

PROCEDIN

ENABLING PROCUREMENT OF INNOVATION

Leadership and capacity building in cities

DECEMBER 2023



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LIST OF ABBREVIATIONS AND ACRONYMS

| | |
|-----------------|--|
| POI | Procurement of Innovation |
| CE | Circular economy |
| GM | Green Mobility |
| CPN | Competitive Procedure with Negotiation |
| PROCEDIN | PRO curement C apability – E MBEDDING and D IVING IN novation |
| GDP | Gross Domestic Product |
| R&D | Research & Development |
| PCP | Pre-commercial procurement |
| PPI | Public Procurement of Innovation |

EXECUTIVE SUMMARY

Drawing on the PROCEDIN consortium's research on procurement of innovation (POI) practices, the aim of this white paper is to facilitate the adoption of POI across European cities. Funded by the European Commission under the Horizon Europe program, PROCEDIN strategically deploys existing and some new resources and leverages professional networks to accelerate the adoption of POI. This white paper, specifically, emphasizes how various forms of innovation are achievable through public procurement—both with and without using European public procurement procedures specifically designed for innovation. The study presents insights gathered from interviews with 15 public procurement leaders across Europe, shedding light on barriers, enablers, and strategies for successfully leading POI projects. The PROCEDIN project and the white paper are integral to the Innovation Procurement Task Force, a collaborative effort involving European innovation capacity building initiatives, between PROCEDIN, BUILD, Health InnoFacilitator and InnoBuyer. PROCEDIN and BUILD both target support for innovative procurement in cities, with themes such as circular economy and green mobility. The white paper is divided in five parts, concerning:

Part one: why, what and how? – a background on POI

Part two: the POI journey of different cities

Part three: stating points for local success

Part four: overcoming POI barriers

Part five: what should the future of POI look like?

In **part one**, the white paper answers the 'why, what, how?' questions regarding POI. In **Why?** it underscores the economic significance of public procurement. Valued at 12% of GDP on average in EU countries, public procurement can be leveraged in delivering key policy objectives, such as innovation and sustainability. In **What?** the paper defines procurement of innovation, and differentiates several perspectives of POI, categorising them into procedural, innovative, sustainable, and strategic views. These provide a nuanced understanding of how motivations and goals shape the implementation of POI. In **How?** the study elucidates various POI instruments, ranging from competitive dialogues to pre-commercial procurement, offering a comprehensive view of the procedural landscape.

Part two describes various pathways towards adopting POI, through exploring eight different cities' implementation journeys. Drawing on case studies, the section highlights the overall journey of cities, including the motivation driving cities to embark on their POI journey, such as financial incentives, personal ideologies, and evolving municipal needs. It emphasises the diverse starting points of these cities, as well as where POI is headed. The cases offer lessons and inspiration for municipalities navigating the complexities of innovation-driven procurement.

Part three delves deeper into the different starting points through which cities can initiate procurement of innovation. The section delineates three distinct starting points: finding synergies between personal and procurement objectives (personal or procurement) and city strategies, seeking external help through national competence centers or European funding, and starting small with incremental changes in routine procurement. Through descriptions and advice from cities that have successfully navigated these routes, the document offers practical insights for municipalities aiming to embark on their POI journey.

Part four of the white paper outlines the barriers cities face in implementing procurement of innovation, including issues related to (1) capacity constraints, the need to (2) enhance capability in understanding complex procurement procedures, and a reluctance to change driven by (3) risk aversion.

Part five outlines the common perspective of procurement leaders on the future direction of procurement of innovation. The predominant vision is centred on integrating POI with pressing issues such as energy, circularity, climate, and sustainability. Implicit in this vision is the goal of routinizing and simplifying POI processes to ensure wider compliance and adoption, moving beyond the current complexities to developing an innovation friendly culture. They note however that the challenge ahead is not just about building innovation capability and capacity among buyers, but also among suppliers. The significance of supplier readiness for POI should not be underestimated, which is why the white paper suggests joint efforts to leverage market consultation/dialogues and open communication to foster collaboration in the search for innovative suppliers.

The white paper **concludes** with a summary of the recommendations, aiming to be a useful starting point for newcomers to POI, while also supporting procurement leaders in their efforts to scale up and embed POI practice in their team:

- **Recommendation 1:** Innovation is a means to an end, not an end in itself.
- **Recommendation 2:** Formal POI procedures gain a great deal of attention and are viewed as difficult – but there are many routes towards POI. POI is more than the related innovative public procurement procedures.
- **Recommendation 3:** Collaboration and coordination are key. It is important to engage in learning communities, and make use of available centralized expertise, training, capacity and funds.
- **Recommendation 4:** Start small. Focus on incremental changes that simplify the process. “Success breeds success”
- **Recommendation 5:** Actively seek opportunities. Procurement leaders need to find synergies with city council, mayor, and European objectives. Integration with European and national sustainability plans, the city’s priorities and other stakeholders determine the success of POI.

We hope that the white paper and its recommendations can serve as a useful starting point for newcomers to POI, will support procurement leaders in their efforts to scale up and embed POI practice in their team, and effectively highlights the importance of aligning and integrating strategic procurement and innovation with complex pressing challenges such as the energy transition, circularity, climate issues and sustainability.

