EXTRACT

Innovation Public Procurement

Empirical evidences and impacts

2016 EU Innovation Procurement event
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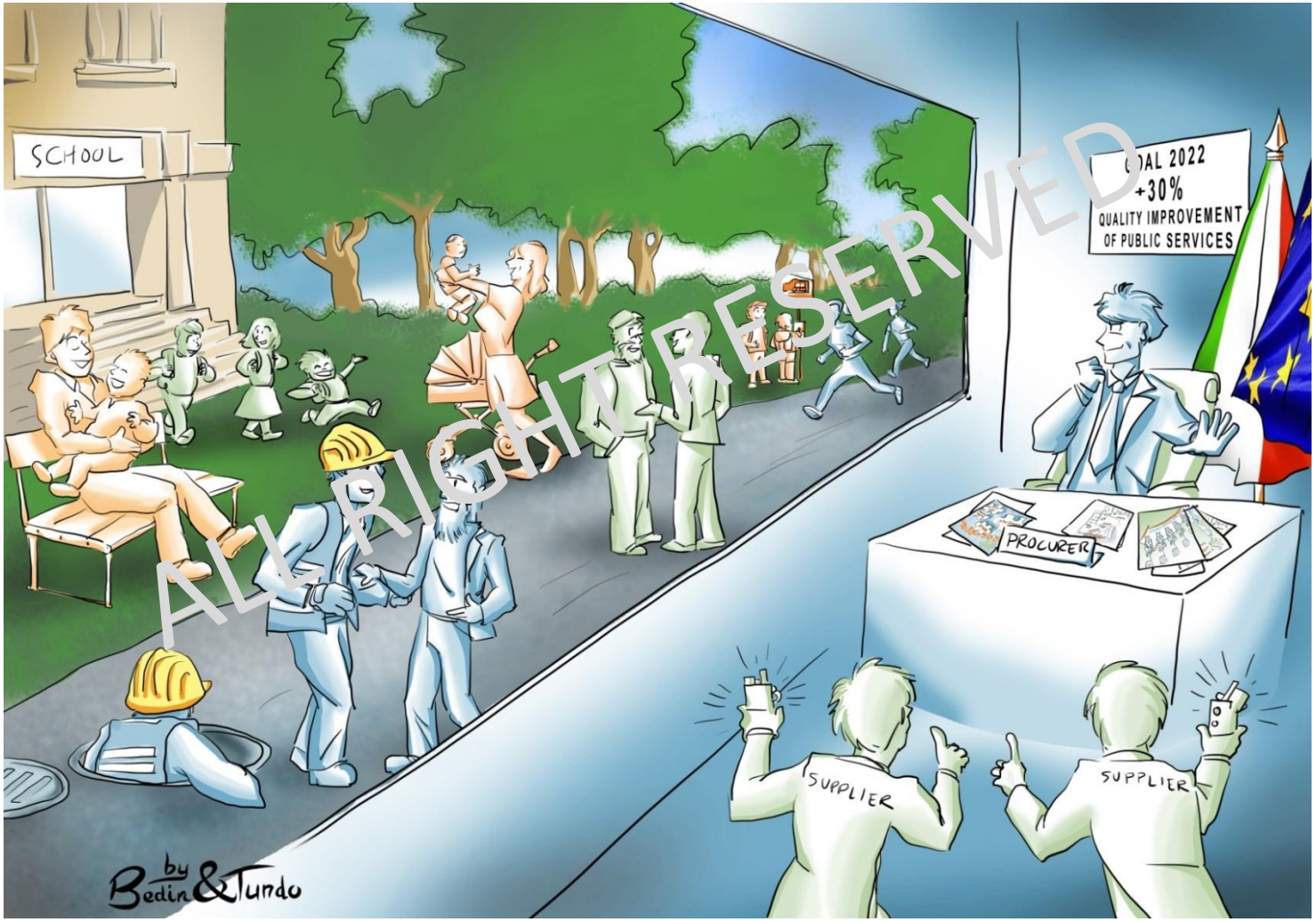
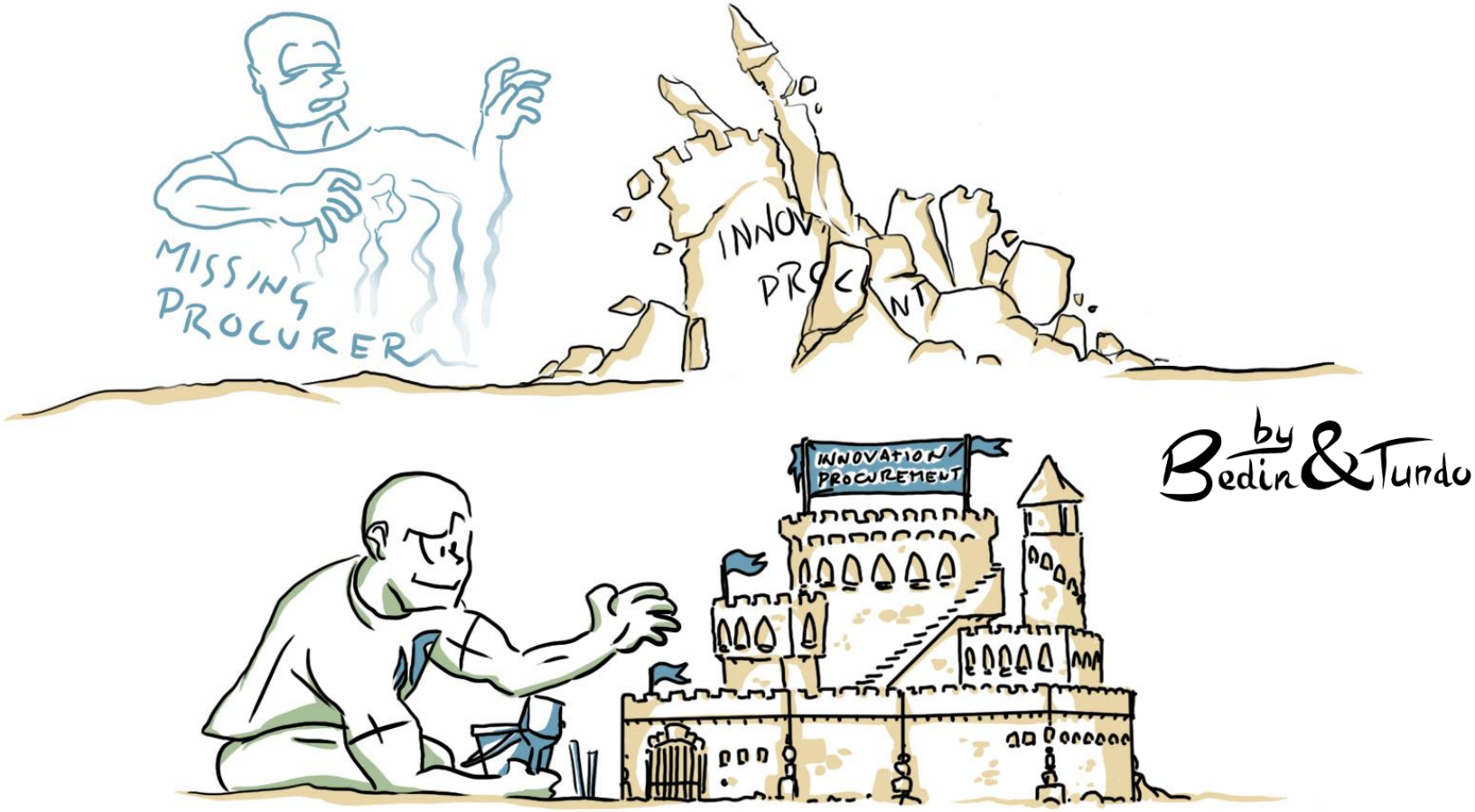
Part # 1

