



High Level Options for an Innovation Procurement Strategy



CONTENTS

	PAGE
1. Introduction	3
2. Purpose of this Paper	3
3. Definition of an Innovative Procurement	4
4. The Decision Tree	4
5. Identification of Need	5
6. Working in Collaboration	6
7. Preliminary Market Check	7
8. Proceeding to Market	8
9. Call for Innovative Solutions	8
10. Design Contest	10
11. Pre-Commercial Procurement	12
12. Forward Commitment Procurement	14
13. Other Issues Associated with Innovative Procurement	16
14. When to Use Each Strategy	18
15. Summary	19

1. Introduction

One of the main barriers to innovation in procurement is that there is a “disconnect” between what is required by the end-users of a product and what is being developed by research organisations and suppliers in relation to such products. This is as true in the protective textiles market as in other European marketplaces.

The Enprotex project aims to work with end-users and public procurers to establish their future requirements and also to engage with the textiles industry to encourage and direct innovation. It is a two-way process to combine innovation in textiles with innovation in procurement. Suppliers and research organisations will stand a greater chance of getting their innovations successfully to market if they develop their products in response to a defined need. Likewise, procurers will achieve a greater impact if they understand what solutions are available. In this way we can direct innovative ideas to address public procurers’ requirements rather than research bodies working on something that may not have a practical use.

Another barrier to procuring innovation that has been identified by procurers is that public sector organisations have an aversion to risk. A lack of knowledge about how to procure innovative solutions within the EU legal framework, coupled with an increasingly litigious marketplace means that procurers are tempted to stick with products and processes that they know and understand.

However, it is widely acknowledged that by developing forward looking procurement strategies to bring new solutions to defined needs to the market, the public sector can have a significant impact on the mid to long term efficiencies of public services as well as on the innovation performance and competitiveness of European industry. By acting as technologically demanding first buyers of new products and services, public procurers can drive innovation from the demand side.

2. Purpose of this Paper

The purpose of this paper is to outline high level options for a public purchasing body wishing to develop a procurement strategy for innovative products or services, whilst at the same time complying with the EU procurement rules.

This guide is aimed at public procurers but it may also be used by research organisations and suppliers to show how the procurement process might work as this can often be confusing for organisations trying to sell into the public sector. Although it is aimed at procurers of fire-protective textiles, the principle can be used in any market sector.

More detailed guidance and model documents will follow as the Enprotex project develops. This guide itself will be updated in response to feedback so if you would like to make any comments, go to the “Contact Us” page on our website at www.enprotex.eu

3. Definition of Innovative Product or Service

For the purposes of this project an innovation is defined as a product, service or process which adds value and either:

- ❖ Has been on the market for less than 2 years
- ❖ Is capable of being brought to the market in the timescale of the specific procurement project
- ❖ Is an old technology used in a new or novel way?