ACKNOWLEDGMENTS

The PROCEDIN consortium would like to thank the interviewees who provided the data on which this white paper is based.

ABOUT THE PROCEDIN PROJECT

The adoption of procurement of innovation (POI) practices – which bring together business and public sectors – relies on legal reforms, European, national and regional policies, growing expertise, guidance, tools and case studies, and networks of early adopters. To drive deep, systemic change, the rate, scale, and scope of POI adoption must increase.

To accelerate POI, in the context of European cities' innovation for sustainability and resilience agendas, the PROCEDIN project leverages existing resources and the consortium members' pan-European professional networks to initiate new provisions, and to enhance and mobilize POI motivation, knowledge, and skill.

PROCurement Capability – Embedding and Driving INnovation (PROCEDIN) is a Horizon Europe project funded by the European Commission. Its purpose is POI capacity building among and between buyers (especially in public procurement) and firms (especially SMEs) and engaging other key stakeholders in building the POI ecosystem (especially educators).

Together with other Horizon Europe projects, BUILD and Health InnoFacilitator, PROCEDIN has launched the Innovation Procurement Task Force, a collaborative initiative aimed at supporting procurement in innovative areas such as the circular economy, green mobility, and healthcare.

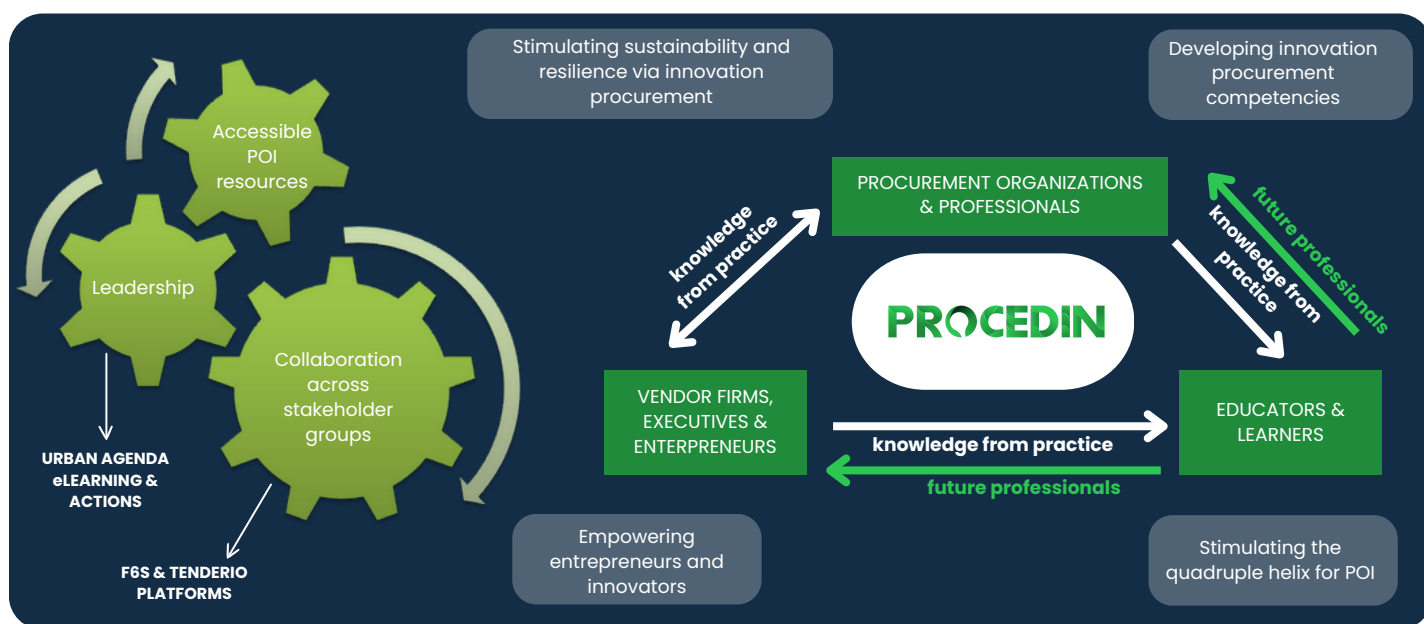


Figure 1: visual representation of the PROCEDIN project

INTRODUCTION

‘Big buyers’ – that is, public authorities and large firms – can leverage their significant external spend to promote innovation by and with the suppliers of goods, services and works on which the buyers rely. The type of innovation that is facilitated by effective procurement of innovation (POI) varies greatly, ranging from ‘high tech’ and entirely new, to lower tech and new to a sector or application. The innovation may be specific to a product, or may also involve innovation in processes, with changes needed to how novel products are used in practice.

As explained below, in the European Union, several formal public procurement processes and instruments have been developed to enable POI. It is however important to bear in mind that buyers may also encourage innovation by using innovation- oriented award criteria within traditional contracting forms.

Within the wider community of public procurement leaders, there is considerable POI expertise not only in managing individual innovation projects, but also in developing and deploying organisational resources to underpin a programme of POI initiatives. It is this development and embedding of innovation capacity, and creating an innovation procurement friendly culture, in the context of cities that are the focus of this study.