Empirical evidences and field experiences on Innovation Public Procurement implementation

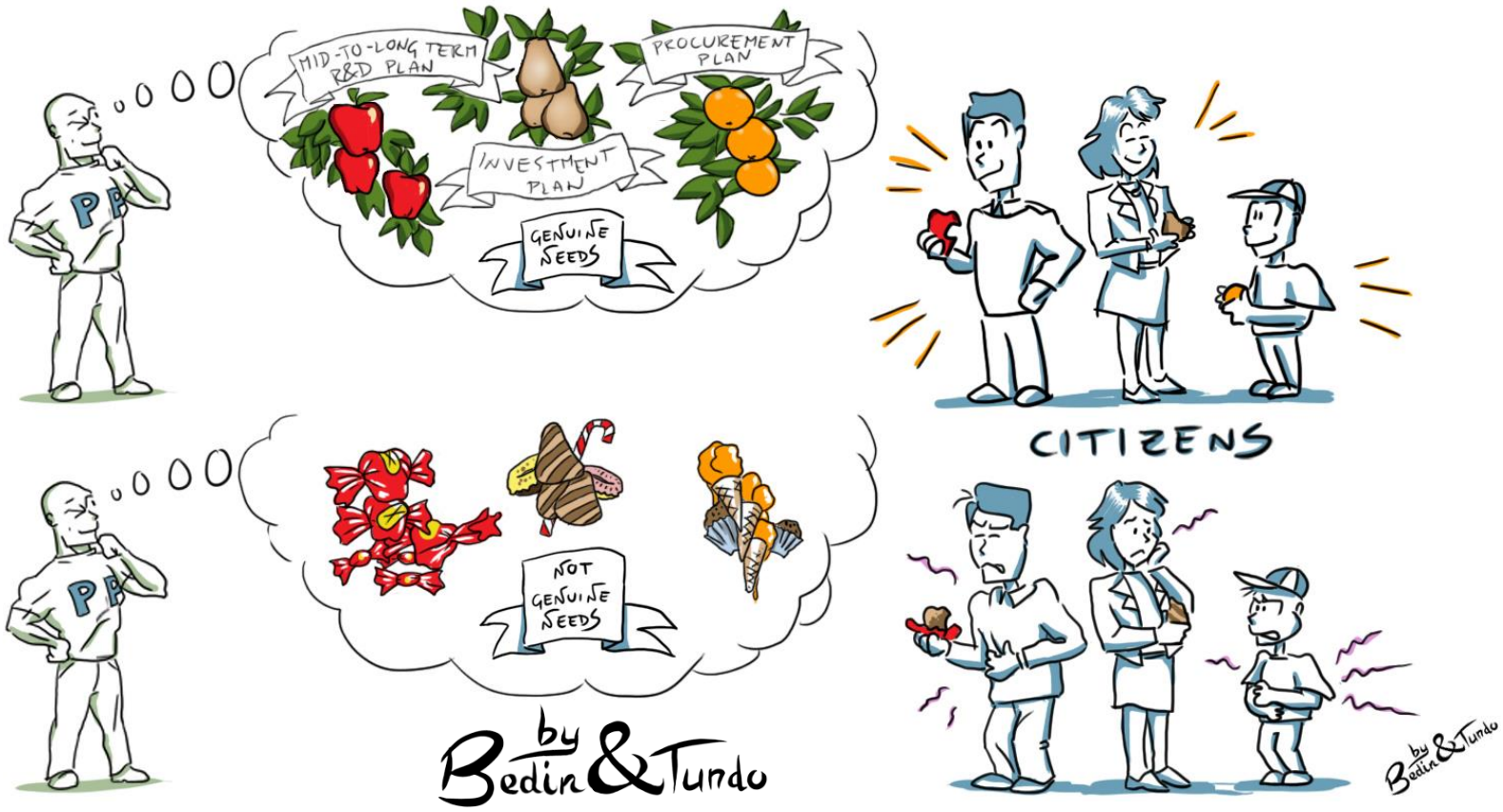
Allowing public sector to perform their functions and deliver key services effectively and efficiently, thus optimizing value-for-money in public spending



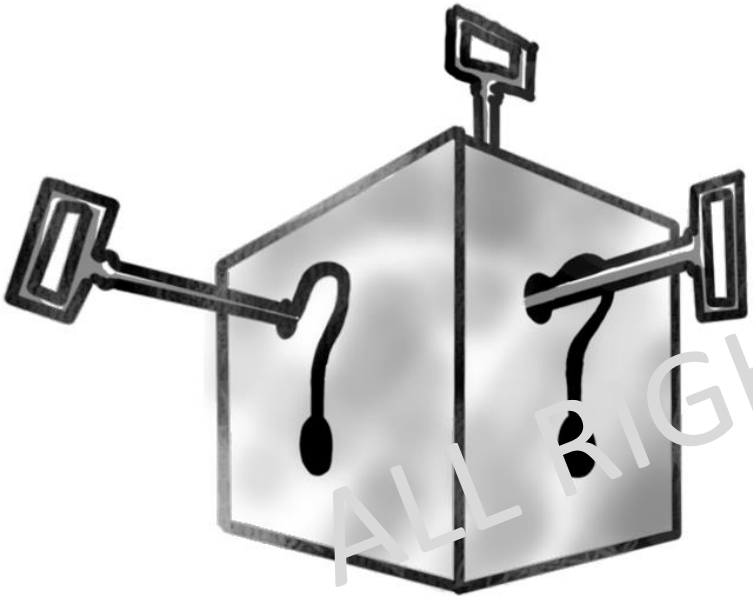
Procurement must lie in the hand of procurer

