



Innovation Growth Lab Global Conference 2017

by **nesta** 

13-14 June 2017
Barcelona

**Innovation Procurement from theory to practice: how
to successfully manage a PCP/PPI Project**

Diego Moñux



IGL2017 | IGL2017

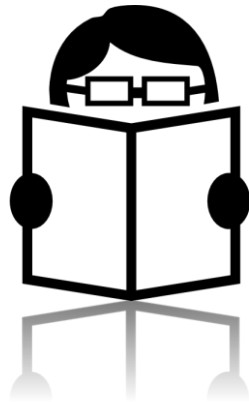


@IGLGlobal | #IGL2017

Why is Public Procurement of Innovation/Innovative Procurement necessary in the innovation policy mix?

Market mechanisms are not enough to encourage the introduction of innovative products aimed at the public sector, giving rise to the PPI as a public tool to promote innovation

If there were a clear demand, we would invest in the development of innovative products.



If there were available, adequate and affordable alternatives for our hardest challenges, we would buy them.



Source: Adapted of Whyles, Gaynor. JERA Consulting. "Innovation procurement for efficiency, quality and sustainability".2012.

What is Innovation Procurement / Public Procurement of Innovation (PPI)?

PPI is a mechanism by which contracting authorities act as a launch customer of innovative products or services that are not yet available commercially or on haven't been deployed at a large scale and can include compliance testing.

Horizon 2020 – Work programme 2014-2015 – General Annexes



WHAT IT IS

It is an administrative contracting procedure by which the public buyer can tender the contracting of a product or service:

- For their **functional specificities**.
- That **does not exist in the market**.
- For which it is necessary to carry out **R&D activities**.



WHAT ITS NOT

- **A new type of contract**. In fact, the existing ones are used: Works, services, supplies or public-private collaboration.
- **A new form of award of contracts**, since the award follows the same modalities: direct award, negotiated with or without advertising, competitive dialogue...
- **It is not innovation in the procurement process**.

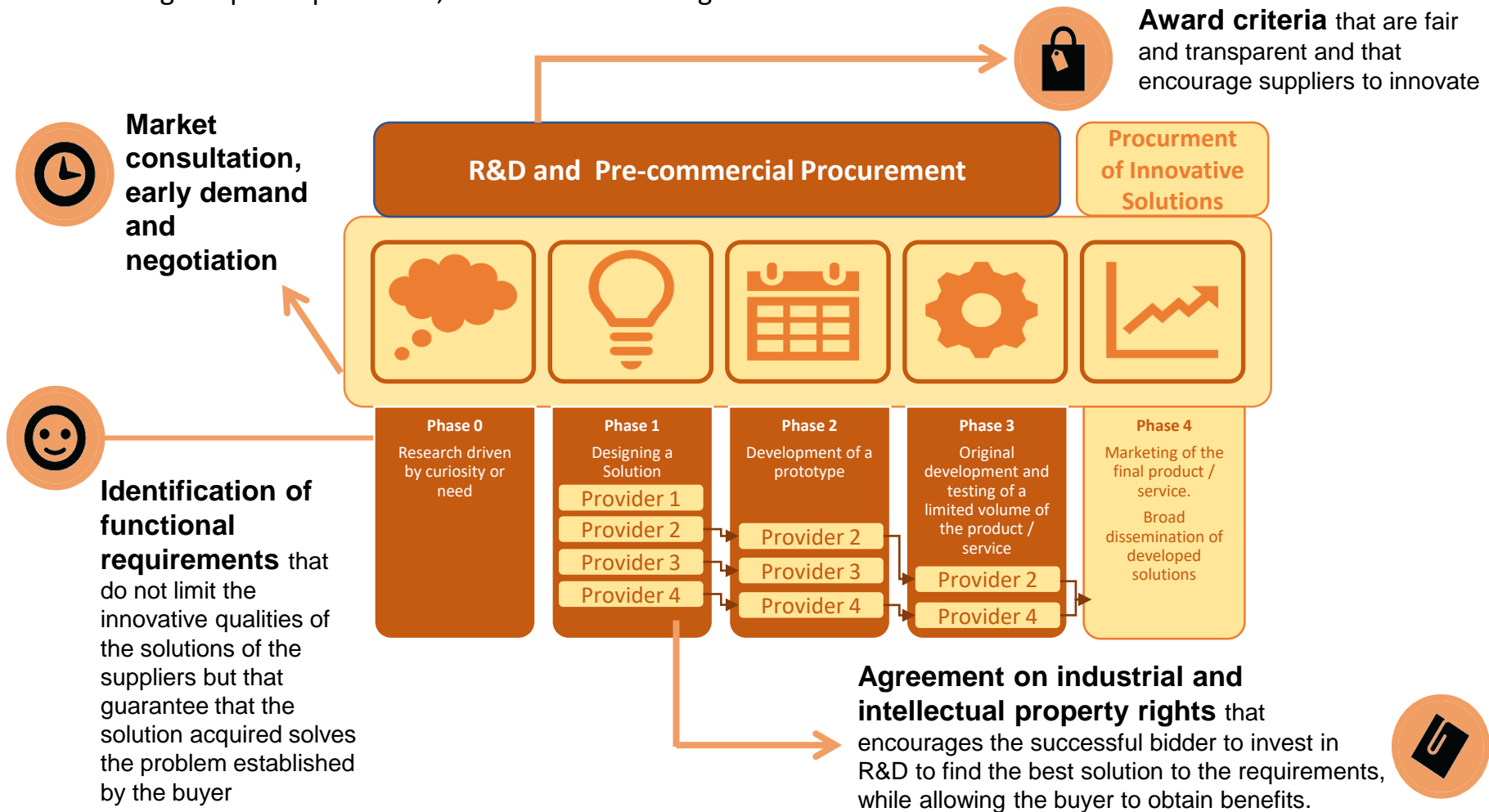
Public Procurement of Innovation or Innovation Procurement comprises two different concepts