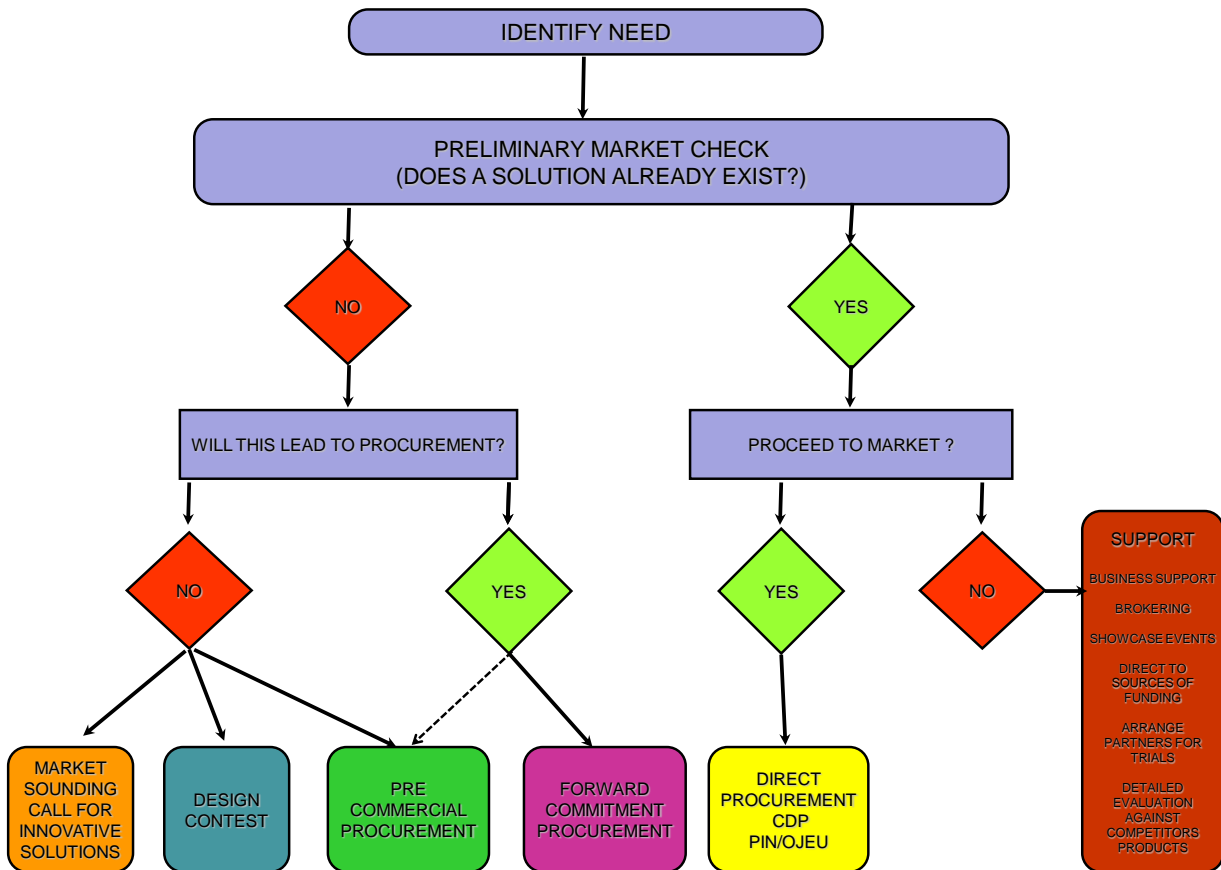
4. The Decision Tree

The selection of an appropriate procurement strategy depends on a number of key considerations:

1. It should always start with the identification of need
2. It should include research into whether a solution already exists
3. It should state whether there is an intention to procure the product or service at the end of the process?

Depending on the answer to these questions, different strategies may be appropriate and these are demonstrated in the decision tree shown at Figure 1.

Figure 1: The Decision Tree



5. Identification of Need

A procurement process must always start with the identification of a need. These needs must be expressed in terms of the outcomes required and should not be prescriptive in defining the solution. It is up to the market to suggest a solution otherwise procurers may inadvertently limit the innovation process.

Needs may be categorised under the following areas:

- ❖ Policy Driven
- ❖ Legislative
- ❖ Budgetary
- ❖ Operational
- ❖ Unsolicited (this is where a supplier suggests a need and you should consider if this would meet a genuine requirement.)

In order to start defining the need consider the question:

“What are the fundamental challenges facing my organisation?”

For example this might be:

- a) The need to procure protective clothing that minimises the effects of heat-stress; or
- b) The need to renew equipment in a climate of public sector spending cuts; or
- c) The need to find sustainable solutions for the disposal of equipment.

It is important to engage with other stakeholders such as policy makers, procurers and end users to ensure their perspectives and needs are considered so that any future solution is viable in the marketplace. So consider starting a discussion with other procurers on the Enprotex forum; for example by starting a thread with **“Wouldn’t it be good if...?”**

This is an example from the UK National Health Service National Innovation Centre Forum:

“The xxx machine is used to diagnose a number of conditions. While same-day diagnostic results seem to be instinctively desirable, it was acknowledged that the cost-benefit balance needed to be taken into account, with only modest benefits and/or savings achievable over the increased diagnostic costs. Faster diagnoses may however reduce the use of inappropriate antibiotics or other treatments, thus resulting in further savings.

Wouldn’t it be great if... there were clinically reliable, cost-effective and rapid diagnostic tests?”

An example for the Fire and Rescue Service might start:

“Fire-fighters face a trade off between personal protection and thermal strain.

Wouldn’t it be good if ... there were a clothing system that cooled the fire-fighter whilst giving excellent protection from burns?”

You could also get like minded people together in a workshop to provide first-hand knowledge of wider service needs. For example:

- ❖ Find out if the problem you're looking at is a symptom of a different larger one
- ❖ Think about involving or finding other people to help, e.g. consider a more formal review or design appraisal
- ❖ Potentially discover 'problems' you hadn't thought of.

Then you can draw up a statement of needs.