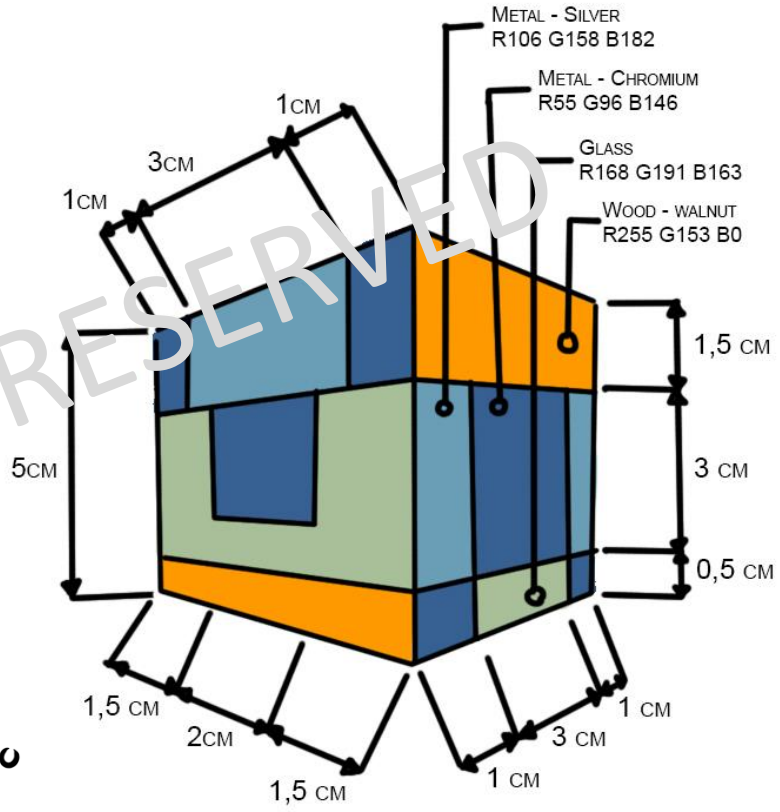


Needs has to be genuine and performance driven

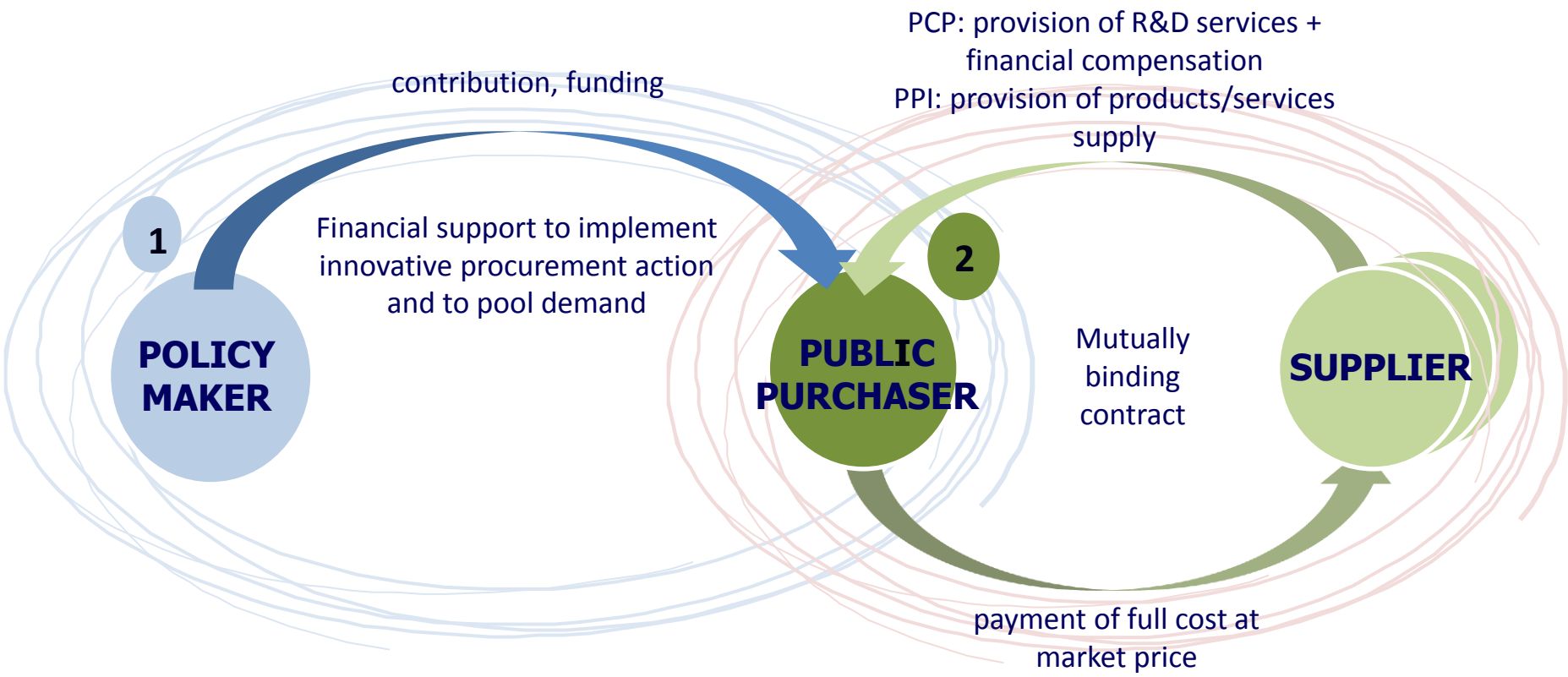


Ability to provide keys for problem understanding *vs.* technical requirements specification



