INNOVATION PROCUREMENT

POSSIBLE SYNERGIES BETWEEN
EUROPEAN STRUCTURAL AND INVESTMENT FUNDS (ESIF) AND
HORIZON 2020 (H2020)
IN THE PROGRAMMING PERIOD 2014-2020

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INNOVATION PROCUREMENT
IN THE COHESION POLICY
CONTEXT
Why should MA and Regions be interested in Innovation Procurement?

......it is a win-win situation for

✓ **Public authorities**

- by engaging actively as first potential customers in getting new solutions developed and tested, involved in PCPs, can act as a "seal of approval" confirming the market potential of new emerging technological developments, thereby attracting new investors.

- by triggering the development of breakthrough solutions ahead of the rest of the market, can through their role of demanding first buyer create opportunities for companies in Europe to take international leadership in new markets.

- by increasing "local" public sector demand to develop innovative solutions for the societal challenges of the future, can help combat delocalisation and encourage companies to invest in highly qualified R&D in Europe.

- can get more efficient infrastructures and service solutions

✓ **Innovators**

- can get first client for new product (lead customer)
The implementation of a PCP and/or PPI should take place in the framework of a holistic approach that involves R&I to achieve the goals set for the development of each region mainly reflected through the Smart Specialisation Strategy and provides clear impact on competitiveness, job creation and growth.

The Smart Specialization strategies will set out the national or regional frameworks for investments in research and innovation not only from ESIF but from all funding sources. In that way synergies with H2020 will be better ensured and actions will be in line with the Europe 2020 objectives.

What is important at strategic level

The relevant OPs and European Territorial Cooperation Programs should be designed in a way to support public demand driven innovation in terms of PCP/PPI implementation as well as coordination, consortium building, networking and preparation activities.
Cohesion Policy may support measures in the framework of the Operational Programs to:

- **Foster more innovative public procurement procedures and administrative capacities**
  
  TO 11 (IP11) Enhancing institutional capacity and an efficient public administration
  
  TO 2 (IP2C) strengthening ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health

  *Target group: procurement officers*

- **Foster innovation through public procurement - both PCP and PPI**
  
  TO 1 (IP1B) Strengthening research, technological development and innovation

  *Target group: public authorities*

- **Foster better meeting of public needs through buying innovative solutions**
  
  TO 1 (IP1A) enhancing research and innovation (R&I) infrastructure
  
  TO 2 (IP2C) strengthening ICT applications for e-government, e-learning, e-inclusion, e-culture and e-health
  
  TO 4 (all IPs) supporting the shift toward a low-carbon economy in all sectors
  
  TO 5 (all IPs) promoting climate change adaption, risk prevention and management
  
  TO 6 (all IPs) preserving and protecting the environment and promoting resource efficiency
  
  TO 7 (all IPs) promoting sustainable transport and removing bottlenecks in key network infrastructures

  *Target group: town planners, transport, environment, health etc. ministries – ERDF, Cohesion Fund and ESF*
Cohesion Policy may also support:

- **Major projects / Joint Action Plans** in cooperation with other Regions and key players in the Cohesion Policy

- **Coordination, Networking and Preparation actions for the implementation of a PCP and/or PPI** through European Territorial Cooperation Programs
## INNOVATION PROCUREMENT IN THE FRAMEWORK OF THE OPs

### OPERATIONAL PROGRAMME

<table>
<thead>
<tr>
<th>PCP/PPI UNDER A SPECIFIC THEMATIC OBJECTIVE.</th>
<th>HORIZONTAL PRESENCE - AFFECT ALL THEMATIC OBJECTIVES/INVESTMENT PRIORITIES.</th>
</tr>
</thead>
<tbody>
<tr>
<td>BUDGET ALLOCATION FOR SPECIFIC CALLS FOR PROPOSALS BY THE MAs ON PCP/PPI</td>
<td>NO SPECIFIC CALLS FOR PROPOSALS BY THE MAs ON PCP/PPI.</td>
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</table>

Specific calls on PCP/PPI are launched with reference to related priority axis of each respective Regional Operational Program.