- **Public Procurement of Innovative Solutions (also known as PPI)**, which is related to the acquisition of new or significantly improved goods or services.
- **Pre-commercial procurement (PCP)**, which allow for the contracting of R&D activities, i.e. before innovative goods or services are ready to be procured.

PPI is being institutionalized in several countries in the EU and in North and South America as well as in Asia. In Spain had a turning point between the years 2008-2011. Currently, continues to play a key role in the country's innovation policies

The development of PCP/PPI projects requires specific capabilities of relevant actors

The PCP/PPI projects imply particular requirements derived from its own nature and that are not too common in the case of regular public purchases, such as the following 4 elements:



Barriers are high but the momentum is certainly given for the implementation of PPI...

In spite of its potential benefits, few countries are taking further actions to implement PPI because barriers are particularly high:

- **Regulatory complexity**
- Limited ability to **manage risk** (both in the suppliers' and the buyers' side)
- Potential conflict between policy objectives
- Lack of **capabilities and resource constraints in contracting authorities**.
- **Risk of corruption** (regulatory issues and coordination mechanisms between buyer and supplier should be treated carefully) or **distrust** between buyers and suppliers
- Lack of **innovation demand planning**

However, there are several reasons why governments should encourage PPI Implementation

- Allows governments to **pursue their objectives and in a more effective manner**
- Allows the **simultaneous pursuit of many objectives** that may seem contradictory
- **Reduces the mismatch** between producers of innovative products and end-users and lessens market uncertainty
- Enables **technology diffusion**
- Finds echo and support in **new and consolidating key stakeholders** in several governments

Report for the Inter-American Development Bank: Best practices in PPI and applicability to Latin America and Caribbean Countries

Science and Innovation Link Office (SILO) and Manchester Institute of Innovation Research (MIIOR) are glad to **advance the knowledge on the role of public procurement as a demand-side policy instrument for stimulating firm innovation in Latin American and Caribbean countries through the elaboration of the Report** “Spurring innovation-led growth in LAC through public procurement” for the IDB, published on November last year. See <https://publications.iadb.org/handle/11319/7972>



Objectives of the Report:

1

Getting acquainted with the state of the art on the range of innovation-friendly procurement policies that have been implemented in developed economies.



