

# The European Commission's science and knowledge service

## Joint Research Centre



***Working Group Understanding and Managing Industrial Transitions:  
Findings of Reviews of Industrial Transition & Launch of Support Coalitions***

**Parallel session 4 - Support coalition for public sector and regulatory innovation for transitions**

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**European Commission - JRC Seville**

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# Public procurement

- Largely underutilised instrument for creating a market for innovative products/services
- Stimulates demand of innovative goods, and services, fosters innovation uptake - integration of public demand into the innovation ecosystem, foster economic recovery
- Procurement of R&D services for innovative solutions that are not yet available, or do not exist on the market, or exist, but are not yet widely available on the market
- Smart investment that can shape existing markets, create new markets, increase public services quality, support access to markets for businesses, especially SMEs

# Public Procurement of Innovative solutions (PPI)

- Public sector acts as early adopter of innovative solutions that are not yet available on large scale commercial basis.
- Used for deployment of commercial volumes of end-products
- Complementary with Pre-Commercial Procurement (PCP), where solutions are developed in small quantity
- Can also be used independently, to bring to the market innovative solutions that do not result from R&D (e.g. organizational, process innovation)

## 1<sup>st</sup> step:

- Create critical mass of purchasing power on the demand side (one large buyer or several smaller buyers in a group)
- Incentivise industry to scale up production to bring solutions to the market with price and quality requirements for large-scale deployment

## 2<sup>nd</sup> step:

- Early announcement of the innovation needs (required functionality, price requirements)
- Announce intention to buy a critical mass of innovative products if industry can bring them to the market with the predefined price/quality requirements by a specific date.
- Conformance testing of solutions offered by suppliers to verify they meet the needs

## 3<sup>rd</sup> step:

- Actual public procurement through existing public procurement procedures (e.g. open/negotiated procedure, competitive dialogue)

# Pre-Commercial Procurement (PCP)

- Public procurers act as technological customers that buy the development and testing of new solutions
- Companies create competitive advantage on the market
- Public authorities can modernize public services faster, create opportunities for EU companies to take international leadership in new markets.
- Create a strong European market for innovative products and services → growth and jobs in dynamic markets (ICT)
- Public procurers buy R&D from several competing suppliers in parallel to compare alternative solutions,
- R&D is split into phases, the number of competing R&D providers is reduced after each R&D phase.
- Public procurers and suppliers share the benefits and risks related to the IPRs resulting from R&D.
- Suppliers retain IPR ownership rights, while procurers keep some usage and licensing rights.
- PCP can develop and purchase low volume of first products or services, no large-scale commercialisation.

# EU support for public procurement

[https://ec.europa.eu/growth/single-market/public-procurement\\_en](https://ec.europa.eu/growth/single-market/public-procurement_en)

## 1. EU legislation

- ☐ [EU public procurement legislation](#) (modernised 2014, transposed April 2016)
- ☐ [EC initiative to carry out procurement more efficiently and in a modern and sustainable manner](#) (Oct. 2017)
- ☐ [Guidance on Innovation Procurement](#)
- ☐ e-procurement: 'once-only principle' in public administrations (Digital Single Market), new rules now in force

## 2. EU-funded public procurement projects (PPI and PCP)

- ☐ [EU funding opportunities for PCP and PPI](#)
- ☐ [EU funded ICT projects implementing PCP or PPIs](#)
- ☐ [Non-ICT' EU funded innovation procurement projects](#)
- ☐ [Video of six public procurers and six suppliers](#)

## 3. EU Studies on public procurement

2020: [Analysis of SMEs' participation in public procurement and the measures to support it](#)

2019: [2017 public procurement indicators](#)

2018: [Economic and legal analysis of the factors leading to a low rate of publication of public procurement opportunities in Germany](#)

2017: [Report on the revision of the common procurement vocabulary](#)

[Study on the practical application and implementation of the European e-Invoicing standard](#)

2016: [2015 public procurement indicators](#)

[Study on strategic use of public procurement \(final report and country fiches\)](#)



# OECD Public Procurement for Innovation

<https://www.oecd.org/gov/public-procurement/innovation/>

OECD Public Governance Reviews

## Public Procurement for Innovation

GOOD PRACTICES AND STRATEGIES

- Based on good practices in OECD and partner countries, this report (2017) presents insights from the **OECD Survey on Strategic Innovation Procurement** in OECD Member countries and non-Member economies.
- It includes a framework to help countries use public procurement for innovation.
- It includes nine actions that should be present in any sound innovation procurement agenda.