Developing organisational capacity and capability is challenging. Public procurement leaders involved in innovation deal with both internal and external complexity. They can encounter complex organizational structures, competing priorities between different departments, and lack of procurement awareness.

Budgets are limited, and regulations can be difficult to navigate. Suppliers may be reluctant to change and those which are highly innovative may struggle to engage effectively with the public sector as customer. Having interviewed public procurement experts from cities across Europe about the key barriers and enablers they encounter, we collate, analyse and widely share their expertise and insights on how to lead POI projects.

To ensure diversity of perspectives, the fifteen senior practitioners interviewed represent 10 EU countries (see map), have varied experience with procurement of innovation and come from different professional backgrounds. They experienced distinct (combinations of) barriers, enablers, and drivers of innovation. In addition to interview data, we leverage existing resources designed to increase the uptake of POI guidance and learning materials for buyers and suppliers. The overall aim of this study, as one element of the PROCEDIN project, is to provide insights for city procurement and innovation leaders accountable for driving and embedding innovation through strategic procurement.



Figure 2: Countries represented by the interviewees

PART I: WHAT, WHY, HOW? – A BACKGROUND ON POI

Why innovate through public procurement?

Innovation is often linked to the vitality of firms. It provides a sustainable competitive advantage. Whilst the costs are incurred by the innovator, often many other parties also benefit through spillover effects, for example local communities or later adopters of a novel technology. When public buyers have a new requirement for a product or service which is not available in the market, they need to proactively seek out and facilitate one or more innovative suppliers. When done well, procurement of innovation will not just meet the buyer's immediate needs but will also generate positive spillover effects.

On average, in Europe, public procurement spending is valued at 12 percent of Gross Domestic Product (GDP), and 29 percent of total government expenditure is through suppliers. The Netherlands tops the EU ranking with public procurement accounting for 20.2 percent of GDP, 42% of government spending, and over 193 billion euros per annum. By comparison, Ireland's public procurement spend represents 9% of GDP and 31% of government expenditure.¹

Due to its economic significance, public procurement is a key mechanism for governments to foster innovation in pursuit of economic, environmental and social policy objectives. A particular focus for POI is supporting small and medium-sized enterprises (SMEs), especially high-tech start-ups.²

What is meant by 'procurement of innovation'?

There are many different definitions of procurement of innovation. In this white paper, we take as a starting point the definition of the European Commission:³

"Public procurement of innovation is the purchase by a contracting authority/entity of new or significantly improved products, services, or works compared to those already available on the market."

However, we also asked interviewees about their own perspective on buying innovative goods, works and services. Noticeably, POI is viewed very differently across leaders, ranging from: "a difficult and time-consuming procedure" to "POI is doing procurement differently, doing procurement more strategically". As such, we differentiate between four different perspectives on procurement of innovation: a procedural-, an innovative-, sustainable- and a strategic view.

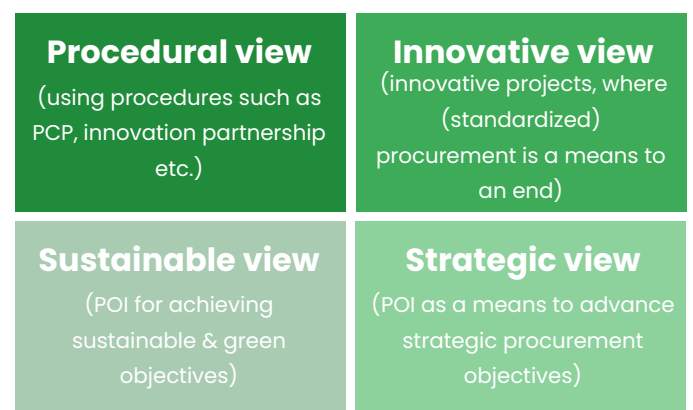


Figure 3: views on POI

³ EC definition of POI

¹ OECD procurement expenditure
² New European Innovation Agenda

WHY DOES THIS MATTER?

The perspective that POI practitioners take is shaped by their assumptions and goals. It influences their perceived barriers, enablers, implementation opportunities and drivers. This will be further discussed in the journey of different cities.

How to procure innovation?

When asked about how they go about POI, many interviewees assumed we were asking about how they deployed the formal public procurement instruments designed to support innovation, whereas we were interested in all and any ways in which public procurement might be leveraged to deliver and promote innovation. Both because of this apparently widely held assumption, and because of their importance in the public procurement landscape, for completeness, we include a brief overview of different POI instruments that could be used, with a decision tree to distinguish between them.

Innovative procedures with R&D

Pre-commercial procurement (PCP). In PCP, public procurers buy R&D from **several competing suppliers** in parallel to compare alternative solution approaches and identify the best value for money solutions that the market can deliver to address their needs. R&D is split into phases (solution design, prototyping, original development and validation/testing of a limited set of first products) with the number of competing R&D providers being reduced after each R&D phase.⁴

CASE STUDIES ON PCP BY THE EUROPEAN COMMISSION:

<https://digital-strategy.ec.europa.eu/en/news/pre-commercial-procurement-showcases>

Innovation partnership. This procedure can be used to purchase products, works and services that are **not yet available on the market** (or at least not with the performance level that is considered sufficient to meet the buyer's needs). The problem and/or need is defined, then companies can **propose innovative solutions**. This procedure is usually associated with an R&D phase, but this is not necessarily the case.

