Public Procurement of Innovation concept - an introduction and overview of legal framework

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PPI concept - content

- EU level – Directive 2014/24/EU, Framework of State Aid
- Scope of PPI
- How to make a PPI – different procedures and approaches.
- Conclusion and discussion.
• Article 42 – „There is a great need for contracting authorities to have additional **flexibility** to choose a procurement procedure, which provides for negotiations…“

• Article 47 – „It contributes to achieving **best value for public money**“

• Article 49 – Innovation partnership

• **Take the broader** (environment, social, life-cycle) aspects into considerations during evaluation of tenders.
Key part in setting up the objective of PPI tender.
Customer, citizens feedback
Round tables, workshops
Set the target functional parameters
PPI documentation – estimated price

- General principles: all parts of tender, in case of fixed term contracts the value for 12 months,
- Fixed (maximum) price – evaluation only made by quality criteria (used for tenders incl. R&D)
- Preliminary market consultation (Article 40 of Directive)
Functional performance specification (power standard, life-cycle costs)

WIBGY method (Would it be great if…?) – workshops, round tables – when we use external information for documentation be careful on principle of equal treatment

FAST diagram technique

Certification, references,

Could be the part of qualitative criteria – experiences of the team, technical level...
Most economic advantageous tender

- Technical level
- Functional characteristics, accessibility
- Customer service
- Social, environmental and other aspects
- Qualification and experience of bidder team
Life cycle costs – „...means all consecutive and/or interlinked stages, including research and development to be carried out, production and its conditions, transport, use and maintenance, throughout the existence of the product or the works or the provision of the service, from raw material acquisition or generation of resources to disposal, clearance or end of service...” (Directive, Article 2)

http://ec.europa.eu/environment/gpp/lcc.htm
PPI documentation – procedures

Is there a technical solution available on the market, and which functional characteristics does it possess?

Yes

Can specifications of the procurement item be adequately ascertained?

Yes

Public/open call for bids

No

Single tender action/ Negotiated procedure

Is there a commercially available solution on the market or one close to market maturity?

Yes

competitive dialogue

No

pre-commercial procurement

No

Innovation partnership
PPI documentation – procedures

| 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 |
| Innovation Partnership | Pre-commercial procurement |
| YES | NO |
| Competitive procedure with negotiation | Competitive dialogue |

Levels of competition or time/resources inadequate for above procedures?
Consider joint procurement or, in exceptional cases only, derogation from the directives.
Open tender, Framework agreement

- Most often tender procedure -
  official administrators are used to it
- Could be contracted with more “Innovative” suppliers

CONS
- Specification like tender

PPI documentation – procedures

Need
- Set the need, requirements
- Preliminary market and other expert consultation

Documentation
- Compiling the documentation, specification and evaluation criteria

Tender
- Evaluate bids
- Sign the contract
  - Minitender phase (in case of framework agreement)
PPI documentation – procedures

Innovation partnership
• Products not available at the market
• Partnership with more bidders
• R&D phase, Service providing phase
• Based on those targets, the contracting authority may decide after each phase to terminate the innovation partnership (Article 31)

CONS
• Long term complex process
• Still not widely used (two procedures in 2018 in CZ)
**PPI documentation – procedures**

**CONS**
- More time consuming
- Joint development of the solution
- Equality treatment among all bidders

**CONTRA**
- Procurement is not able to specify the tender
- The solution is not specified

**Selection**
- Set the need, requirements and selection criteria
- At least 3 operators invite for dialogue

**Dialogue**
- Refined of the specific solution
- Reducing the number of final bidders

**Award**
- Final tenders
- Application of selection criteria will choose the preferred bidder
PPI documentation – procedures

Selection
• Call for competition incl. evaluation criteria, characteristics
• At least 3 operators are invited for negotiations

Negotiations
• Initial tender -> negotiation step
• Update of solution
• The number of operators may be reduced

Award
• Final offers
• Evaluation criteria will choose the preferred bidder

Cons
• In opposite to the competitive dialogue, public authority should define the key characteristics of solution prior tender

Procedures with negotiations
• Optimize the solution for public authority
• Adaptation, design or other innovation of the solution
PPI conclusions - advantages

Public authority
- Innovative services from many perspectives
- Positive publicity and reputation
- Opportunities to get EU funding

Suppliers
- New long-term partnership
- Company innovation using PPI
- Opportunities to get EU funding
• Public procurement of innovation, Kolnno Center (2017)
• Life Cycle costing – State of the Art (2018), SPP Regions project
• Directive 2014/24/EU
• Guidance for public authorities on Public Procurement of Innovation, Procurement of Innovation Platform
• PPI networks – EAFIP, Innovation procurement platform, Procurement forum, Procura+…
Thanks for your attention!

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