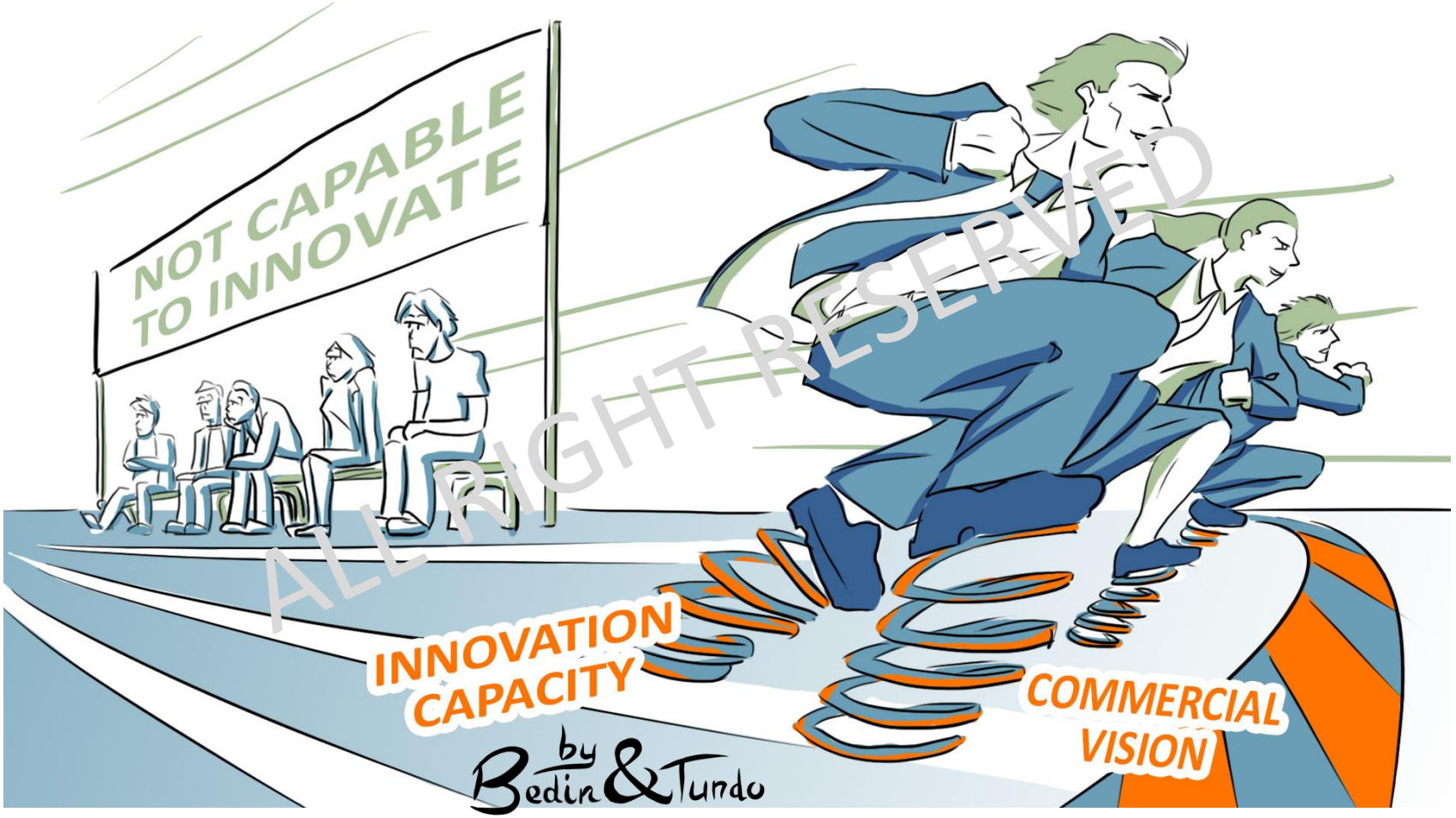


Assuming proper roles

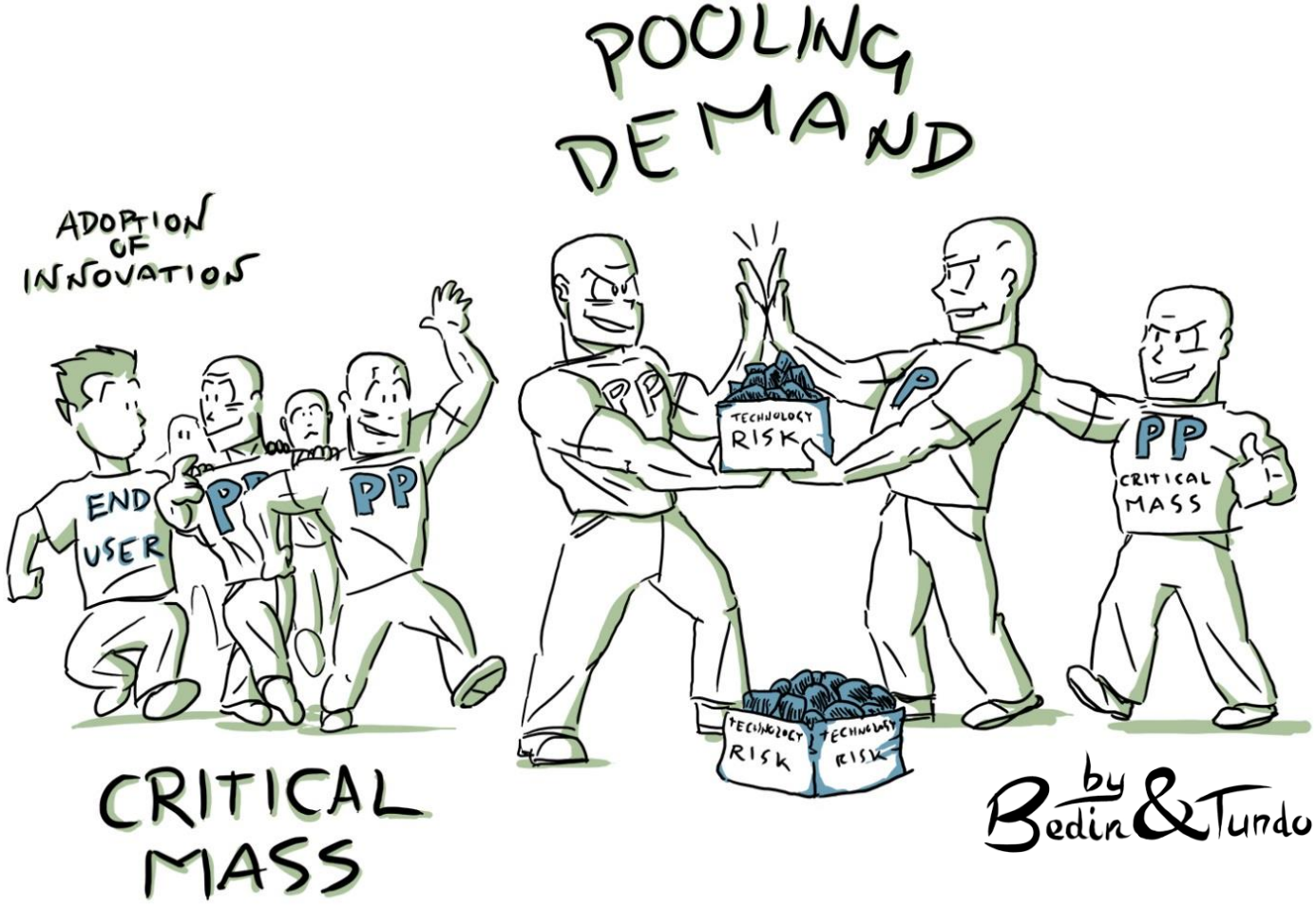


(Also) PCP work fully within EU competition law
Scope of the EU State Aid rules for R&D Framework

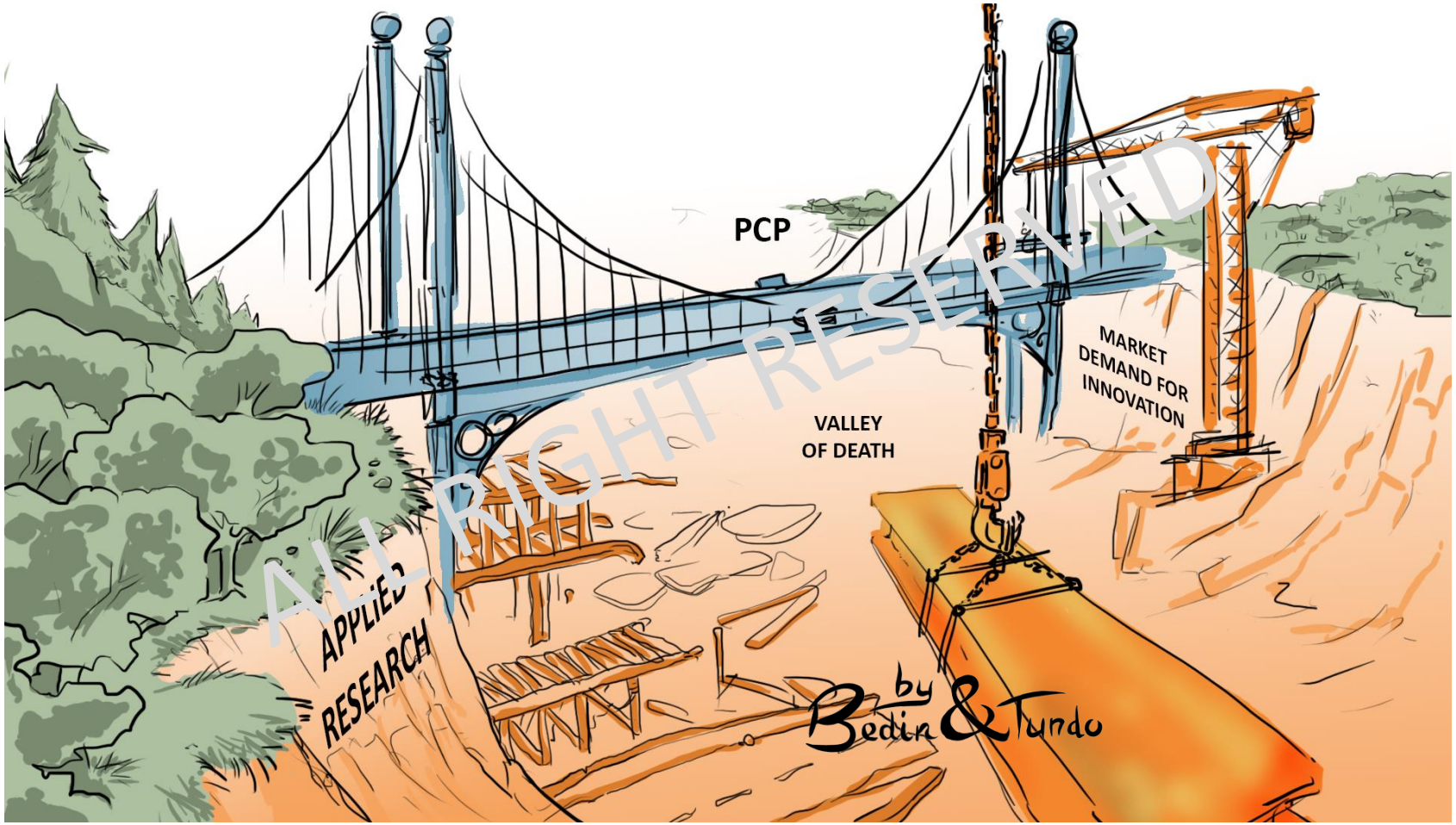
Innovation = competition



Cooperation: opportunities to share risks and economic benefits



PCP and the necessary link with follow-up (public) investments



Part # 2

Main results of a scientific study aimed at quantifying the comparative impacts of PCP

Objectives

- Quantify the **economic impact** of pre-commercial procurement (PCP) in Europe, **compared** to other procurement approaches, based on detailed information from public procurers and awardees collected through questionnaires