- ❖ Identify required outcomes or outputs
- ❖ Do not specify the solution just the problem
- ❖ Provide essential information avoiding unnecessarily prescriptive specifications
- ❖ Use simple language that the market will understand

If you would like to start up or join a forum to engage with like minded people, go to the “Community” section of our web-site at www.enprotex.eu

6. Working in Collaboration

Collaborative procurement is notoriously difficult. The more parties there are to a procurement project the more difficult it is to get agreement on the desired outcomes and needs. However, because most procurement is carried out at a local level, it is unlikely that individual organisations will have sufficient volumes of demand to attract economically viable solutions from marketplace using the strategies outlined in this paper. It is widely acknowledged that collaborative procurement is the best way to achieve value-for-money through economies of scale, therefore where possible you should try to find like-minded organisations to partner your innovative procurement project.



7. Preliminary Market Check

Once you have identified a need you should carry out a preliminary market check to see what solutions are already available on the market? You may find that, although you didn't know about it, there are already products and services on the market (or in adjacent markets) that would satisfy your requirements and a call for innovative solutions unnecessary. There are lots of possible sources of such information including:

- ❖ Contacting procurers in other similar contracting authorities in your own country and across Europe to see if they have a similar need and how they are meeting it.
- ❖ Relevant trade associations, regional and European bodies or SME organisations may be able to give you more information about existing or potential solutions
- ❖ Knowledge Transfer Networks (KTNs) may be able to give you an insight into recent and future market developments. Join the forums on www.enprotex.eu or see if the Foresight Project has an active project in the same area (<http://www.foresight.gov.uk>). All over Europe there are KTNs on almost every subject. Go to <http://www.pianoo.nl/> or <http://www.iclei-europe.org> to have a look at some European public procurement networks.
- ❖ European Technology Platforms (ETPs) which are groups to develop a common vision and strategic research agenda for all stakeholders responsible for technological innovation within a sector. There are currently 36 ETPs, covering the most important technological areas. They connect thousands of European companies, knowledge institutes and policy makers and have facilitated the development of a common vision and research agenda for each of the 36 technology fields they represent. For a list of the 36 ETPs go to Appendix 4 ftp://ftp.cordis.europa.eu/pub/technology-platforms/docs/fa-industrialresearch-b5-full-publication-rp_en.pdf
- ❖ Initiatives such as Intellect's Concept Viability allow public procurers to take market soundings and test the viability of the ideas at an early stage. For more information go to <http://www.intellectuk.org/content/view/451/47/>
- ❖ Patent and other Intellectual Property Rights searches via the Intellectual Property Office may be able to identify if solutions exist, regardless of market sector. A Directory of the 44 European Intellectual Property Offices can be found at http://www.wipo.int/directory/en/region.jsp?region_id=4.
- ❖ You may want to consider advertising a "call for innovative solutions." You should make it clear whether it is your intention to procure or not or whether you are using the results to inform future policies or strategies because suppliers ultimately want to sell you their idea/product. This process is described in greater detail in chapter 9.
- ❖ Office of Government Commerce guidance "[Early Market Engagement](#)" provides further advice with many examples of good practice. Go to http://www.ogc.gov.uk/documents/Early_market_engagement-Principles_examples_good_practice.pdf. The table of innovation sources at Appendix A4 of this document provides further details of organisations that may be able to assist.

8. Proceeding to Market

If, having completed your preliminary market check, you conclude that a sufficient number of viable solutions already exist in the market place or are sufficiently developed to be on the market within your required timescale, you then need to decide if you wish to proceed with a procurement exercise.

If you do wish to proceed to the market you can use the established processes including a Prior Indicative Notice (PIN) and Official Journal of the European Union (OJEU) contract notice. When procuring innovative solutions, the Competitive Dialogue Procedure (CDP) is recommended so that you can discuss all aspects of the proposed solution with candidates. Guidance on the CDP process can be found at http://www.ogc.gov.uk/documents/guide_competitive_dialogue.pdf

If you do not wish to undertake a procurement exercise at this stage, you may still wish to consider ways that you can support innovative companies so that a thriving market continues to exist in the future. Depending on the purpose and resources of your organisation you could consider some of the following:

- ❖ Business Support
- ❖ Brokering
- ❖ Showcase Events
- ❖ Directing the supplier to sources of funding
- ❖ Arranging partners for trials
- ❖ A detailed evaluation against competitors' products.

Whatever strategy you decide to follow, you must ensure that it is carried out according to the EU Treaty based principles of non-discrimination, equal treatment, transparency, mutual recognition and proportionality. It is important to ensure that particular suppliers are not given an unfair advantage in any subsequent procurement.