PCPs/PPIs are implemented as projects in the context of relevant calls for proposals launched by the MA of each respective OP.
### Measuring progress on PCP/PPI in ESIF

**Possible Output Indicators**

<table>
<thead>
<tr>
<th>UNIT</th>
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<tr>
<td>EUR</td>
<td>Investment -Procurement budget that was spent on Pre-Commercial Procurement</td>
<td>Total value of the procurement budget that was spent by the public procurers to buy R&amp;D services through Pre-Commercial Procurement (PCP) aiming at tackling concrete public challenges and modernizing the public services.</td>
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POSSIBLE SYNERGIES BETWEEN ESIF AND H2020 ON INNOVATION PROCUREMENT (PCP/ PPI)
SYNERGIES BETWEEN H2020 AND ESIF ON PCP/PPI

WHY?

BECAUSE:

- The value of support for research, development and innovation could be further enhanced by combining funding resources (increase of effects at regional level)

- Procurers could choose higher ESIF co-funding rates instead of H2020 co-funding rates' whilst participating to H2020 funded Innovation Procurement projects.

- Better communication between "regional development community" and "Horizon-Science community"

- A regional development scheme through the participation in a H2020 project acquires a European perspective
• Include innovation procurement in the RIS3 SWOT and policy mix.

• Build PCP/PPI references into OPs in every relevant thematic objective.

• Ensure support of public demand driven innovation in the framework of the European Territorial Cooperation.

• Involve MA from the beginning to ensure availability of ESIF & synchronisation.
GENERAL RULE

**IT IS NOT ALLOWED !!!!!!!**

- To use ESIF and H2020 funding accumulatively to finance the same cost/expenditure item

- To finance the own contribution of the participant from H2020 or ESIF
CATEGORIES OF POSSIBLE SYNERGIES BETWEEN H2020 AND ESIF ON PCP/PPI

Joint or simultaneous use of funds
Sequential funding
Additional funding
Alternative funding
A. JOINT OR SIMULTANEOUS USE OF FUNDS

Different funding sources in the same project. This is only possible if the cost items (eligible and submitted) are NOT the same.

Requires very strict financial management to separate the cost items clearly from the conception phase of the project and will only work if the funding decisions of H2020 and ESIF are synchronised.

The rules of both funding sources (ESIF – H2020) should be respected by all beneficiaries even if they receive co-financing from only one funding source. A partner who receives co-financing from ESIF to participate in a H2020 project should also respect the H2020 rules and vice versa.
Possible Scenario #1* on PCP

- Preparatory, coordination etc. activities are co-funded by the ESIF
  (in particular in the framework of European Territorial Cooperation Programs)

- Execution of a PCP is co-funded by H2020

* The list of the presented scenarios is not exhaustive. In practice more than those scenarios presented in that set of slides could be possibly implemented.
Coordination, preparatory etc. activities are co-financed by the ESIF OPs or European Territorial Cooperation Programs – Cross Border or Transnational or Interregional.

The co-funding rate is depended on the program and/or the participant.

A mature project proposal in the framework of the PCP actions calls (H2020) is submitted. In case of approval it will receive co-funding for the execution of a joint PCP.

Co-funding rate 90%* for all types of procurers (+ 25% indirect costs except on the procurement cost and in-kind contributions not used on the beneficiaries premises)

* New from 2016-2017 Horizon 2020 work programmes onward
Possible scenario #2 on the execution of a PCP

- In the framework of PCP action calls, some participants of the buyers group may receive co-funding from the ESIF and others from H2020.

- This case is applicable only if there is a clear distinction between budgets offered per OP and between expenditures co-funded by the ESIF (per OP) vs expenditures co-funded by H2020.

  *Example* - each R&D provider is paid pro rata by each procurer in the buyers group according to the share of each procurer's contribution to the jointly committed budget.

