



PROMOTION OF
PUBLIC PROCUREMENT OF
INNOVATION
FOR RESOURCE EFFICIENCY AND
WASTE TREATMENT

PPI Training

MODULE 3 - An Introduction to Public Procurement of Innovation

PPI training

21/12/2016

PPI4Waste

- What is PPI?
- The need for innovation
- Developing a PPI strategy
- Using relevant PPI tools
- Guiding principles for PPI implementation

“**Innovation** means the implementation of a new or significantly improved good, service or process, including but not limited to production, building or construction processes, a new marketing method, or a new organizational method in business practices, with the purpose of helping to solve societal challenges”

- Guidance for public authorities on Public Procurement of Innovation, 1st edition)

What is PPI?

PPI is not a *new* concept

- **1368**: original architect dies and there is no one to finish the design;
- **1418**: the Arte della Lana guild of wool merchants announced a design competition for erecting the dome;
- **1419**: Brunelleschi wins the competition with an intelligent design of rigid octagons;
- **1420 - 1436**: the building is designed with a great number of innovations.



The Duomo, Florence

COO Public Domain file – Pixabay.com user Waldo93

The need for innovation

Some basic characteristics

- Innovation is about finding **new** and **better** ways of doing things.
- A better-designed product or building can:
 - Increase productivity, sustainability
 - Comfort the public
 - Reduce environmental impact
 - Save costs
 - Improve life conditions
- There is a tension between **fairness** and **transparency** on one hand and flexibility on the other

The need for innovation

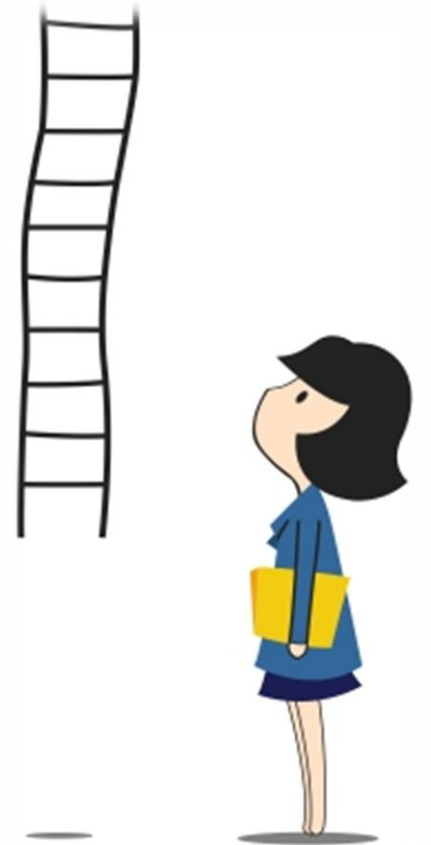
Why should you innovate? – Advantages of PPI

- **For Contracting authorities:**
 - It saves costs in the long run when the process is thought through in advance
 - It improves the quality of a product/service
 - It has a direct positive impact in society
 - The amount of time that the procedure needs is shorter than other procedures
- **For the Market:**
 - It pushes the market forward
 - Suppliers get challenged to provide innovations and obtain competitive advantages

The need for innovation

What are the main challenges?