If, having completed your preliminary market check, you conclude that there are not a sufficient number of viable solutions, then the market-place is described as “**sub-optimal.**” However there are still a number of strategies you can pursue, depending on whether your objective is to eventually procure a solution or whether your organisation just wishes to develop the market-place for the future.

9. Call for Innovative Solutions

If you did not carry out this process as part of your Preliminary Market Check **and** it is not your immediate intention to carry out a procurement exercise, you may wish to consider a “Call for Innovative Solutions.” The purpose of this may be to inform future policy or procurement strategies, or perhaps as a means of stimulating the market-place and identifying solutions that can be developed in the future or for other procurement organisations.

You must make it clear that it is **NOT** your intention to procure and you will need to manage the expectations of potential submitters by clearly explaining the purpose of the call. You must explain that – if a procurement exercise is to follow at a later date - suppliers will still need to compete on the merits of their solution in an open and competitive tender exercise in accordance with EU Procurement Directives. The results of a “call for innovative solutions” might inform a future procurement specification but this must **NOT** be done in a way that would favour individual suppliers during a tender exercise.

It is also important to consider the use of confidentiality agreements to protect the intellectual property rights (IPR) of potential respondents otherwise potential suppliers may be unwilling to participate.

Consider the medium through which you decide to make the call. The use of Web-sites and portals is key, but consider which are appropriate to attract the attention of appropriate suppliers and research organisations.

When you are looking for innovative products and services you may find that the solution can be found in a different market sector than the one you are familiar with. This is called an “**adjacent market.**” The technology may have been invented for a different purpose but can be developed to suit your needs. To make sure you don’t miss out, think laterally about other possible markets and advertise the call as widely as possible.

Remember that the process of finding innovative solutions, especially those requiring development before they are market ready, takes time. Also there is more risk associated with procuring completely new products and services and this needs to be carefully managed. There is no such thing as a risk-free procurement but you will need support from the top of your organisation to manage an innovative procurement project through to a successful conclusion.

As with all activities, you must ensure that it is carried out according to the EU Treaty based principles of non-discrimination, equal treatment, transparency, mutual recognition and proportionality so that no suppliers are given an unfair advantage in any subsequent procurement.

10. Design Contest.

The process for a design contests is outlined in Articles 60-66 of Directive 2004/17/EC and Articles 66-74 of Directive 2004/18/EC. The purpose of a design contest is to seek new and innovative approaches to specified needs and to award a prize to the best. It can be a powerful means of developing and testing new ideas. It gives organisations room to come up with their own solutions therefore making use of the market's creativity.

Prizes that can be awarded may include:

- ❖ The award of a supply or service contract
- ❖ R&D contracts (this then becomes Pre-Commercial Procurement – see chapter 11)
- ❖ A grant or other assistance to develop the design to the point of commercial supply.

Procedure

- ❖ Publicise a set of requirements relating to the specific need for which you are seeking innovative solutions. Use desired outcomes as far as possible and detail any known constraints. Specify the timescales for the contest including when and how the entry should be submitted and when you expect to announce the winner(s).
- ❖ Decide how you are going to judge the competition and publish this with the above requirements. The criteria should cover all areas of operation, quality, appearance, performance and value-for-money with appropriate weightings allocated according to the specified need.
- ❖ Think about appropriate ownership of the final product/services including IPR (see Chapter X) You want to secure licensing rights so that you can use the final outputs but insisting on owning the IPR may limit competition
- ❖ Advertise the competition widely in appropriate media to get the best coverage. The contest can be published in OJEU as a PIN or Contract Notice but there is also a specific Design Contest Notice available. Go to http://simap.europa.eu/buyer/forms-standard/index_en.htm for more information. You should also advertise using other appropriate websites, portals and trade publications (including adjacent markets) but remember that the contest must be open to all following the principles of the EU treaty so make sure you get pan-European coverage. The European Commission has a website called CORDIS; for assistance go to <http://cordis.europa.eu>
- ❖ Select and appoint an expert panel to judge the entries. The panel must have the expertise to make the decision and should have as wide a representation as possible, not just in terms of skills but nationality. Consider how you might be able to enlist panel members from across the EU.
- ❖ Ensure that you have a process for keeping entries confidential and judging impartial. As entries arrive, assign a number for each so that the identity of the submitter is anonymous.
- ❖ If the objective of the project is to stimulate the market, it may be appropriate to pay for several or all of the contest outputs to enable all the good ideas to be used. Take legal advice on whether the prize constitutes “State Aid”. See Chapter 13. And make sure you can afford the potential prizes.

