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**European Week
Brussels 7-10 October 2019**

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Prominent MED project

Experiences of PPI in small Mediterranean municipalities

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About the project

- Main goals
 - To support innovation in MED area by using PPI (4 pilot projects)
 - To test relevance of small and medium municipalities and test relevance of PPI to needs and challenges of S&M municipalities
- Duration – 36 + 6 months
- Level of support – 200,000 euro per pilot
- Partnership
 - CSTB (FR) providing overall expertise on energy efficiency
 - 4 pairs of national partners – public authority + technical partner
 - PT - CIMBAL (Mertola – 7,200; Serpa – 15,600 inhabitants) + Irradiare
 - ES – Consorci de la Ribera (Alzira – 44,000 inhabitants) + Polytechnic University of Valencia
 - IT – Municipality of Narni (19,200 inhabitants) + Sviluppumbria
 - HR – City of Koprivnica (30,800 inhabitants) + REA North



Key challenges

Big picture

- Level of experience per country
 - PT – very limited, close to none
 - ES – medium
 - IT – limited, mainly on the theoretical level
 - HR – none
- Size

Small picture

- So, what exactly is this PPI?
- Is that legal?
- Do we know how to do that?
- Is there anyone who did that before?
- Aren't we too small for that?
- What if we fail?
- What do you mean by innovation?



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Legal framework

- Public Procurement Directive (2014) transposed to all partner countries, so the legal framework is there but...
- ... national legal frameworks often more strict than PPD, making procedures to implement PPI even more challenging
- Therefore, the first thing partners heard was „... *don't do that, that's impossible*“. The thing is – the procurement experts in public administration are afraid of unknown because there are no real cases that could be used



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Mindset, resources, capacities

- Mindset
 - Decision-making level and other departments (usually) see procurement as a black box, think procurement is merely an administrative process, not a strategic tool
 - Innovation procurement requires long-term planning which is not the strongest perspective of local authorities
- Internal human resources scarce and capacities limited to business-as-usual procedures (the simple MEAT is already complex enough)
- External experts with relevant experience difficult to find
 - Croatian example – mentoring acquired from the expert from UK, partners eventually found open-minded national procurement expert willing to investigate and try something new
- Cases studies rare with limited details on crucial details (**and devil is in details**)



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What we had to learn?

- Needs definition turned out to be a real challenge due to the pervasive culture of finding the immediate, usually existing solution and making compromises between needs and available market solutions
- Outcome based requirements – not to be confused with specifications in the tender
- Market engagement was a rather new concept both for market as well as public authorities. Construction market players are usually fragmented and want detailed specifications; public authorities do not like imprecise and ambiguous projects → a lot of explanatory sessions for market on how to approach the project + numerous meetings with public authorities to explain the procedure and outcomes



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What we had to learn? (2)

- Coping with reality
 - Companies in MED area not that keen on deploying innovation through public procurement procedures
 - Market size and possibility of scaling is very important when it comes to market appetite – small scale projects not that attractive for the market, be prepared for incremental, rather than revolutionary proposals
 - Many small- to mid-sized companies have no experience in public procurement which may result in significant loss of opportunities for public authorities – finding the right way to tap the market can be a real challenge
 - Croatian example – developed market engagement prospectus, sent out emails to 15.000 addresses, made a telephone survey to establish the market size and called more than 120 municipalities, organized a workshop in Croatian capital etc. and yet got an interest of just a few companies



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Results of the project

- PT – competitive dialogue for reconstruction of technical systems in historical buildings in Mertola and Serpa (combined with own funding)
- ES – open tender for innovative windows on former factory ‘Magatzem de Cucó’ (strictly project funding)
- IT – competitive procedure with negotiation for energy renovation of kindergarten building with special emphasis on seismic improvements (combined with ESIF)
- HR – competitive procedure with negotiation for extensive reconstruction of the prefabricated kindergarten with innovative elements (combined with own funding)



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Key takeaways for public buyers

- It's not about devising how to get to the Mars...
- ... but you have to be ambitious
- It's about changing the mindset and treat procurement as a strategic tool and not as an administrative burden
- It's about being brave and taking some risks – non-standard procurement takes more time
- It's about being open-minded, go out and ask the market → If you don't ask, you don't get!
- Innovation or no innovation, it's about getting better value for money



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Key takeaways for policy makers

- Innovation procurement comes with the risk for public buyers – grants/programmes should reward those willing to take risks
- Policy instruments could be divided into sectors but allow flexibility (example: ICT is universally present in almost all sectors)
- Allow mistakes when managing programmes - sometimes the outcome of innovation procurement could be disappointing
- Assess the maturity of the ecosystem – uptake phase vs. mature phase
- Ensure (some kind of) technical assistance



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Or simply contact us at

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