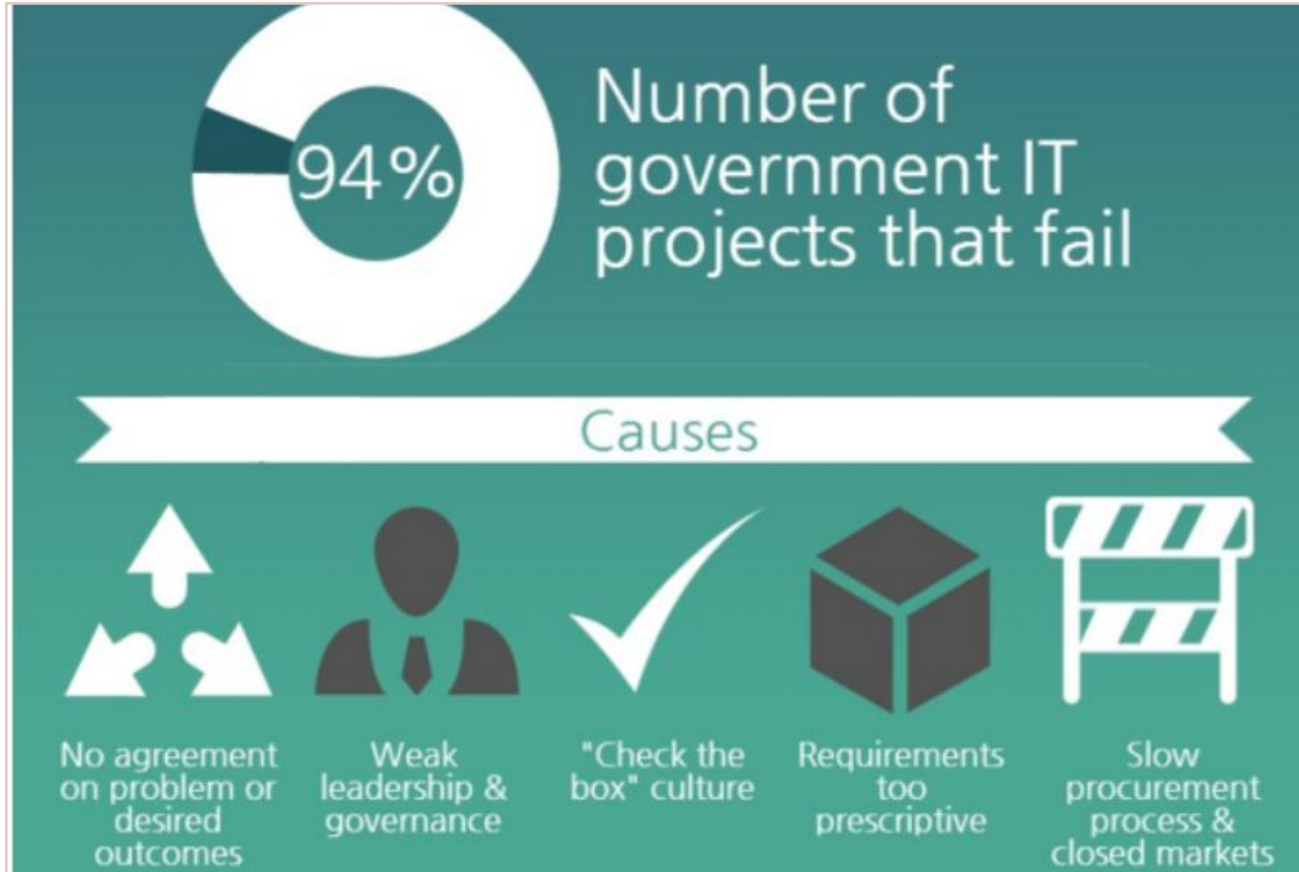
- Inspiring the market to innovate;
- Assessing beforehand the risks and proposing measures;
- Dealing with output-performance, instead of detailed descriptions: fear to let go;
- Using different procurement approaches and procedures;
- It requires a clear distribution of responsibilities concerning e.g. permits, intellectual property rights;
- Knowing what you want;
- Remain objective if offers differ strongly.



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The need for innovation

What are the main challenges?