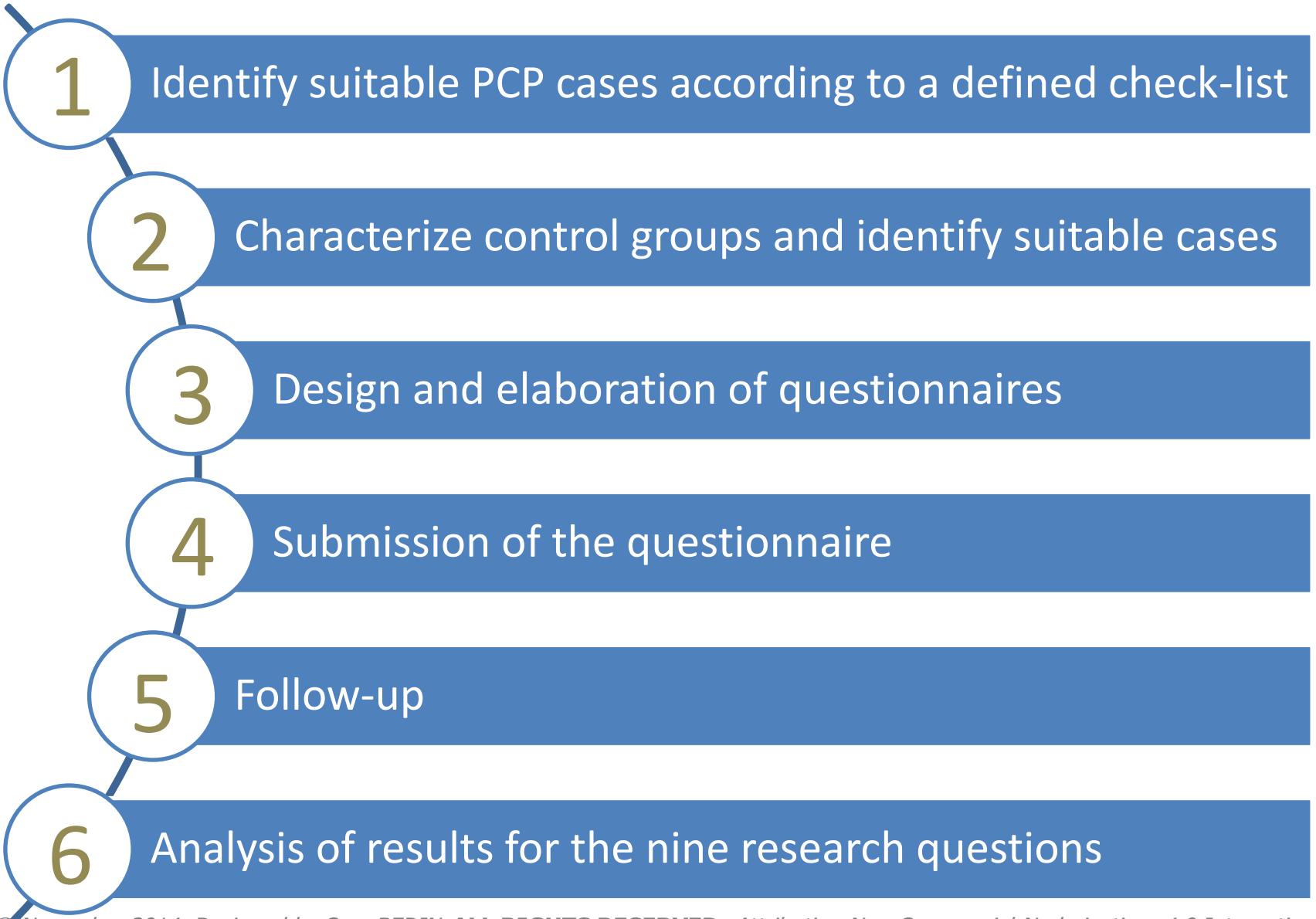
  >> analyze whether and how much the impacts observed in PCPs (panel 1) differ from the impacts observed in the panels 2 (R&D services contracts) and 3 (mixed R&D services and supply contracts) of the control group of procurements

- Provide a series of **recommendations** for new actions to be undertaken at EU level and at national level to encourage the use of PCP and improve the link with potential follow-up public procurement of innovation (PPI).

9 research questions

- **Improvements in the quality and/or efficiency of the public services achieved by deploying the innovative solutions developed as a result of the PCP;**
- *Increase in quality and decrease in prices of products resulting from the highly competitive multi-sourcing, phased procurement approach that distinguishes PCP from other procurement approaches;*
- **Reduction in the risk of failure in large scale follow-up PPI procurements**
- **Increase in the efficiency of R&D expenditures;**
- **Speeding up time-to-market for firms and facilitating the access of SMEs to the procurement market;**
- *Attracting financial investors to Europe;*
- *Increased interoperability / impact on standardization /* **reduction of supplier lock-in;**
- *Impacts on competition structure in the market;*
- **Increased exploitation of IPRs and R&D results in general.**

Methodology: main steps



Step 1. Identify suitable PCP cases according to a check-list

PCP characteristics: check list
• Tender object: **R&D services** (prevalence criterion)

• Type of contract: **procurement contract.**
  ○ Obligation of bidders: R&D services
  ○ Obligation of contracting authorities: payment of the agreed price

• Demand side driven approach (**needs and requirements are defined exclusively by the procurer**)
• Development in **phases**
• **Multiple-sourcing** contract, in the sense that there are multiple and competing firms along the whole trajectory of the PCP
• Retention of at least **two participating companies** until the last phase to ensure a (future) competitive market
• **Separation** between the PCP and the procurement of commercial volumes of end-product and no preferential treatment in the supply of the final products (the competition is re-opened and the awardee who has done the R&D and developed a working test series has no guarantee to win a follow-up contract for mass delivery)
• **Contractual arrangements**, rights and obligations of the parties (including IPRs), are **decided upfront** and made available to all interested bidders in advance (published in the tender documents)
• **Absence of exclusive condition**: the public purchaser does not reserve the R&D results exclusively for its own use, so that results are shared with or fully assigned to bidders with the public contracting authority retaining use licencing right
• Award criterion: **MEAT** (competition also on price)

Step 1. Identify suitable PCP cases according to a check-list

- There is a very limited number of (completed) PCP cases across EU.
- Sometimes public authorities define their projects as PCP but, in fact, such tenders do not satisfy the EC definition of PCP specified in the Communication (COM 799) and the 2014 State Aid Rules on R&D&I (in compliance with the exemption in the 2014 Public Procurement Directives), which ensures the conditions for PCPs not to involve State aid.
- In particular, we have frequently observed:
  - **lack of multiple sourcing** until the last phase,
  - **lack of R&D effort** required (incremental applied research or organizational innovation),
  - **lack of definitions of IPRs allocation** and contractual arrangements in the tender documents and admission of negotiation on that subject,
  - **lack of definition and description of the procurement object** that makes the procedure more similar to a call for ideas/proposals than a call for tender,
  - **lack of description of the un-met need** that makes the bids and resulting solutions not as easily objectively comparable as it should be in public procurements.