**Condition for success**: synchronization between the ESIF calls and the H2020 PCP action calls
Coordination, Preparatory etc. activities are co-funded by H2020 (CSAs)

**CO-FUNDING RATE 100% + 25% for eligible indirect costs**

OR

Coordination, Preparatory etc. activities are co-funded by the ESIF

**DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT**

**EXECUTION OF A JOINT PCP**

**PROCURER A (Less developed Region)**

**CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH THE ESIF**

**CO-FUNDING RATE up to 85% (for his contribution)**

**PROCURER C**

**CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH H2020**

**CO-FUNDING RATE 90% + 25% for eligible indirect costs (for his contribution)**

**PROCURER B ( Transitional Region)**

**CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH THE ESIF**

**CO-FUNDING RATE up to 60% (for his contribution)**

**PROCURER D**

**CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH H2020**

**CO-FUNDING RATE 90% + 25% for eligible indirect costs (for his contribution)**
Possible Scenario # 1 on PPI

ESIF co-finances networking, coordination preparation etc. activities
✓ Consortium building
✓ Preparation of the calls
✓ Drafting of the tender documents
✓ ...

H2020 co-finances the execution of a PPI

It co-finances the purchase of the innovative solutions in the following ways.

➢ The lead procurer launches one procurement procedure and awards the Framework Contract or Agreement. Procurers participating in the buyers group implement separate specific contracts and pay individually the invoices corresponding to the innovative solutions they each procure.

or

➢ The lead procurer launches one procurement procedure, signs all the contracts and pays all the invoices on behalf of the group of procurers
Coordination, preparatory activities etc. are co-funded by the ESIF (i.e. ETC Programs)

DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT

One joint PPI that has been prepared with the support of the ESIF is executed. The execution of the PPI is co-funded by H2020 (PPI action calls)

CO-FUNDING RATE 35%* FOR ALL TYPES OF PROCURERS (+ 25% indirect costs except on the procurement cost and in-kind contributions not used on the beneficiaries premises)

* New from 2016-2017 Horizon 2020 work programmes onward
Possible Scenario #2 on PPI

Joint implemented PPI: A procurer located in a less developed Region purchases the innovative solution co-funded by the ESIF (up to 85% rate) and another procurer in another MS is co-funded by H2020 (35% rate) to purchase the innovative solution.

The networking and the preparation phase for the execution of the PPI may be co-funded either by the ESIF or by the H2020 (CSAs). In case that they haven't received co-financing for the preparatory activities these can be co-funded by the PPI actions according to the rules applicable to these actions.

Applicable Scenario in cases:

- Under a joint Framework Contract/Agreement which provides the joint technical specifications separate specific contracts (possibly with lots) are implemented by the individual procurers according to their national law for the purchase of the innovative solutions they each individually need. The procurers pay individually the invoices corresponding to the innovative solutions each buys.

Or

- The lead procurer launches one procurement procedure, awards all the contracts and pays all the invoices on behalf of the group of procurers
Coordination, Preparation etc. activities are co-funded by H2020 (CSA)

**Coordination, Preparation etc. activities are co-funded by H2020 (CSA)**

**EXECUTION OF ONE JOINT PPI**

**PROCURER A**

purchases the innovative solution with the support of H2020

**CO-FUNDING RATE 35% + 25% for eligible indirect costs (for his contribution)**

**PROCURER B**

(Less developed Region)
purchases the innovative solution with the support of the ESIF in line with the objectives of the relevant O.P

**CO-FUNDING RATE up to 85% (for his contribution)**

**PROCURER C**

purchases the innovative solution with the support of H2020

**CO-FUNDING RATE 35% + 25% for eligible indirect costs (for his contribution)**

**PROCURER D**

Less developed Region

purchases the innovative solution with the support of the ESIF in line with the objectives of the relevant O.P

**CO-FUNDING RATE up to 85% (for his contribution)**

**DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT**
Possible scenario for the coordination and networking activities to prepare for PCP and PPI

In one project/consortium that prepares a future joint PCP or PPI, Procurers A and B from less developed regions are co-funded by the ESIF (up to 85% co-funding rate) and procurers B and C are co-funded by H2020 (via CSAs – if there is a specific call with co-funding rate 100% + 25% for eligible indirect costs)

- The execution of the joint PCP/PPI can follow one of the scenarios presented in the previous slides.