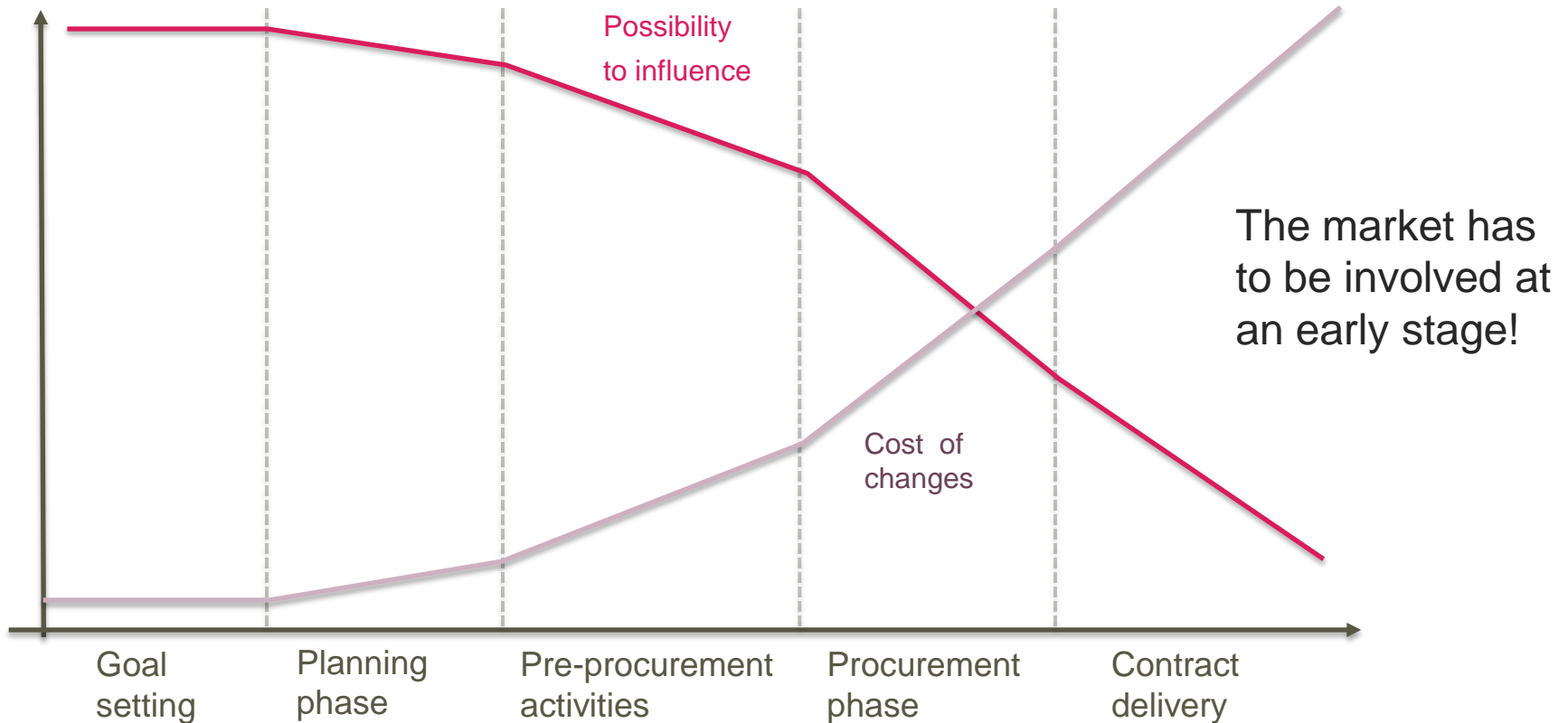
Main reasons for failures in innovation projects

Public spend matters

<http://public.spendmatters.eu/2016/02/09/suppliers-who-fail-to-deliver-a-public-procurement-dilemma/>