Step 2. Characterize the control groups (group of other R&D procurement approaches cases) and identify suitable cases

Control group characteristics	
Panel 2	**Panel 3**
Procurements Object in panel 2: contracts that buy only **Research & Development services** (i. e. feasibility studies, preliminary or executive technical design services, prototyping services, testing services etc.).	Procurement Object in panel 3: **mixed R&D services and supply contracts** (contracts that combine the purchase of R&D and supply of the resulting solutions in one and the same procurement) with a significant degree of innovation.

Both panel 2 and panel 3 cases are:

- **Single-award/single source contracts** – where only one awardee is chosen (for each lot, if the contract is split into lots)

and (predominately)

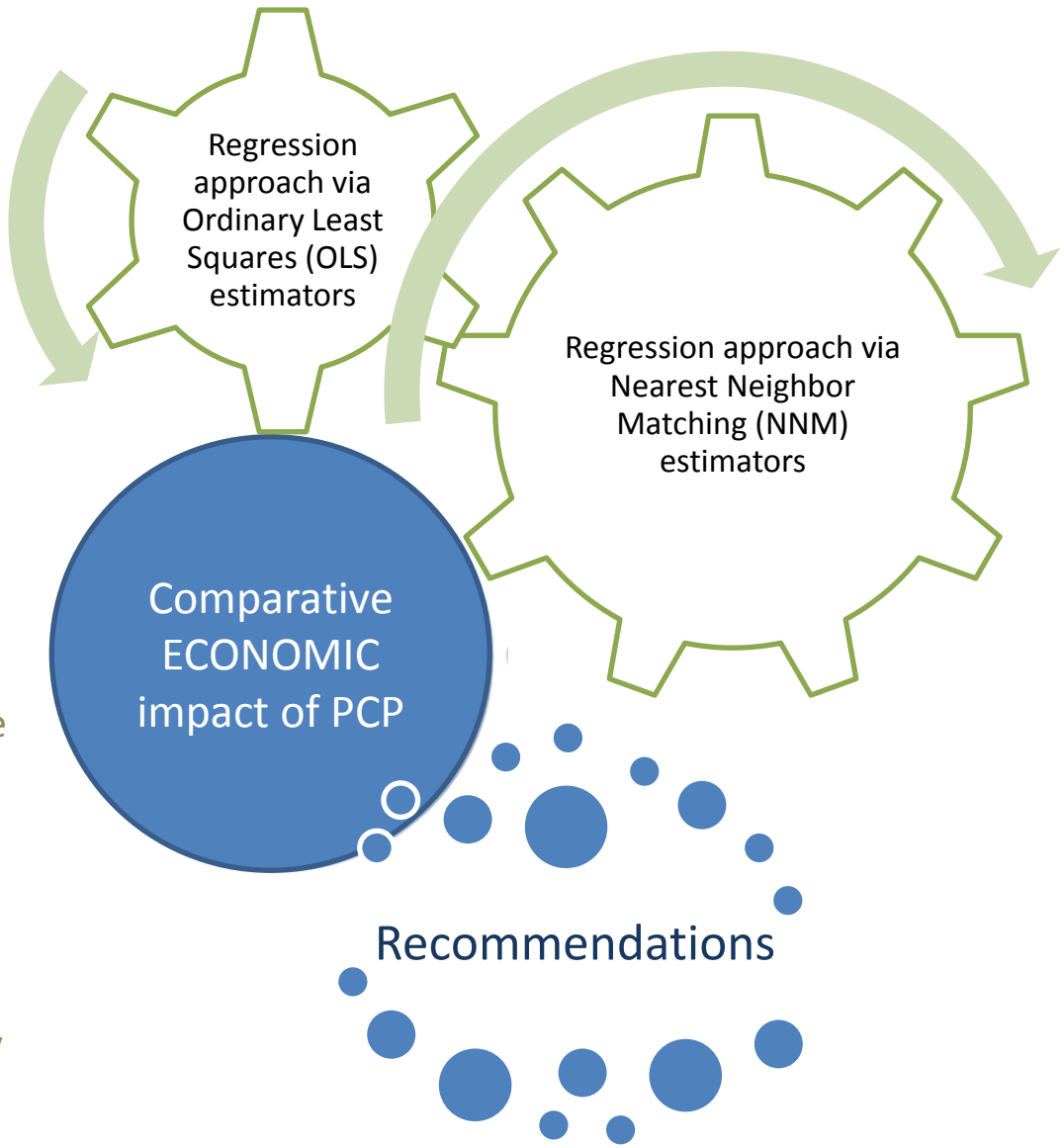
- **Exclusive contracts** - where intellectual property rights remain with the Public Procurer and not given to the awardee.

Research key elements

i) a dataset of procurements (with a variable indicating the sample)

ii) a collection of variables measuring how large the impact is when using PCP compared to other procurement methods

iii) "control variables" which allows to determine whether this impact was really achieved because of the use of the PCP