Innovative procedures without R&D

Competitive dialogue. A competitive dialogue is a method of tendering in which the contracting authority enters into discussions with a number of selected entrepreneurs. The contracting authority has a **pre-defined problem** but doesn't know the right solution. Together with the selected suppliers, the authority works towards the best solution for its needs.

Competitive procedure with negotiation (CPN).

In competitive negotiated procedures, any supplier may be asked to participate, but only those that are **pre-selected** will be **invited to submit initial tenders and to negotiate**. Procuring entities can only use this procedure when negotiations are necessary due to the specific or complicated nature of the purchase. However, procuring entities in the defence and security, water, energy, transport and postal services sectors may use it as a standard procedure.⁵

Innovation partnership. See above. Innovation partnerships may be used without R&D.

⁴ Pre-commercial procurement

⁵ European Tendering Rules

Other programmes

Design contests Design contests can be used to acquire plans and designs. The selection of the best design will be decided on by a jury. The contests may involve prizes /payments to participants or be used as part of a procedure leading to the award of a public service contract. For cities and public entities, this might be relevant in the fields of architecture, landscaping, engineering, data processing, and urban and regional planning.

Small Business Innovation Research (SBIR). SBIR and PCP are very similar procedures. SBIR originates from the United States, where over one billion USD are spent each year on this competitive awards-based programme.⁶

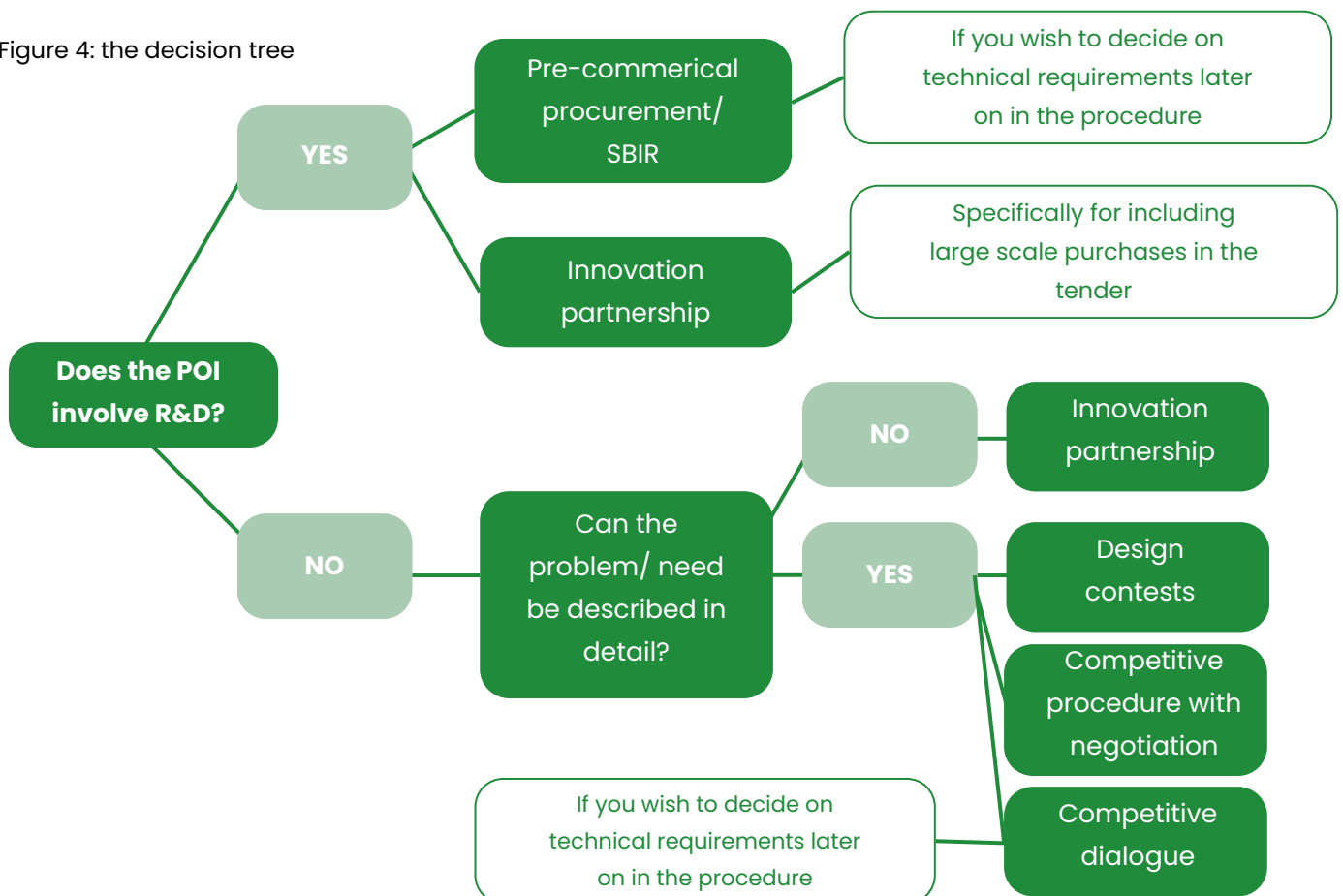
SBIR comprises of three phases: (1) feasibility study, (2) development phase and (3) product to the market phase. While the SBIR originated in the United States, European countries have adopted a similar competitive awards-based programs such as the Netherlands, where they also provide example case-studies.