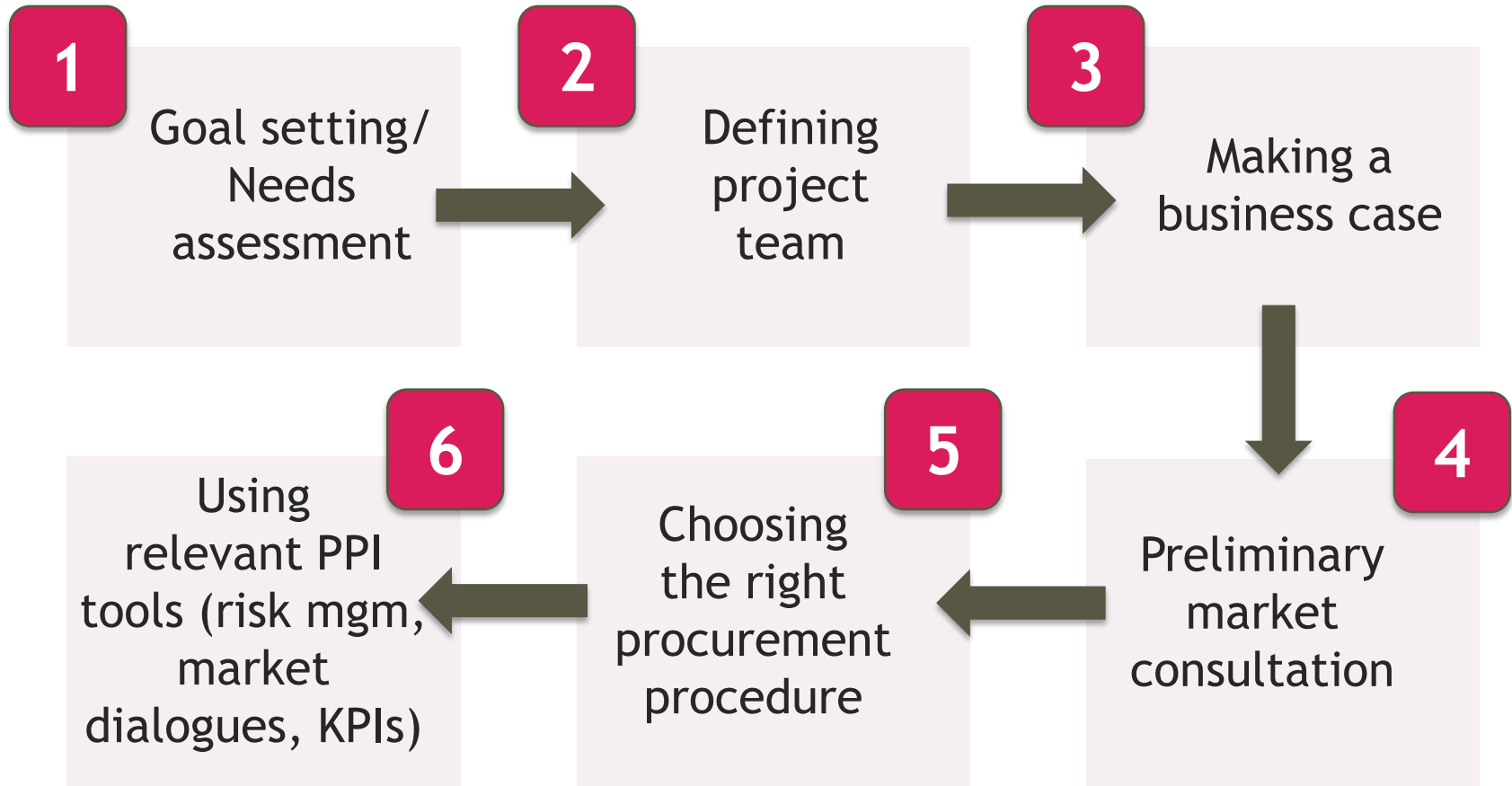
The need for innovation

When is the best moment to introduce an innovation?



Developing a PPI strategy

Main elements to consider when facing PPI



Developing a PPI strategy

Main elements to consider when facing PPI

1. Goal setting
2. Project team
3. Making a Business case
4. Preliminary market consultation
5. Choosing the right procurement procedure
6. Using relevant PPI tools in every step of the process

1. Goal setting

- How will you determine which areas are priorities for innovation procurement within your organisation?
- How should a needs assessment be conducted?
- Which type of needs may be suitable for PCP and PPI respectively?

2. Project team

3. Making a Business case

4. Preliminary market consultation

5. Choosing the right procurement procedure

6. Using relevant PPI tools in every step of the process

1. Goal setting
2. **Project team**
 - Who within your organisation is best-placed to drive PPI and which departments should be involved?
 - Is it worthwhile to include external experts or organisations in the group?
3. Making a Business case
4. Preliminary market consultation
5. Choosing the right procurement procedure
6. Using relevant PPI tools in every step of the process

Developing a PPI strategy

Main elements to consider when facing PPI

1. Goal setting
 2. Project team
 3. **Making a Business case**
 - What kind of information will contribute to your business case for PPI and where can it be found?
 - How should future costs and savings/income from PPI be calculated?
 - Are any of your organisation's needs suitable for joint procurement of innovation?
 - Does it make sense to set up a framework agreement so that others can access the end results?
 4. Preliminary market consultation
 5. Choosing the right procurement procedure
 6. Using relevant PPI tools in every step of the process
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Developing a PPI strategy