Overall, design contests follow the same general principles as good procurement practice. The process can be time and resource consuming so you should ensure that all stages are budgeted for, approved and that timescales fit in with your overall policy and project objectives.

11. Pre-Commercial Procurement

Pre-Commercial Procurement (PCP) is an approach for procuring Research and Development (R&D) services. R&D procurement is excluded from the EU Procurement Directives (unless the benefits of the R&D are exclusively for the contracting authority and the R&D is fully paid for by the contracting authority.) PCP therefore deals with the procurement of R&D that falls outside the EU Directives and Government Procurement Agreement (GPA).

Pre-commercial procurement is an approach for procuring R&D services that enables public procurers to:

- ❖ share the risks and benefits of designing, prototyping and testing new products and services with the suppliers, without involving State aid;
- ❖ create the optimum conditions for wide commercialization and take-up of R&D results through standardization and/or publication;
- ❖ pool the efforts of several procurers.

Like all innovation procurement strategies, PCP must begin with the identification of a need. The Contracting Authority then needs to ensure that there is not already a solution on the market. SME's in particular have difficulty selling their innovative products because buyers don't know they exist. Once a call for solutions has been made, the Contracting Authority awards R&D services contracts to multiple organisations in discreet phases until the solutions are market ready. The Contracting Authority does not necessarily buy any of the final products and services; it may have wished to stimulate the market on behalf of other groups. In order to create a competitive market place it is desirable that more than one solution reaches the final stage.

Following the identification of need and preliminary market checks the 4 main phases are:

Phase 1: Solution design

A number of suppliers would be contracted to carry out an initial feasibility study that would explore the concepts submitted and provide confirmation that innovative solutions exist or are possible. At the end of this phase the Contracting Authority may decide to reduce the number of participants.

Phase 2: Prototype Development

Remaining suppliers would be awarded an R&D contract to prove the solutions or technologies. Again at the end of this phase the Contracting Authority may decide to reduce the number of participants further.

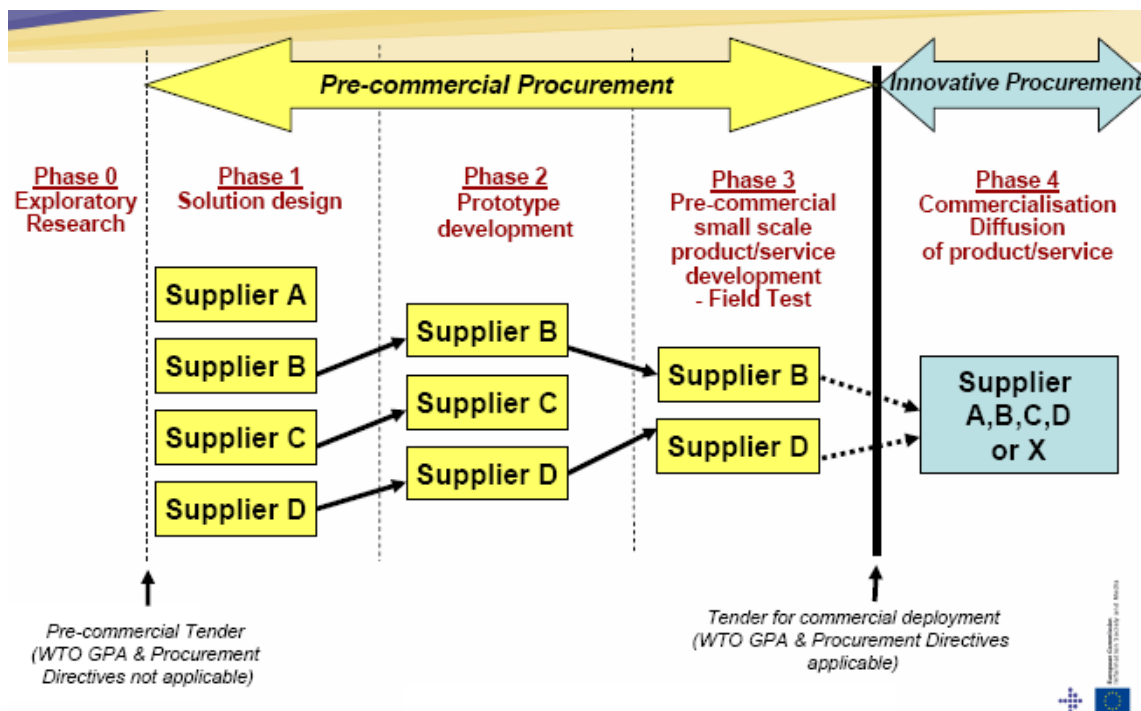
Phase 3: Pre-Commercial Development

Remaining suppliers would be awarded another R&D contract for this pre-production stage. The objective is to take the solution to the first batch of pre-commercial products or services. The PCP project may stop here. The next phase is optional

Phase 4: Commercialisation of Product.