The (simplified) decisiontree

A simplified decision tree highlighting the main differences between procedures is shown in Figure 4.

For a more detailed but accessible summary see <https://ec.europa.eu/docsroom/documents/47179>.

Figure 4: the decision tree



⁶ SBIR

PART II: THE POI JOURNEY OF DIFFERENT CITIES

Having established that we were interested in all approaches to POI, the interviewees described highly varied drivers, ambitions and methods. Motivations to get started on the POI journey ranged from responding to financial incentives (European funding) to personal ideology (innovation is of itself desirable), or because “standard procurement procedures” weren’t suitable for the cities’ new needs. This especially holds true for complex procurements in sustainability and technology. Depending on the starting point, and barriers procurement leaders in cities encountered, the current state of POI implementation differs between interviewees, as does their future perspective. On the next page, we describe the journeys of eight different case studies⁷ of cities.

WHY DOES THIS MATTER?

Whilst each municipality faces a unique combination of perceived barriers, enablers, and implementation opportunities, and has a unique POI ‘journey’, there are common themes and sufficient similarities to profile cities’ journeys.

From the journey of the eight cases, described below, there are three overarching lessons:

- 1. Procurement of innovation is not solely about using innovation procurement instruments.** POI can also be incremental changes to the procurement system, for example, through adapting specifications and award criteria to encourage suppliers to innovate, or to make the public buyer a more appealing customer to innovative suppliers which are not yet operating in the public sector.
- 2. Recognise the wider purpose motivating procurement of innovation.** Procurement of innovation is not done for its own sake. Innovation is a means to an end for complex issues such as sustainability and circularity, to help address the climate crisis and facilitate the energy transition.
- 3. There are many different entry points for starting the POI journey and varied pathways for its early uptake and subsequent embedding in the organisation.** For these different phases of implementation, we describe the factors for success.

⁷ In the interest of brevity, we focused on eight case-studies that best illustrate the points discussed. While there are a total of 15 case-studies available, the selected ones provide a comprehensive overview of the different POI journeys.

| | HOW IS POI VIEWED? | WHAT IS BEING DONE ON POI? | WHERE IS POI HEADED? |
|---------------|--|--|--|
| CASE A | "a difficult and time-consuming procedure" | Energy efficiency & sustainable building development | Preferably to less complicated procedures |
| CASE B | A key driver for energy transition and climate change | National support of municipalities and projects on NGO level | It is a central facilitator for tackling complex issues (energy & climate) |
| CASE C | Strategic procurement -doing procurement differently | Many smaller projects, where it is not procurement as usual | POI to support progressive political ambitions (sustainability & circularity) |
| CASE D | Innovative thinking that is applied to all purchases | (1) POI as part of the procurement strategy (2) Extensive networking to learn from others (3) Innovative thinking applied to all purchases | (1) Making POI a routine (2) Overarching goals are to open opportunities for SMEs and deliver better services to citizens |
| CASE E | Procurement as a means to innovation | Projects such as a bike sharing system and smart traffic signs | Innovation as the driver for POI - procurement should be the tool for innovation |
| CASE F | (1) Cannot put innovation centre stage. Innovation serves the primary goal of becoming more sustainable (2) Linked to strategic procurement and open innovation | (1) Nationally led initiatives, with municipalities on steering committee (2) Strategic plan for procurement (3) Workshop (4) Changing role and mandate for central purchasing body | Central to delivering high profile commitments regarding sustainability |
| CASE G | Interest in innovation leveraged through progressive procurement (which covers green, social, innovation and gender responsive strategic public procurement) | Still at the early stages: Focus on knowledge building and awareness raising | (1) Need to follow West European approaches. (2) Continue with awareness building and training. (3) Better use of non-price award criteria |
| CASE H | Innovations as a means. Instruments are 'just instruments' – there are multiple approaches to more innovation | Two different initiatives started: · Launching customership programme · Start up residence programme | (1) Linking innovation to sustainability outcomes (2) Programmatic tendering (3) Adopting low key, simplified approach to POI for wider take-up, and more innovation-oriented culture. |

Table 1: the POI journey of eight cities

PART III: STARTING POINTS FOR LOCAL SUCCESS

There are various triggers and motivations that led to cities initiating procurement of innovation. As well as asking interviewees to describe how they got started with POI, we asked them what advice they would offer others. The various starting points and their advice are presented next.