Main elements to consider when facing PPI

1. Goal setting
2. Project team
3. Making a Business case
4. **Preliminary market consultation**
 - e.g. Should suppliers be contacted informally prior to starting a procedure?
 - Is it better to meet with suppliers one-on-one or in groups?
 - How will confidentiality and open sharing of information be balanced?
 - How will the outcomes be captured in your specifications?
5. Choosing the right procurement procedure
6. Using relevant PPI tools in every step of the process

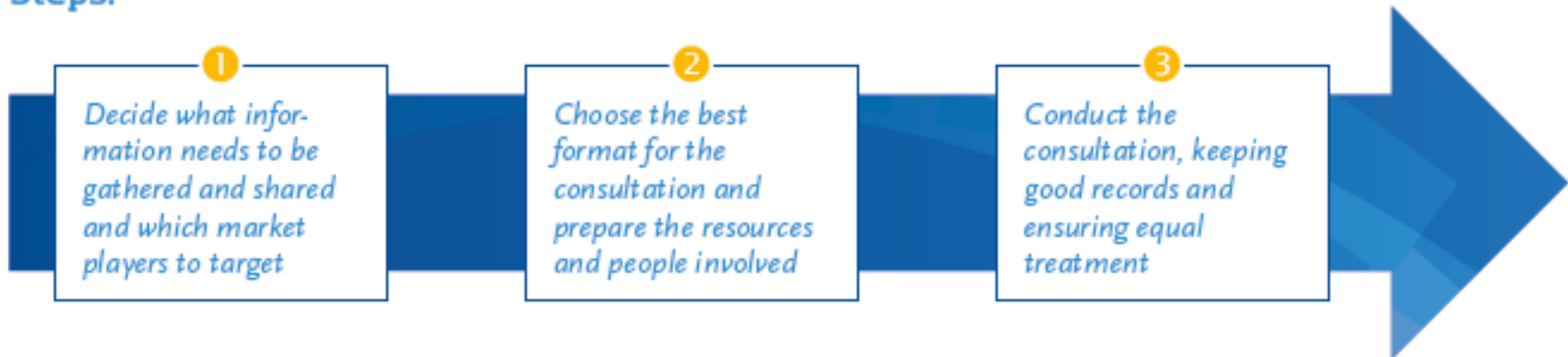
Developing a PPI strategy

Preliminary market consultation

Objective: To gather information from the market with a view to later procurement, and to inform potential suppliers of the authority's needs.

Regulated by the procurement directives? Not directly, although the new directives state that preliminary market consultations can be carried out provided they do not distort any later competition. This may involve communicating information from the consultation to all candidates or tenderers, for example. The Treaty principles of transparency and non-discrimination apply to preliminary market consultations.

Steps:



Preliminary market consultation (Guidance for Public Authorities on PPI; www.innovation-procurement.org)

1. Goal setting
2. Project team
3. Making a Business case
4. Preliminary market consultation
5. **Choosing the right procurement procedure**
 - Is there available sufficient knowledge of the market to define requirements for end-solutions?
 - Are R&D services prior to procurement needed?
 - Can a specification of the end products/services be developed?
 - Are there enough suppliers in the market?
6. Using relevant PPI tools in every step of the process

Developing a PPI strategy

Main elements to consider when facing PPI

Sufficient knowledge of the market to define requirements for end-solutions?			
YES		NO	
↓		Preliminary market consultation	
		Need R&D services prior to procurement?	
YES		NO	
Do you wish to acquire innovative products or services on a commercial scale, as part of the same procedure?		Can a specification of the end products/services to be procured be developed?	
YES	NO	YES	NO
Innovation Partnership	Pre-commercial procurement	Competitive procedure with negotiation	Competitive dialogue
Levels of competition or time / resources inadequate for above procedures? <i>Consider joint procurement or, in exceptional cases only, derogation from the directives.</i>			

Relevant procurement procedures for public procurement of innovation (as defined by the Guidance for Public Authorities on PPI; www.innovation-procurement.org)