9 research questions

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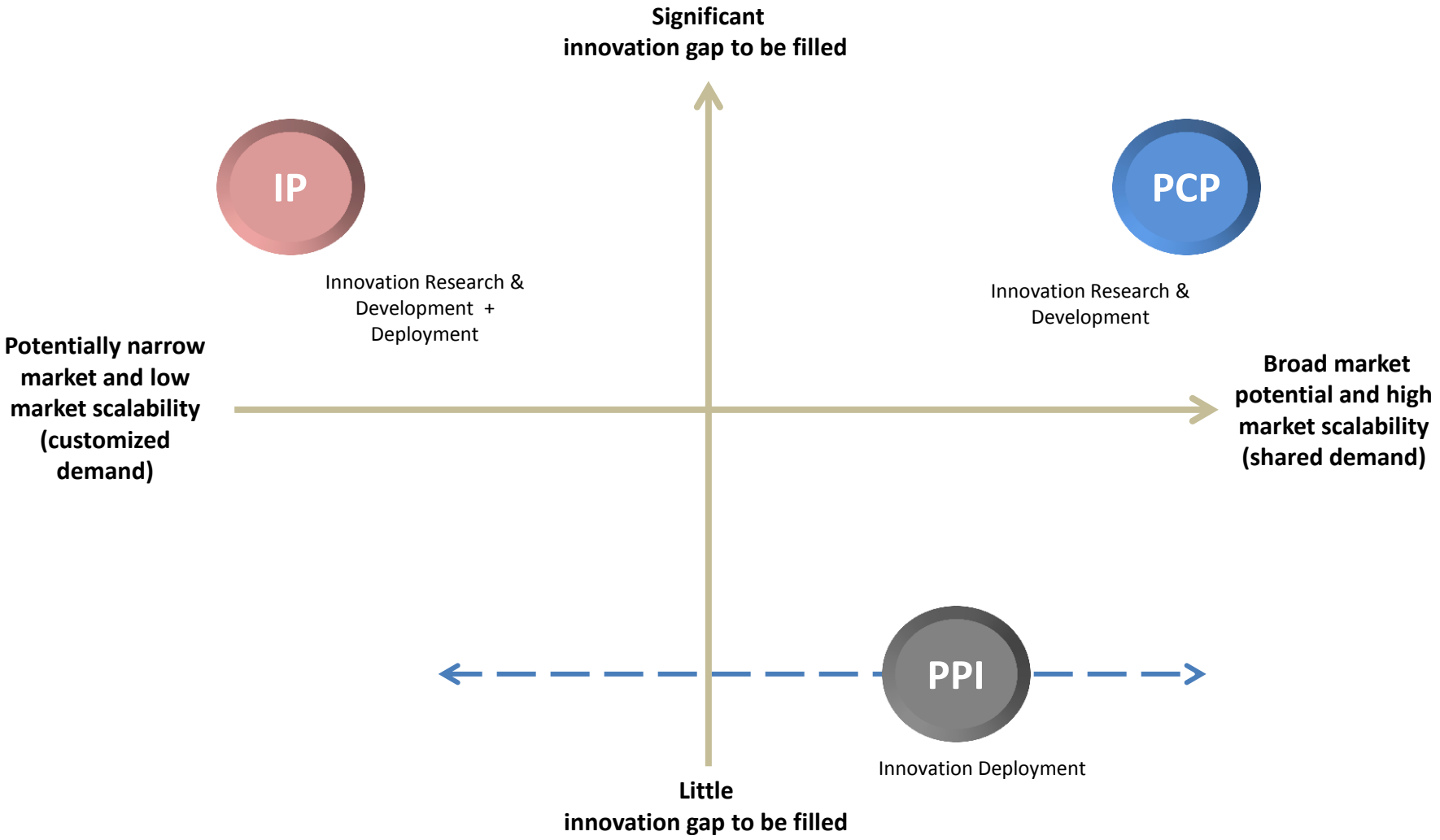
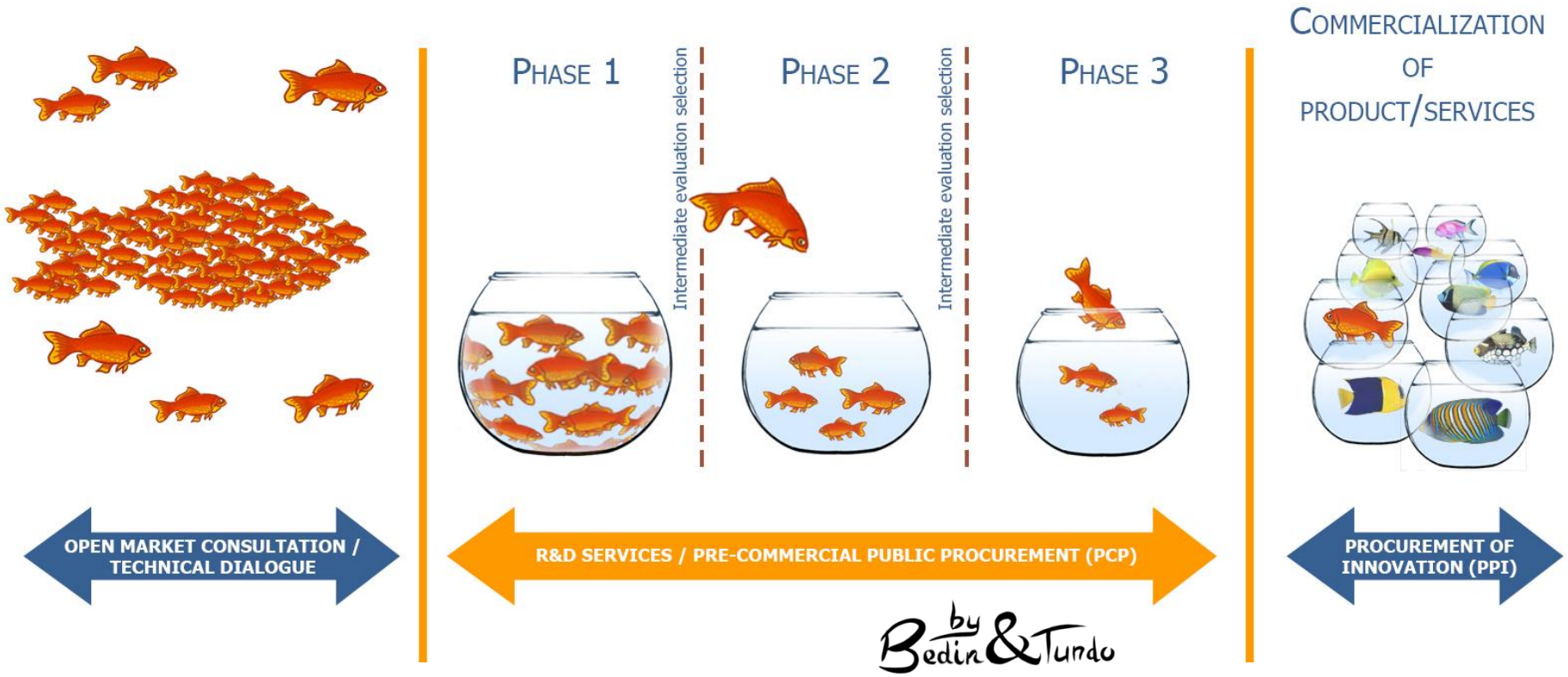
What instruments?

PCP (pre-commercial public procurement), IP (innovation partnership), PPI (public procurement of innovative solutions)



TIME TO ACT !

Benefiting from and Driving forward innovation from the demand side



Presentation of Sara Bedin at the European High Level Event
«Modernizing the public sector and boosting economic growth through Innovation Procurement"
co-organized by European Commission (DG Connect), EuroCloud Italy, Lombardy Region
Milan, 26-27 November 2014 – Palazzo Pirelli

Thank you for your participation and attention!

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