### KEY FINDINGS

- Almost 80% of responding countries support innovation procurement, and 50% developed an action plan for innovation procurement
- Nearly half (49%) reported improved effectiveness or efficiency, or increased user satisfaction following the use of innovation procurement
- Private sector is the first contributor (33%) to the success of innovative procurement practices, followed by public institutions or bodies (27%), and research institutions (24%)
- The most common challenges countries face are related to risk aversion, management, personnel and skills capacity and political support.



# OECD Public Procurement Toolbox



## PUBLIC PROCUREMENT TOOLBOX

[Home](#)[About ▾](#)[Principles & Tools ▾](#)[Search](#)

This online resource will guide you in implementing the OECD Recommendation of the Council on Public Procurement. In addition to better familiarising you with the 12 Principles, the Toolbox provides policy tools, specific country examples as well as indicators to measure your public procurement system.



### PRINCIPLES AND TOOLS

#### OECD Recommendation on Public Procurement

A reference for modernising procurement systems, promoting the strategic use of public procurement. It takes into account the entire procurement cycle and integrates public procurement with other elements of strategic governance.

[> See more](#)



### COUNTRY CASES

#### How to implement the OECD Recommendation in complex environments?

Public procurement can be particularly challenging in complex environments, such as major events, large infrastructures or specific sectors like energy or health.

[> See more](#)



### ASSESSMENT

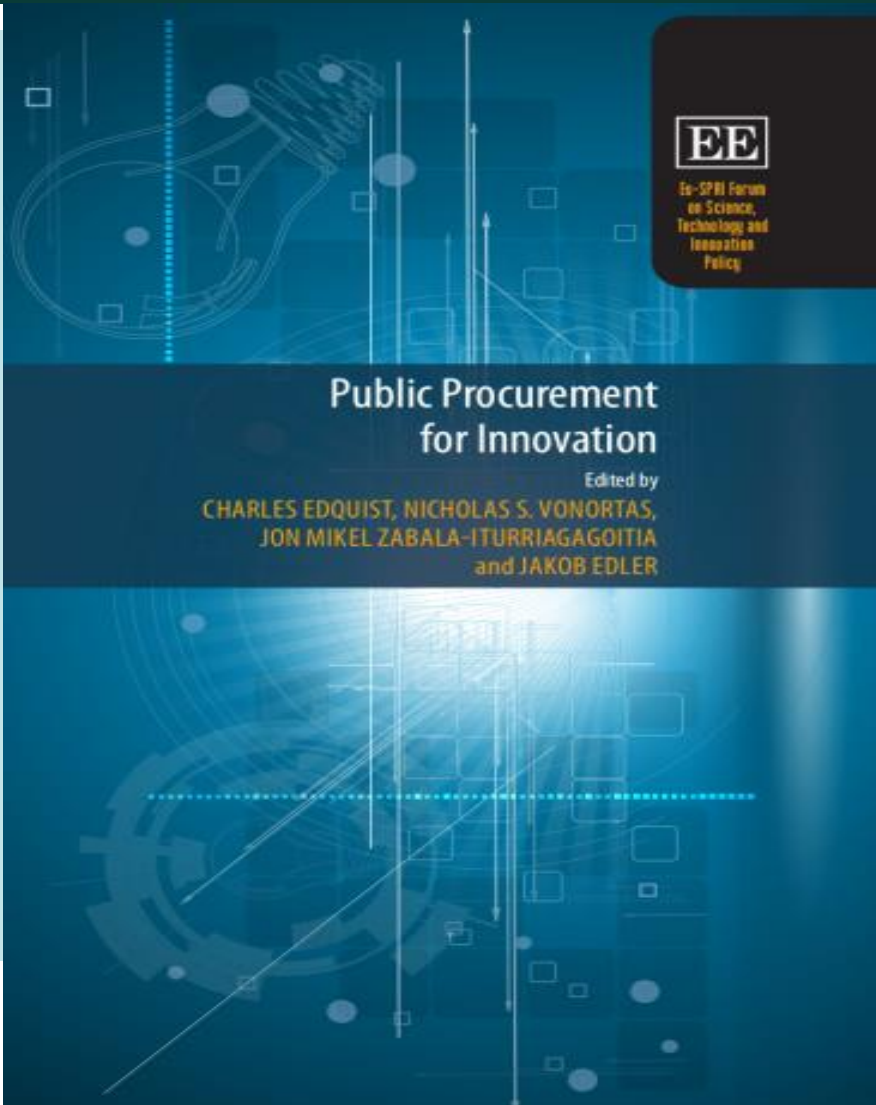
#### OECD Reports on Public Procurement

- [> Preventing Corruption in Public Procurement](#)
- [> Public Procurement Review of Colombia](#)
- [> Going Green: Best Practices for Public Procurement](#)

[> See all OECD public procurement reports](#)



# Edquist et al. (Eds.). (2015), *Public Procurement for Innovation*



This book illustrates the requirements and constraints for public procurement operationalization.