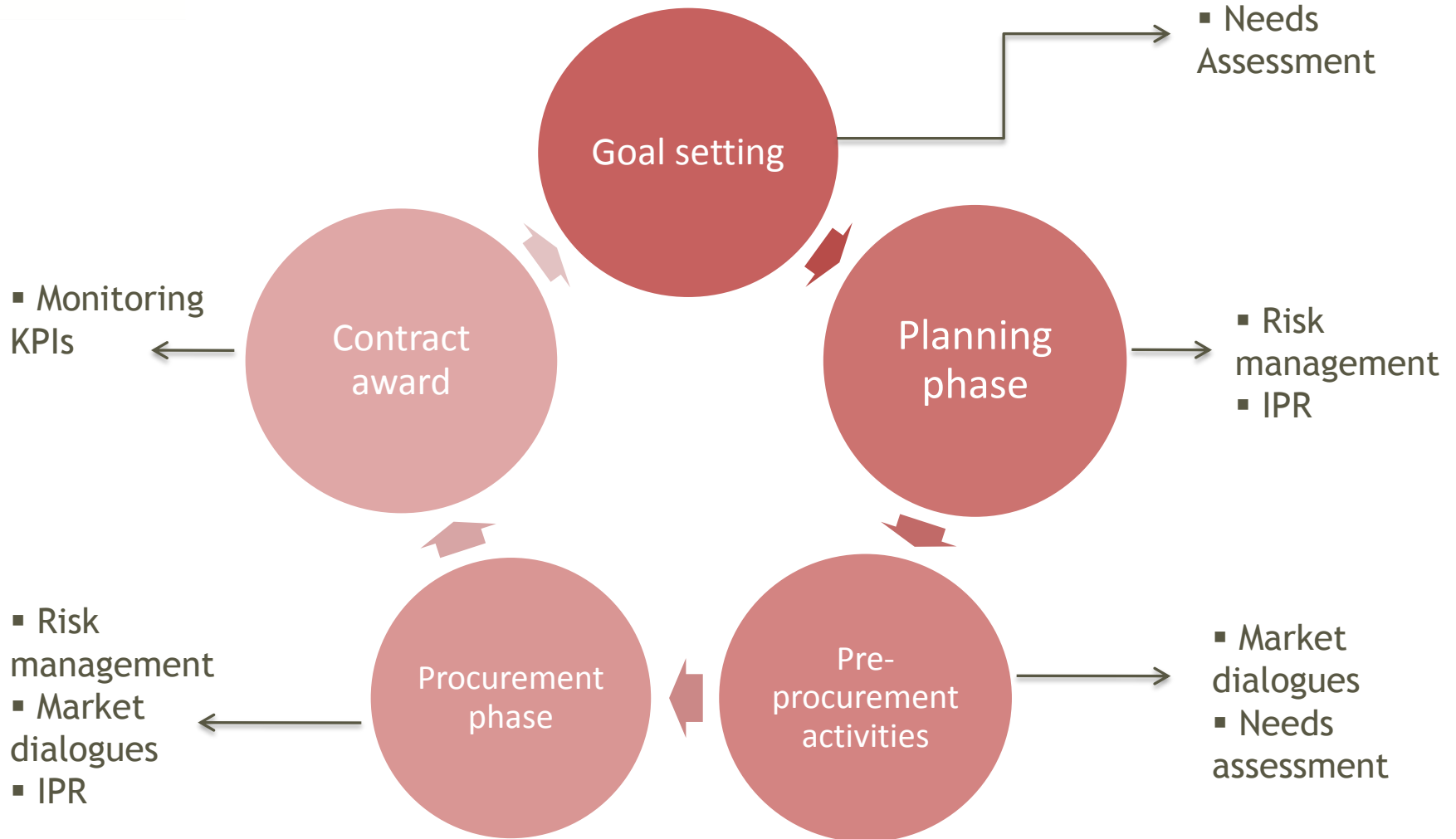
Developing a PPI strategy

Main elements to consider when facing PPI

1. Goal setting
2. Project team
3. Making a Business case
4. Preliminary market consultation
5. Choosing the right procurement procedure
6. **Using relevant PPI tools in every step of the process**
 - Needs assessment
 - Risk management
 - Intellectual Property rights
 - Market dialogues
 - Monitoring / Using Key Performance Indicators

Relevant PPI tools

The tools in the purchasing cycle



- Start **early**
- Know the **market**
- Assess and actively **manage risks**
- Seek **competition**
- Use **flexible** procurement procedures
- Resist the urge to **over-specify**
- Make **information** freely available
- Agree and **intellectual property strategy**
- Include **KPIs** in contracts



Thank you for your attention

Name, Surname, Organisation

Email



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