Starting point 1: finding synergies

Finding and exploiting alignments of their own personal goals and/or local procurement objectives with the vision and ambitions articulated by the city council/mayor and European goals for strategic procurement

Starting point 2: seeking help elsewhere

Engaging with others for support, guidance, and resources, for example involving national public procurement competence centres, experts, or applying for European funding

Starting point 3: start small

Implementing small, low-key projects which represent incremental changes in routine procurement

Starting point 1: finding synergies

For all interviewees, there is a strong impetus for change within their municipalities (although sometimes just incremental). The drivers for change may come in many different forms. It might be a new purchasing manager who has experience with different ways of working or has a different ideology. It might be the progressive city guidelines or city strategy, or a mayor, who has a specific vision for the future of the city, or a newly elected more progressive city council. External drivers embodied in European or national policy were also mentioned, in particular those relating to sustainability. Willing procurement leaders might seize these shifts in local circumstances as an opportunity for changing the way of doing procurement.

In cases where POI was already successfully integrated to a large extent (cases C, D, F and H), the procurement leader had a personal (pro-innovation) ideology and tried to find synergies with EU, national and/or local initiatives often linked to sustainability (energy efficiency and green mobility) to find broad(er) support. Similar situations occurred in other cases. In a municipality in Bulgaria, it was the mayor who wanted to advance the city technologically – which provided the opportunity (or need) for more innovative procurement. In another municipality, procurement could change due to the progressive changes in city strategy.

Starting point 2: seeking help elsewhere

European level. A driver for some Eastern European practitioners to start with POI was the available funding from the European Union., for example, via [Horizon Europe](#) and the [European Regional Development Fund \(ERDF\)](#). Municipalities could either get funding to undertake a PCP or Public Procurement of Innovation (PPI), or to identify opportunities and prepare future PCP's or PPI's (see [here](#) for more information). These initiatives bring together less experienced municipalities with municipalities and other public organizations with a PCP/PPI track record, developing POI competence and network building, while generating greater impact on the supply market. As such, these opportunities provided municipalities with funding, experience and a network.

Many cases (for example, Case C, D, F & G) also (indirectly) emphasized the importance of being a member of European networks, even if no funding or specific project was involved. Important European networks include: [ICLEI](#), [Big Buyers](#) or the [Urban Agenda Partnership for Innovative and Responsible Public Procurement](#).

National level. In several cases, there was collaboration between the municipality and the national public procurement competence centres, national initiatives, or national NGOs. (See [Procure2Innovate's](#) website to find out more about a network of 9 EU national competence centres). Depending on the case, these national organizations could provide municipalities with expertise, experience, capacity and advice that municipalities did not have in-house:

- Bulgarian Municipality: received support from Eneffect, a not-for-profit Bulgarian foundation for Energy Efficiency which helps municipalities with complex energy tenders.
- Finnish Municipality: a municipality facilitates learning networks through their national competence centre. (Please find the list of other national competence centres [here](#)).
- Portuguese: The Portuguese municipality is part of a national initiative that is led by the national competence centre and an institute for public markets, real estate and construction.
- Dutch municipality: In the Netherlands there is a national learning community called the [Dutch 'workgroup for POI'](#), in which practitioners and academics form a POI learning community.

Regional. Collaboration with other municipalities has proven to be very beneficial in the learning journey. Case C mentioned that, thanks to their geographical proximity and close political alignment with a much larger municipality, they were able to capitalize on opportunities that they otherwise wouldn't have had.

Internal. Help cannot only be found outside of the municipality, but also within their own municipality, as exemplified by the following three cases:

- Case C: Capacity constraints meant that the procurement leader negotiated the "outsourcing" of routine procurement to a different department in the municipality, to free up time for the central team to focus on strategic and innovative purchasing.

- Case E: When talking about procurement of innovation, one might assume that it is initiated by the procurement department. But this is not always the case. There are municipalities with specialist innovation experts or even innovation departments, which have to get involved in procurement to achieve their wider goals. POI led by innovation expert (as opposed to procurement experts) might bring new perspectives to practices of purchasing.
- Case H: to be able to fulfil their POI ambitions, the public authority in Case H hired two experts to lead a number of innovation partnerships, one with experience of the public procurement instruments, and the other with many years of experience of supporting SMEs and high-tech start-ups.

Starting point 3: Start Small

Below are two approaches of two municipalities that incrementally developed their POI capability. In both cases, the procurement team was already rather experienced in strategic procurement, in the context of social and green procurement. They were familiar with assessing bids with non-price criteria, and focusing on meeting strategic objectives through procurement, rather than centring their efforts on compliance with procurement regulations.

CASE D

For the procurement team in this medium size municipality, EU procurement procedures are 'just there', to be worked with, but not to have a law driven focus in their professional practice. Their aim is to promote innovation (and green and social developments) through procurement as a means to achieve the city's broader, strategic objectives, not an end in itself. External advisors advocated approaches which proved too complex and resource intensive to roll out at scale. So, the municipality developed their own, simplified processes.

The simpler approach is complemented with a high degree of collaboration. They have strong connections to learn from others both nationally and regionally and have strong cooperation and assistance from the national competence centre, especially regarding innovation and sustainability. These ways of working are also reflected internally, in a procurement team highly committed to innovation, and characterized by the flexibility to play to team members' interests, an emphasis on communication, and a recognition of the value of professional networking. All this is underpinned by an integrated procurement strategy, and a focus on early procurement planning, with the goal that every need is at least briefly considered to assess its suitability for innovation.