It improves knowledge of the key determinants of effective public procurement aiming to promote innovative capabilities in the supplying sectors and beyond.

It provides case studies and conceptual contributions that help extend understanding in areas where there are still significant knowledge gaps.

# Edquist and Zabala (2020), Functional public procurement



## Functional procurement for innovation, welfare and the environment: a mission-oriented approach

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### Papers in Innovation Studies

Paper no. 2020/01

This is a pre-print version of a paper, which has been submitted to a journal.

- **Functional public procurement** describes problems that shall be solved, instead of describing the products to be bought.
- **It is the most powerful innovation policy instrument that exists**, due to the enormous volume of public procurement (15-20 % of global GDP), and the fact that describing products in public procurement prevents innovation.
- **Is particularly valuable in innovation policies that attempt to save the environment and climate.**

Centre for Innovation, Research and Competence in the Learning Economy (CIRCLE)

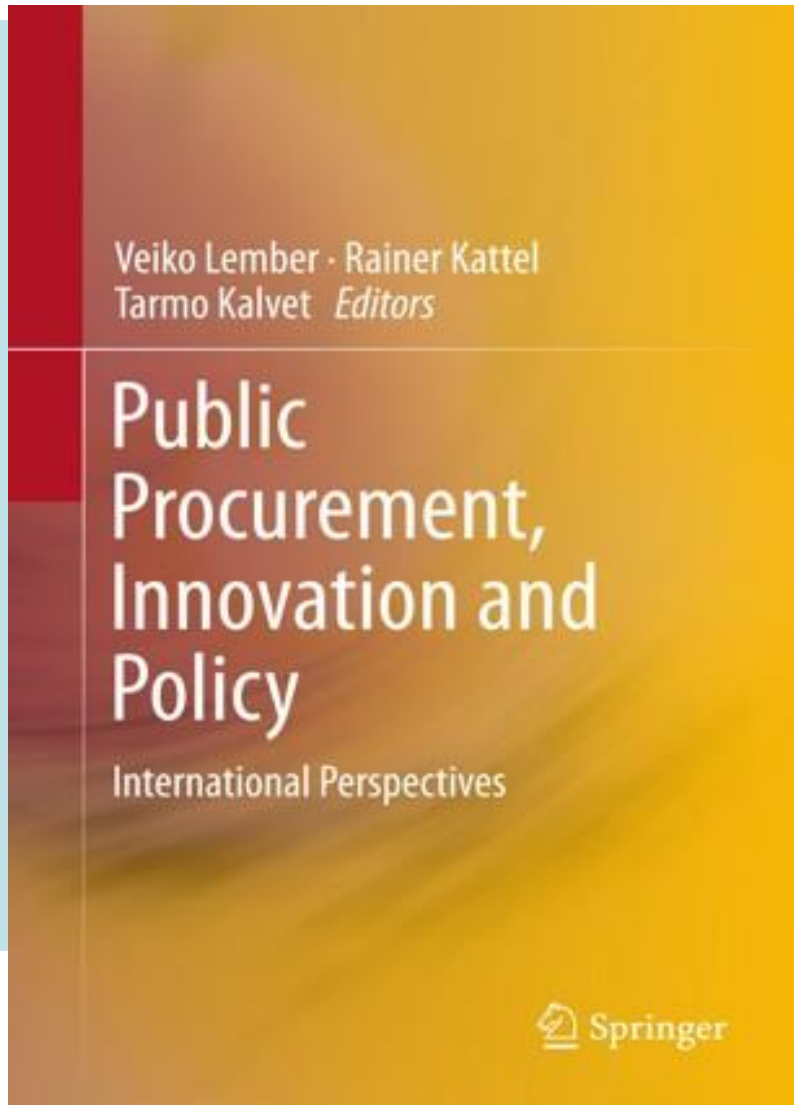
Lund University

P.O. Box 117, Sölvegatan 16, S-221 00 Lund, SWEDEN

<http://www.circle.lu.se/publications>



# Lember et al. (2014), Public Procurement, Innovation and Policy: International perspectives



- The book maps the latest developments in public procurement of innovation in 11 countries and analyzes the evolution and development of various policy solutions in broader institutional contexts.
- It addresses significant theoretical and practical gaps: on the one hand, there is an emerging interest in public procurement as a policy tool for spurring innovation; yet on the other hand, the current theory, with some notable exceptions, is guided and often constrained by historical applications, above all in the defence industries.

**THANK YOU!**

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