This is the production and supply phase and this must be done using a competitive procurement process under normal EU rules. The Contracting Authority in this phase may be different from the one who carried out the PCP stages. Figure 2 describes the process in diagrammatic form.

Figure 2 Pre-Commercial Procurement Phases.



As multiple suppliers have to be awarded R&D contracts (at the market price) PCP will require careful budgeting and may take a long time. However, the EU and a number of national institutions are keen to promote PCP as an important innovation tool. Therefore there are a number of sources of funding for PCP projects available.

Further sources of Information, funding and support for PCP:

Pre-Commercial Procurement (PCP) website

- General short overview of rationale behind PCP in 6 languages

http://ec.europa.eu/information_society/tl/research/priv_invest/pcp/index_en.htm

- More specific info on PCP including news, funding opportunities

http://cordis.europa.eu/fp7/ict/pcp/home_en.html

Links to EU funded projects networking on PCP

P3ITS: www.p3its.eu

PRECO: <http://preco.share2solve.org/main/>

RAPIDE: www.rapidenetwork.eu

Project Officer Pre-Commercial Procurement: lieve.bos@ec.europa.eu

12. Forward Commitment Procurement

The fundamental premise of Forward Commitment Procurement (FCP) is that by giving clear visibility to credible procurement needs, and by making it clear that innovative solutions will be fully encouraged and considered, you will positively stimulate suppliers’ development efforts. Suppliers developing new products and services need to have confidence that there will be a market for their innovation once it has been proven. FCP is therefore a way for public procurers to make this future market visible and credible without either procurer or supplier incurring unmanageable risks.

FCP mirrors the active approach to supply chain management taken by the private sector. Again it starts with the identification of needs and these are stated in an outcome based statement of requirements via a PIN and OJEU using the standard EU procurement process (usually the Competitive Dialogue Procedure CDP). Through this process the Contracting Authority

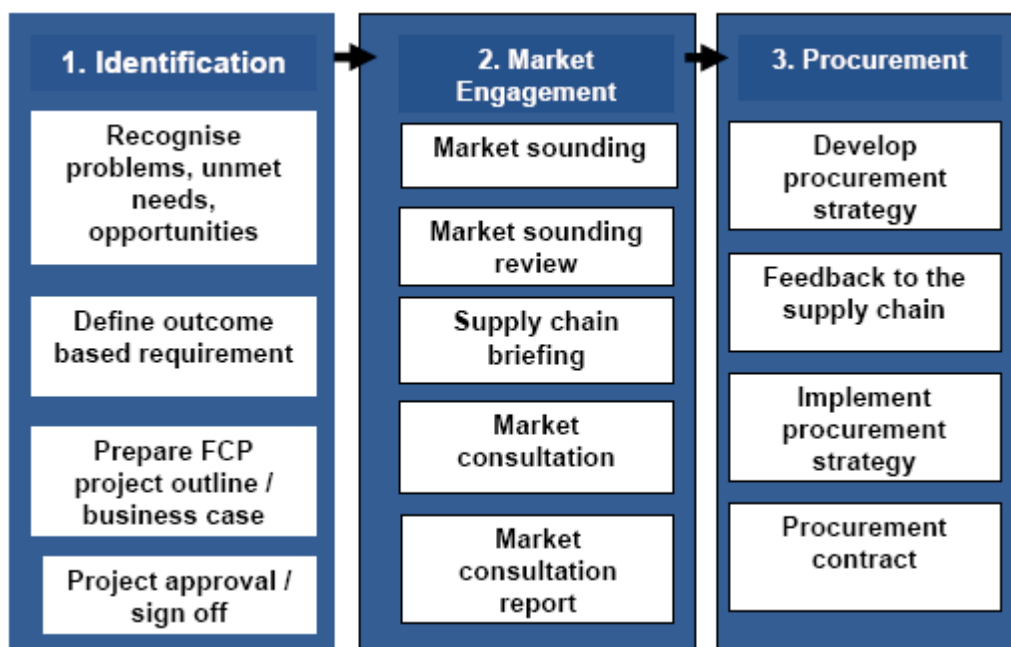
- ❖ clearly articulates future needs
- ❖ searches out and engages early with potential suppliers
- ❖ provides a credible promise of future sales
- ❖ provides demand sides information and supports delivery
- ❖ maintains competition in a way which is compliant with the legal framework.