CASE C

With a committed and progressive council, there is a very strong focus on sustainability goals. For these initiatives, they advocate an opportunistic approach and incremental change. “Success breeds success”. They follow the advice they would give to others: to start with the ‘low hanging fruits’, celebrate and claim successes. They have many smaller projects where it is not ‘procurement as usual’ – where sustainability, circular and climate priorities drive the innovation. Across the municipality there is a willingness to do things differently. The municipality’s approach is focused on individual ambassadors, with tactical considerations: “POI sounds scary; strategic procurement sounds better”. Over time, successful experiences lead to a shift in mindset among departments and with political leaders.

PART IV: OVERCOMING POI BARRIERS

Every interviewee reported facing various barriers in implementing procurement of innovation, which can be clustered into three broad themes: lack of capacity, lack of capability and risk aversion. These procurement leaders searched for ways to (at least partially) overcome the most common challenges. Enablers to address lack of capacity and capability are summarised in the table below. It is notable that several measures can ease both challenges. We then delve into risk aversion.

| BARRIER | ENABLER FOR PROCUREMENT OF INNOVATION |
|--|--|
| Lack of capacity "Do not have time or manpower to do POI" "POI too time consuming" "We have more urgent and immediate problems" | <ol style="list-style-type: none"> 1. Case C outsourced their more routine purchasing (to different departments) to free up time for their more complex procedures. 2. One interviewee suggested further automation/digitalisation, to free up time for complex procedures. As an example they cited the Dutch dynamic purchasing system (DAS) (See here – webpage in Dutch. If needed, please use web browser with auto-translate facility). 3. Collaborate in joint initiatives, which is possible on different levels, as shown in starting point 2 (part III). 4. Cases D, H and F emphasise the importance of planning tools "to assess suitability for innovation", "to keep oversight of upcoming procurements and ability to influence", and to move towards a "programmatic approach to purchasing planning". Without these, opportunities are not spotted until it is too late to resource them effectively. |
| Lack of capability to understand and build the skills to deal with the complexity of the procurement procedure | <ol style="list-style-type: none"> 5. Cases C&D emphasize that POI can be incremental, without an overly complicated process (see route3). They lower the learning threshold for those who might be reluctant to change. 6. Often European funded initiatives, such as PROCEDIN, offer free or low costs trainings on procurement of innovation. Other examples include: ICLEI training or the Urban Agenda Partnership for Innovative and Responsible Public Procurement. There are also training sessions and assistance for innovation procurement through EAFIP, or guidance of the European Commission, or training from Procure2Innovate. There are also different sustainable procurement training sessions and networks available for procurement practitioners. Examples include: Green Public Procurement Toolkit 7. Case A, B, and E advise that topic experts (energy, circularity, sustainability) or legal experts might be able to take away some capability burdens, or advice for innovative opportunities 8. Case H lowered the capability burden by hiring a leader with prior experience in innovation 9. Case D allows for flexibility to play to team members' interest (e.g., sustainability) to promote capability enhancement. |

Table 2: overcoming POI barriers

Within the interviews, and elsewhere, risk aversion is often mentioned as a reason for the lack of widespread adoption of procurement of innovation. For example: “Procurement practitioners are sceptical and scared of taking risk” “Fear of litigation meaning all effort wasted”. Sometimes it is implied rather than discussed explicitly. How risk aversion is manifested is rarely detailed. Without unpacking the notion of ‘risk aversion’ it is difficult to identify how it might be addressed. The table below summarises aspects of risk aversion raised by the interviewees.

What drives risk aversion?

1. Complexity of the guidelines for public procurement for innovation

- Lack of know-how in their use
- Difficult to acquire experience, either directly or from others (lack of in-depth cases to learn from)

2. Lack of resources

- The innovative procedures take more time and effort. Dedicating resources to POI could jeopardise other ‘normal’ activities, this could be either other procurement activities, or for other municipal activities.
- Lack of strategic procurement expertise – especially where procurement is decentralized where it is more difficult to build competence and capacity

3. Restrictive national laws

- Some countries have chosen to place the bar even higher than required under EU regulations

4. Risk averse auditors & lawyers.

- In some jurisdictions, auditors and legal experts block innovation. They apply rules which are more restrictive than the national/EU legislation. It can be that, if a procurement decision is successfully contested, the auditor is personally accountable, which makes them extremely cautious.

5. Severe delays due to the procedure regarding supplier complaints

- The procedures for dealing with supplier complaints can deter buyers from doing something novel. Complaints cause severe delays to contract award and processing/responding to them absorbs a lot of resource.

6. Compliance culture

- Where the quality of work in procurement is centred on compliance with laws and regulations, the new procedures (with all their complexity and the inherent uncertainty of buying an innovative product or service) represent a threat. A previously successful professional may fail. The sanctions for failure may be significant.
- Where corruption is a significant factor, compliance seems a safer approach to public procurement than doing strategic POI. POI for example calls for more interaction with suppliers and there is a higher chance the contract will not deliver as intended. The fear of being accused of corruption can make those who want to do POI reluctant to change their procurement practice.
- Procurement personnel who have long worked in a compliance centred regime will find it very difficult (or impossible) to switch to the more creative, entrepreneurial and collaborative approach needed for strategic procurement aimed at innovation.