- Minimum conditions for success:
  - Separate and distinguished cost/expenditure items even at project proposal level
  - Synchronization and coordination between ESIF MAs and H2020 Managing Bodies
| **PROCURER A**  
(Less developed Region) | **PROCURER B**  
(Transitional Region) |
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| **PROCURER C**  
| Coordination and networking activities to prepare for a PCP are co-funded by H2020 (CSA) |
| **CO-FUNDING RATE 100% + 25% for eligible indirect costs (for his contribution)** |

| **PROCURER D**  
| Coordination and networking activities to prepare for a PCP are co-funded by H2020 (CSA) |
| **CO-FUNDING RATE 100% + 25% for eligible indirect costs (for his contribution)** |

**EXECUTION OF A JOINT PCP**
EXECUTION OF A JOINT PPI

PROCURER A
(Less developed Region)
Coordination and preparation etc. activities for a PPI are co-funded by the ESIF

CO-FUNDING RATE up to 85% (for his contribution)

PROCURER B
(Transitional Region)
Coordination and preparation etc. activities for a PPI are co-funded by the ESIF

CO-FUNDING RATE up to 60% (for his contribution)

PROCURER C
Coordination and preparation etc. activities for a PCP are co-funded by H2020 (CSA)

FLAT CO-FUNDING RATE 100% + 25% for eligible indirect costs (for his contribution)

PROCURER D
Coordination and preparation etc. activities for a PCP are co-funded by H2020 (CSA)

FLAT CO-FUNDING RATE 100% + 25% for eligible indirect costs (for his contribution)
B. SEQUENTIAL FUNDING

Separate successive and legally/financially not linked projects with alternating H2020 or ESIF support –
- First PCP and then PPI –

This is an easier way to combine funds with less risk of (involuntarily) creating double co-funding scenarios.

Sequential funding can go in both directions:
First ESIF and then H2020 or vice versa.
Possible Scenario

*First PCP (ESIF) to develop and test the innovative solution and then PPI (H2020) for the deployment of the innovative solutions developed and tested through PCP and vice versa (H2020 for PCP and ESIF for PPI)*

Example:

A group of Public Procurers from different cities are looking for a new sustainable public water supply system. It requires R&D. At first, they implement a PCP (Phases 1, 2, 3) with the support of H2020 and different solutions are developed and tested.

Thereafter they implement a PPI with the support of ESIF/ERDF to co-fund the preparation of the call for tender and the purchase of these new solutions (each MA for the territory covered by its OP).
Execution of a PCP using either only H2020 or ESIF Funds or combination of both Funds

OR

Coordination, preparatory etc. activities are co-funded by the ESIF
DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT

Execution of a PPI using either only H2020 or ESIF Funds or combination of both Funds per contract or per lot and contract

Coordination, preparatory etc. activities are co-funded by the ESIF
DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT

Coordination, preparatory etc. activities are co-funded by H2020(CSA)
CO-FUNDING RATE 100% + 25% indirect costs

Coordination, preparatory etc. activities are co-funded by H2020(CSA)
CO-FUNDING RATE 100% + 25% indirect costs

Directly without CSAs or preparatory activities (Option)
C. ADDITIONAL/PARALLEL USE OF FUNDS

ESIF money is not linked to a H2020 project (PCP/PPI), but a regional/national authority decides to co-fund a regional/national project or beneficiaries to enhance the H2020 project or programme in its region.

This may be particularly relevant to skills development or capacity building in innovation and cooperation

*Example*

Skills enhancement of the public procurer focused on the use of the innovative product that is purchased in the framework of a PPI that is co-funded by H2020
D. ALTERNATIVE FUNDING

ESI Funds could be used for project proposals that have received positive evaluation under H2020 and could not be co-funded due to lack of H2020 funds under the call.

These proposals could be reoriented towards ESIF requirements and submitted at national/regional level, if this type and topic of project fits into the operational programmes of the concerned territories.
Thank you for your attention

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