There are 3 basic stages to the process:

Know what you want – Tell the supply chain – Buy it.

Figure 3 breaks the stages down into more detail.

Figure 3 Forward Commitment Procurement Phases



In the UK the Department for Business Innovation and skills has a portfolio of projects underway. FCP has been successfully used (in a UK pilot project) by HM Prison Service to procure a cost effective zero-waste mattress solution and end the practice of sending 40,000 mattresses a year to landfill. FCP has also been adopted in the UK Government’s Sustainable Procurement Action Plan that called for a replication of this approach across the UK public sector. Another example of a successful FCP project is shown in Figure 4,

where the NHS Trust produced an innovative “Market Sounding Prospectus” and further information can be found at <http://jeraconsulting.com/forward-commitment-procurement>

Figure 4 Example of a Forward Commitment Procurement

<ul style="list-style-type: none"> • Rotherham NHS Foundation Trust • issued a “Market sounding regarding the supply of innovative and ultra efficient lighting systems”, • Launched via a Prior Information Notice in the OJEU and at a supply chain conference • Publicised widely via intermediaries and trade press • Market Sounding Prospectus set out the requirement, and gave context and background information, and • Response Form, was used to help standardise feedback from the supply chain • Company Directory, information about the companies that responded • Over 40 good quality responses 	<p>The Rotherham NHS Foundation Trust</p> <p>Future Ward Lighting Project</p> <p>Market sounding regarding the supply of innovative and ultra efficient lighting systems for The Rotherham NHS Foundation Trust "Future Ward" refurbishment programme</p> <p>The Rotherham NHS Foundation Trust</p> <p>Market Sounding Prospectus</p> <p>September 2008</p> <p><small>This is not a call for tenders or a pre-qualification exercise. It is a market sounding exercise to provide advance information of requirements and open dialogue with the supply chain. The results will be used to inform future procurement specifications and strategies.</small></p>
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As with many of the other strategies outlined in this report, FCP takes a long time. You need to consider the implications of delaying the supply of a solution until full capacity to deliver is reached and make sure that you can clearly justify awarding a contract for a new solution over a less innovative one that is already commercially available.

13. Other Issues Associated with Innovative Procurement

a. Risk

Innovation does not come without risk, neither does procurement but that is not a good reason for not seeking innovative solutions. Risks can be managed if the Contracting Authority has a proper risk management strategy and engages with the supplier community to share risks and benefits

b. State Aid

EU state aid rules prevent the distortion of the EU market through the provision of Government funded assistance. When using any of the strategies which involve awarding R&D contracts the Contracting Authority needs to ensure that a market price is paid otherwise “State Aid” becomes an issue. The EU Commission’s State Aid Framework says that

“where member states are commissioning R&D or buying the results of R&D from businesses (as opposed to subsidising business R&D projects) state aid will not normally be involved provided that the procurement is at a market price and contracts are awarded according to market conditions. The fact that a tender procedure in accordance with procurement rules has been carried out will be regarded as confirmation of this.”

c. Intellectual Property Rights (IPR)

The strategy for dealing with the protection and assignment of IPR needs to be carefully considered and agreed in the very early stages of any policy, programme or project, especially in cases where innovative solutions are being sought and procured.

There are two main considerations for IPR, the acknowledgement and protection of the background IPR owned by the innovator, and the ultimate development and ownership of IPR following award of contract. You may wish to draw up a Heads of Terms agreement early in the process to structure supplier discussions. IPR ownership options include:

- ❖ The innovator owns all the resultant IPR
- ❖ The innovator owns overall IPR but licences it for use to the buyer in a specified application or area
- ❖ The buyer takes an exclusive licence or ownership of the IPR.

The key issue in encouraging innovation is that there is a proper sharing of risks and benefits. There is a tendency for public procurers to want to keep the IPR as they perceive they are paying for it but this either discourages suppliers from participating in a procurement exercise or forces them to charge a lot for the commercialisation rights.