7. Changing nature of business relationships

- Outside of procurement, non-procurers may struggle to make the switch from traditional contracting to outcome/performance-based contracting. This leads to significant changes in the power and control arrangements and the nature of business relationships – the transition needed is too much for some.

Table 3: What drives risk aversion?

The response towards risk aversion is often centred around reducing the impact of a risk event or reducing the likelihood that an event might occur. However, these are not the only adequate responses. Less attention is paid to tolerating risks. Providing high quality case studies to help learn from others is seen as a way decreasing colleagues' concerns about changing their practice and dealing with the higher levels of uncertainty inherent in POI. Case-studies of successful initiatives can be found for example on the website of the European commission: [PCP examples](#), [PCP impact](#), [PCP & PPI projects](#), and [Urban Agenda Partnership for Innovative and Responsible Public Procurement](#) offers many good practices (see under legal framework). Setting up or engaging in European, national, regional or internal learning communities (see route 2, and case D) can also help to diminish and share risk.

PART V: WHAT SHOULD THE FUTURE OF POI LOOK LIKE?

We asked interviewees about their ambitions for procurement of innovation – where would they like to get to? Procurement leaders had one dominant message: fully aligning and integrating POI with addressing complex, urgent issues their municipalities are facing such as the energy transition, circularity, climate, and sustainability. The challenge remained however how to sufficiently simplify and routinize procurement of innovation for widespread and consistent use. A few also discussed (lack of) supplier readiness to meet future needs and engage in POI processes.

1. Integration of POI with sustainability.

Almost all interviewed procurement leaders see the future of POI closely integrated with environmental, social and (local) economic sustainability, as emphasized by the following cases:

Case B: Central as facilitator for complex issues (energy & climate)

Case C: POI to support progressive political ambitions (sustainability & circularity)

Case D: The overarching goals are to provide opportunities for SMEs and deliver better services to citizens

Case F: Central to delivering high-profile commitments regarding sustainability

Case G: Linked to sustainability outcomes

2. Routinizing POI.

Finding ways to routinise POI is essential for scaling up: “the focus is now on wider compliance and adoption of processes, making higher percentage of contracts innovative (up from 2-3% to 10%)” (Case D).

3. Supplier readiness.

An important question for the future of POI is ‘are suppliers ready for POI?’ Procurement leaders underline how the more difficult the tender, the fewer suppliers subscribe. Can municipalities give fair access to innovative opportunities? And how to find sufficient innovative suppliers when demand increases? Procurement leaders from both cases B and E suggest the importance of market consultation/ dialogues in mobilising suppliers, as well as open communication in general (Case F).

CONCLUSION

The paper aims to explore and elucidate the landscape of procurement of innovation (POI) within the European Union, focusing on diverse motivations and strategies employed by cities. Specifically, it emphasizes how various forms of innovation are achievable through public procurement—both with and without using the European public procurement procedures specifically designed for innovation. Through this paper, we seek to provide valuable insights into the barriers faced by municipalities in implementing POI, highlighting practical enablers and offering potential solutions. Interviewed procurement leaders conveyed one prevailing message: the imperative of aligning and integrating procurement of innovation with complex pressing challenges such as the energy transition, circularity, climate issues and sustainability. Achieving such objectives relies on sufficiently simplifying and routinizing POI for consistent use.

We hope that the white paper and its recommendations can serve as a useful starting point for newcomers to POI, will support procurement leaders in their efforts to scale up and embed POI practice in their team, and effectively highlights the importance of aligning and integrating strategic procurement and innovation with complex pressing challenges such as the energy transition, circularity, climate issues and sustainability.

Summary of the recommendations based on the procurement leader interviews:

1. Innovation is a **means to an end**, not an end in itself.
2. Formal POI procedures gain a great deal of attention and are viewed as difficult – but there are many routes towards POI. **POI is more than the related innovative public procurement procedures.**
3. **Collaboration and coordination are key.** It is important to engage in learning communities, and make use of available centralized expertise, training, capacity and funds.
4. **Start small.** Focus on incremental changes that simplify the process. “Success breeds success”
5. **Actively seek opportunities.** Procurement leaders need to **find synergies** with city council, mayor, and European objectives. Integration with European and national sustainability plans, the city's priorities and other stakeholders determine the success of POI.

PROCEDIN RESOURCES AND LINKS

- PROCEDIN-website: www.procedin.eu
- PROCEDIN Resource Bank (where one can find resources for buyers and suppliers, a European education database, a POI stake-holder map, legal frameworks and training sessions on POI, and other project results and outputs regarding POI):
<https://procedin.eu/resources/>
- Want to get involved in our community? Fill in the Expression of Interest form:
www.procedin.eu/procedin-community
- Get in contact through info@procedin.eu
- Follow our updates on PROCEDIN social media:
- [Linkedin](#)
- [Twitter](#)
- Stay in the know by joining PROCEDIN newsletter: www.procedin.eu/contact-us

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