2

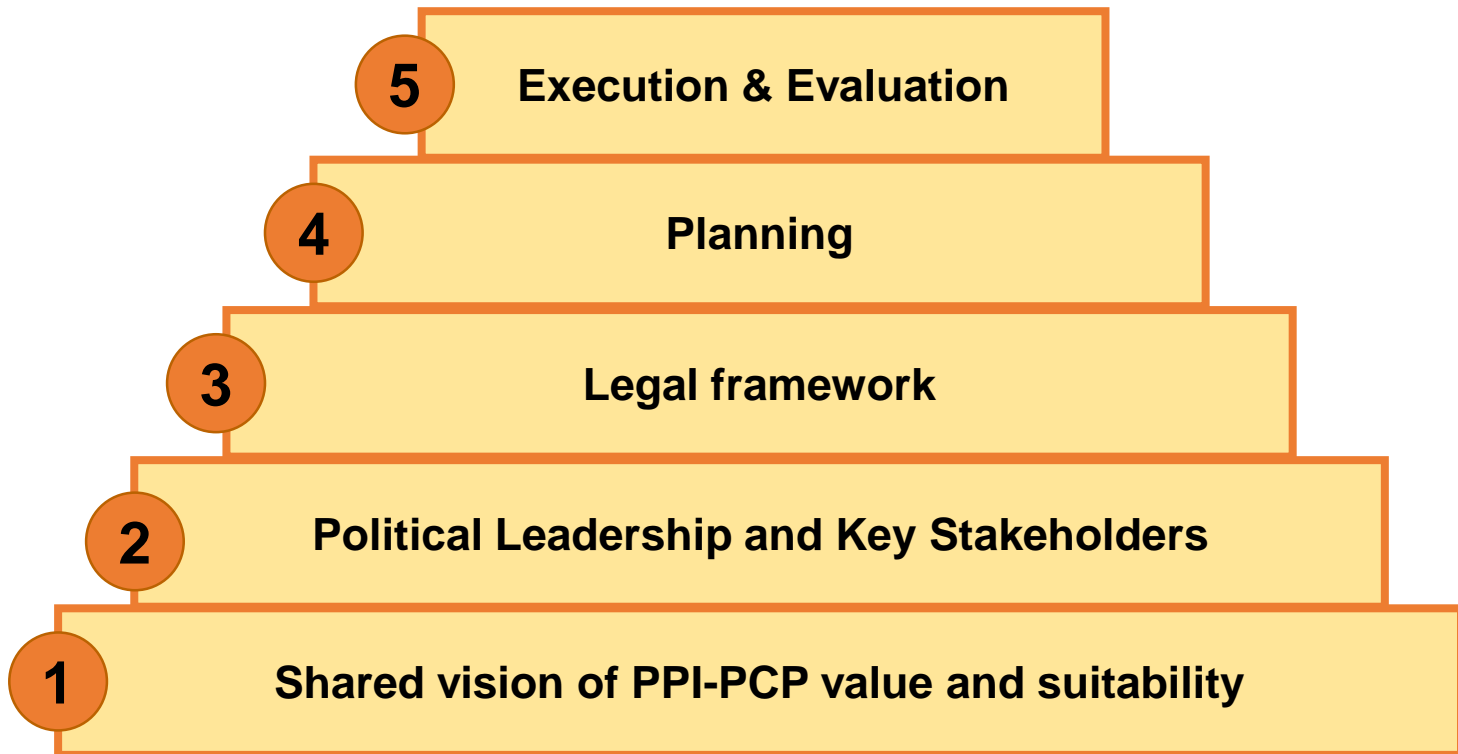


Identifying innovation friendly procurement policies implemented in 3 LAC countries and assessing their goals, their specific design, the obstacles they have encountered in the implementation and their effects (when available).

3

Developing **recommendations** on how LAC countries can include public procurement in the innovation policy mix.

Main results of the IDB report: Five recommendation areas





Innovation Growth Lab Global Conference 2017

by **nesta**

13-14 June 2017
Barcelona

 @IGLGlobal | #IGL2017


 IGL2017 | IGL2017

In partnership with:

Ewing Marion
KAUFFMAN
Foundation



COTEC
FUNDACIÓN
CONSEJO
PARA LA INNOVACIÓN

 "la Caixa" Foundation



ACCIÓ
Generalitat de Catalunya
Government of Catalonia



Innovate UK
Technology Strategy Board



Tekes