There is an argument that public procurers should keep only the rights to use the innovation, licence it to someone else and ensure a competitive supply chain. This strategy would, in turn, help with standardisation, including with EU and CE standards.

d. Use of Small and Medium Enterprises (SMEs)

It is widely acknowledged that SMEs (organisations with less than 250 employees and a turnover of less than €50m) are an important source of innovation in the marketplace. They also represent a significant part of the European economy; 99.8% of all European enterprises and 67.1% of private sector jobs. However, it is also true that SMEs experience significant barriers in bidding for and winning public contracts. Many of these barriers are associated with excessive and unnecessary bureaucracy in the procurement process. The cost of administrative procedures for a small company can be up to ten times more than for a large company, making this burden disproportionately large for small business.

When putting together a strategy to procure innovative solutions, public procurers should carefully consider how they can encourage and assist SMEs to participate in the process including:

- ❖ Where the opportunity is advertised (visibility)
- ❖ Reducing excessive financial requirements (proportionality)
- ❖ Cutting the red-tape and paperwork (this can reduce cost for the contracting authority at the same time)

For very large projects, it may be true that SMEs are more suited to a sub-contractor role and public procurers can facilitate this by having an open and transparent supply chain. However it is wrong to assume that aggregation of supply automatically achieves the best value for money. Aggregation does not automatically mean grouping all the requirements together in one place and awarding a single contract for the cheapest unit price. It may be that better overall value can be achieved by allowing separate suppliers to bid for different parts of the requirement. This will also encourage competition.

e. Life-Time Costing – Also Known as Whole-Life Costing and Total Cost of Ownership

Innovation can lead to lower costs but it is more often it is linked to better quality outcomes.

Whilst cutting costs is a high priority during the current economic situation, it is important to make decisions based on the long term and not the short term. Buying something at the lowest unit cost may reduce the short-term outlay but may have significantly higher cost implications in future years.

To accommodate both quality and price criteria in the evaluation strategy it is usual to award to the most economically advantageous tender (MEAT). However, even this may not take all costs into account unless there is a proper life-time cost model built into the evaluation. This model will vary according to the project but should include as a minimum:

Timeliness of provision	Cost to administer and manage the contract
Cost of spares	Frequency of maintenance and service patterns
Reliability and potential down-time	Lifespan of the product or length of the service contract
Maintenance, service and cleaning costs	Disposal costs at end of life or end of contract

When using a life-time costing model it is important to be clear on how to calculate costs and evaluate proposals against the quality criteria as new innovations are especially difficult to compare like with like. A fair comparison of bids requires a skilled evaluation panel.

14. When to Use Each Strategy

Figure 5 shows a high level summary of the circumstances in which you might choose the main strategies outlined in this document.

Figure 5 Summary of Main Strategies

Call for Innovative Solutions

When you want to see what is on the market to identify solutions that can be developed in the future or to inform future strategies.

You may or may not conduct a procurement exercise at the end.

Design Contest

When you want to seek new and innovative approaches to a specified need and award a prize at the end.

The prize may be a supply or service contract, an R&D contract or a grant.

Pre-Commercial Procurement

When you want to stimulate the market by awarding R&D contracts in order to get solutions from the design stage to the commercialisation stage.

You would award multiple contracts through various stages to maintain competition and you may, or may not, conduct a procurement exercise at the end.

Forward Commitment Procurement

When you want to stimulate suppliers' development efforts to bring new products to the market by giving clear visibility to credible procurement needs.

This strategy does include a procurement exercise and commitment to volumes is key to encouraging suppliers to invest in innovation.

15. Summary

Innovation is essential both for the growth of the economy and to find cost-effective solutions for the provision of public services.

Although public sector procurers may be averse to the risk of procuring new products or using new processes, this paper shows that it is perfectly possible to procure innovation within the current EU Directives.

The procurement process to find innovative solutions will take longer and require more careful planning but it should bring significant long-term benefits provided that the following are observed.

- ❖ All procurement must start from a clearly identified need
- ❖ Effective market engagement is a key part of the procurement strategy
- ❖ There are a number of different strategies depending on the objectives of the project and the type of funding available
- ❖ The procurement strategy must take into account the timescales and resources required
- ❖ There must be support for the strategy at all levels of the organisation
- ❖ The assessment of quality and value for money must take in to account the long-term view.
- ❖ Risks must be managed
- ❖ Risks and benefits (including IPR) must be shared
- ❖ Competition must be encouraged from the widest possible market (all sizes of organisations and adjacent markets)
- ❖ The EU Treaty based principles of non-discrimination, equal treatment, transparency, mutual recognition and proportionality should be observed at all times.