

PUBLIC PROCUREMENT REFORM

FACT SHEET No 9: INNOVATION

Innovation and public procurement

Public procurement plays a key role in innovation in areas that are the preserve of the public sector – either predominantly or exclusively - such as health services and education, fire fighting or planning. Indeed, the quality of public procurement is critical to the quality of the field covered by the contract and the extent to which innovation flourishes there. If purchasers remain conservative, economic operators will not be encouraged - or even allowed - to innovate.

The value of innovation lies in the improved results it achieves. An innovative solution will be more attractive because of its higher quality and/or more competitive price. It will optimise public service operation by integrating new processes, technologies or materials.

What's new in the reform

While maintaining existing instruments (technical specifications expressed in terms of **functional requirements, alternatives, exemption of research and development projects**, including **pre-commercial public procurement**), the new rules will encourage companies to develop their capacity for innovation:

- All procedures may take account of the **total life cycle cost of** purchases when tenders are being evaluated. Thus, innovative bids may be awarded more points in the light of their long-term financial benefits.
- **Innovation in social and health services** can be more easily achieved through the simplified system, which is more flexible (see FACT SHEET Nos 6 and 8).
- The **competitive dialogue** procedure has been **simplified** for particularly technically and financially complex projects (see FACT SHEET No 3).
- A **new procedure called the 'innovation partnership'** will enable public purchasers to select partners on a competitive basis and have them develop an innovative solution tailored to their requirements:
 - the competitive phase will take place at the very beginning of the procedure, when the most suitable partner(s) are selected on the basis of their skills, abilities and price;
 - the partner(s) will develop the new solution, as required, in collaboration with the contracting authority. This research and development phase can be divided into several stages, during which the number of partners may be gradually reduced, depending on whether they meet certain predetermined criteria;
 - the partner will then provide the final solution (commercial phase).

Pre-commercial public procurement and innovation partnerships are 2 alternative approaches that correspond to different needs and/or situations.

- Innovation partnership is a public procurement procedure that covers both the procurement of R&D and commercial volumes of end-products and is subject to the Directive.

- Pre-commercial procurement covers only the procurement of R&D services and is an exemption that falls outside the scope of the Directive For subsequent public procurement of commercial volumes of innovative solutions a separate public procurement procedure provided by the Directives such as the open procedure or the competitive dialogue is used.
- **Specific provisions for cross-border joint procurement** will enable buyers from various Member States to make joint purchases. Aggregating demand will make it easier to share the risks associated with innovative projects and attract more risk capital.