued then it will be essential that this network brings together people from the three main interest groups namely:

- procurement agencies in the EU member states
- Innovation actors (national or regional)
- Supplier body organisations (the industrialists)

Further development of the actions could allow for the identification of the implication of private bodies and the use of PPP (see Action 2) could also be explored.

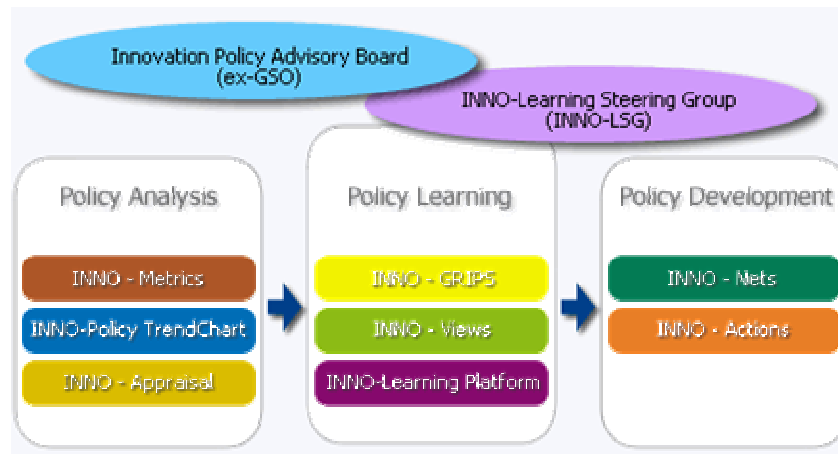
PPP sector finance could be found for the idea of an Public Procurement Innovation Award (part of Action 5 or perhaps as a separate action).

The role and linkages with existing initiatives could also be explored, for example the European Learning Laboratory.

Key partners and potential funders could involve the variety of existing national MS procurement agencies which would result in the possibility to secure match funding and levels of support from the EU between 50-75% of total project costs

Action 7 focusing on sectoral actors could also attract funding from sector/supplier actors.

PRO INNO EUROPE (operational 2007)



INNO-Views continues the process of the TrendChart Workshops with the organisation of four workshops per year to explore new and emerging innovation themes. The Network could organise a workshop on innovation and procurement to launch the theme.

Other potential funding sources include:

- **Structural Funds** at a regional level may be useful to secure match funding for some of the projects or proposed networks. Pilot projects could also be funded in this way.
- **ERANETS:** Although primarily focussed on research actors it may be possible to envisage cooperation and research on this theme using the ERA NET initiative.
- **Interreg IV:** Interreg programme could play a part in developing the notion of lead markets with linkages to procurement.
- **A future European procurement agency or a network of procurement services in EU agencies** (e.g. European Defence agency) could also be lobbied for funding.

In time it may be interesting to review the idea of a European Innovation Procurement Agency (many national agency structures already exist). In some areas (technology, key sectors such as Defence, Space, Drugs etc) EU wide network or agencies have been created. The exploratory team considered however that this idea was premature at this stage and not the focus of this piece of work.

5. Leveraging the impact of the proposed actions

Yes, the proposed action would benefit from complementary action in related areas in view to using synergies and ensuring strong impact overtime either for the sustainability of the project or to prepare for sustained support at national or European level
(See details below)

The impacts will obviously depend on the actions that are selected and the funding solutions and partnerships that are put in place. The leverage impacts will also be closely linked to the role and support given by individual member states and their national procurement agencies or programmes (where they exist). The table below highlights some of the detailed aspects relevant to the proposed actions.

Type of activities	Leverage and Impacts
1 Early procurement procedures	<ul style="list-style-type: none"> • Ensure member states cooperation via National Procurement Agencies or similar • Sharing goals on procurement & innovation between administration of different Member Countries • Implementation of Foresight and market analysis studies
2 Support Public-private partnership in procurement	<ul style="list-style-type: none"> • Introduce notion of PPP from the outset, for example in the proposed Transnational network
3 Increase EU competition and access to “national” innovative procurement	<ul style="list-style-type: none"> • Ensure greater harmonization between MS procurement actors
4 Support technology adoption by “Public Launching”	<ul style="list-style-type: none"> • Commitment of political actors • Public demonstration and good practice examples
5 Transnational Network: Training, dissemination and good practices diffusion	<ul style="list-style-type: none"> • Multi actor network (see action for details) • Ensure high quality animation • Award scheme provides for high visibility • Linking training initiatives into existing MS training and learning initiatives • Dissemination of EU Procurement Guidelines and other tool kits
6 EU Monitoring of innovation in public procurement	<ul style="list-style-type: none"> • Implication of MS Procurement actors to ensure access to relevant data • Need for EU study budget to implement this action.
7 Support trans-national procurement in high innovative EU strategic lead sectors	<ul style="list-style-type: none"> • Involvement of key suppliers and industrial groups • Identification of procurement opportunities in key sectors/lead markets. • Work and share with existing pan European sector and procurement agencies

The scope for leverage and impact is not complete without taking into account the political actors. A further issue to be addressed is the multi-disciplinary and horizontal nature of the issues concerning procurement. To succeed initiatives concerning this theme will require the involvement of a cross section of actors and the widest dissemination of good practices. The teaming of the different disciplines (business,

technical and legal) and professional management of the procurement process is therefore a key success factor. This would need to be reflected in any network that would be created in this field.

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