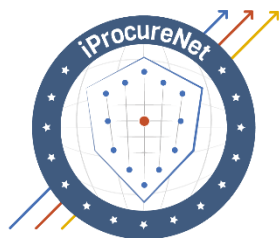


AN INTRODUCTION TO INNOVATION PROCUREMENT



Innovation by developing a European Procurer
Networking for security research services



Filomena Vieira

PP Attorney of
the Portuguese
Criminal Police,
Ministry of
Justice

INNOVATION PROCUREMENT

WHAT IS INNOVATION PROCUREMENT?

- Undertaking the procurement process **in a way** that stimulates the supply chain to invest in developing better and more innovative goods and services to meet the unmet needs of an organization

OR

- •Simply **removing barriers** to the procurement of innovative solutions



- ✓ Procurement **in a way that** unlocks or exploits the creativity and innovation potential of suppliers to deliver better outcomes, cost effectively



**CHANGING HOW WE THINK & UNDERTAKE
PROCUREMENT & HOW WE WORK WITH SUPPLIERS**

INNOVATION: WHAT DOES IT MEAN?

WE MUST STAND FOR A WIDE DEFINITION

*A new or improved **product or process** (or combination thereof) that differs significantly from the unit's previous products or processes and that has been made available to potential users (product) or brought into use by the unit (process)" (Oslo Manual, OECD, 4th ed., 2018):*



a new or improved good or service that differs significantly from the unit's previous goods or services and that has been introduced on the market

a new or improved business process for one or more business functions that differs significantly from the firm's previous business processes and that has been brought into use by the firm

INNOVATION: WHAT DOES IT MEAN?

UNDER EUROPEAN FRAMEWORK

Innovation procurement encompasses both the buying of the **process** of innovation – with partial outcomes - and/or the buying of the **outcomes** of innovation created by others (EC Commission Notice on Guidance on Innovation Procurement, 2018)



AND WHAT ABOUT INNOVATION IN IPROCURENET H2020 PROJECT?

INNOVATION IN IPROCURENET PROJECT

iProcureNet is a new practitioners' network, funded by the European Commission, that aims to build an **ecosystem of experts** in all different areas of security procurement – procurers, prescribers, legal and innovation experts and academics.

"Procurers must become part of the innovation cycle. They need to learn how to manage their procurement processes in a way that encourages suppliers to innovate. iProcureNet will fill this gap" (Marine Thavenin, French Ministry of Interior)

THE RESULT  The security technology industry and researchers will be stimulated into action
&
The gap between research and the market will be diminished.

INNOVATION IN IPROCURENET PROJECT

IPROCURENET project will support procurers as they move towards **joint procurement of innovative solutions**.

Based on the **joint expertise** of European procurement experts, **iProcureNet** will analyze the general EU procurement environment:

- ✓ National investment strategies
- ✓ Innovation needs
- ✓ Security markets
- ✓ Obstacles to cross-border collaboration.

INNOVATION IN IPROCUENET PROJECT

- **Joint Cross-Border Public Procurement** (JCBPP) plays an important role in innovation procurement **strategy** and itself is **innovative**.
- **Joint procurement of security solutions:**
 - ✓ will optimize cost
 - ✓ will help find **common answers** to **common societal challenges**
 - ✓ replace the current fragmented security market by a **common European market**.
- **Cross-border purchasing** makes it possible to:
 - ✓ consolidate public purchasing demand in not one but many jurisdictions
 - ✓ makes it easier for public agencies to deliver higher quality, lower-priced goods and services to their populations.

INNOVATION IN IPROCUENET PROJECT

- Cross-border procurement could become a **strategic** tool:
 - ✓ strengthening the European single market
 - ✓ promoting capacity building among contracting authorities
 - ✓ advancing social and environmental goals
 - ✓ allow combining purchasing power and the goals of industrial policies

Although **JCBPP** requires different public agencies to **reconcile and apply** their sometimes **different rules**, that reflect different approaches to the social and political issues that inform procurement law (G. Racca, C. Yukins, *Joint Public Procurement and Innovation*, Bruylant, 2019), **2014 Public Procurement Directives** mark a pathway to an improved procurement system towards innovation in the **Member States**.

IS INNOVATION RESEARCH?

- It is important to distinguish **INNOVATION** from **RESEARCH**
 - ✓ **Research** is about gaining knowledge or new information and it results in knowledge.
 - ✓ **Innovation** translates knowledge into useable goods or services and is always targeted on known outcomes



A key success factor for innovation is an accurate understanding of the unmet need it is targeting.

WHAT ARE PRODUCT INNOVATIONS?

- **Product innovations** must provide significant *improvements* to one or more characteristics or performance specifications:
 - ✓ addition of new functions
 - ✓ improvements to existing functions
 - ✓ Improvements to user utility (e.g., quality, reliability, durability, economic efficiency during use, affordability, user friendliness).
- Product innovations do not need to improve **all** functions or performance specifications, but ***routine changes or updates do not represent innovation.***
- Product innovations can use *new knowledge* or *technologies*, or be based on *new uses or combinations* of existing knowledge or technologies.

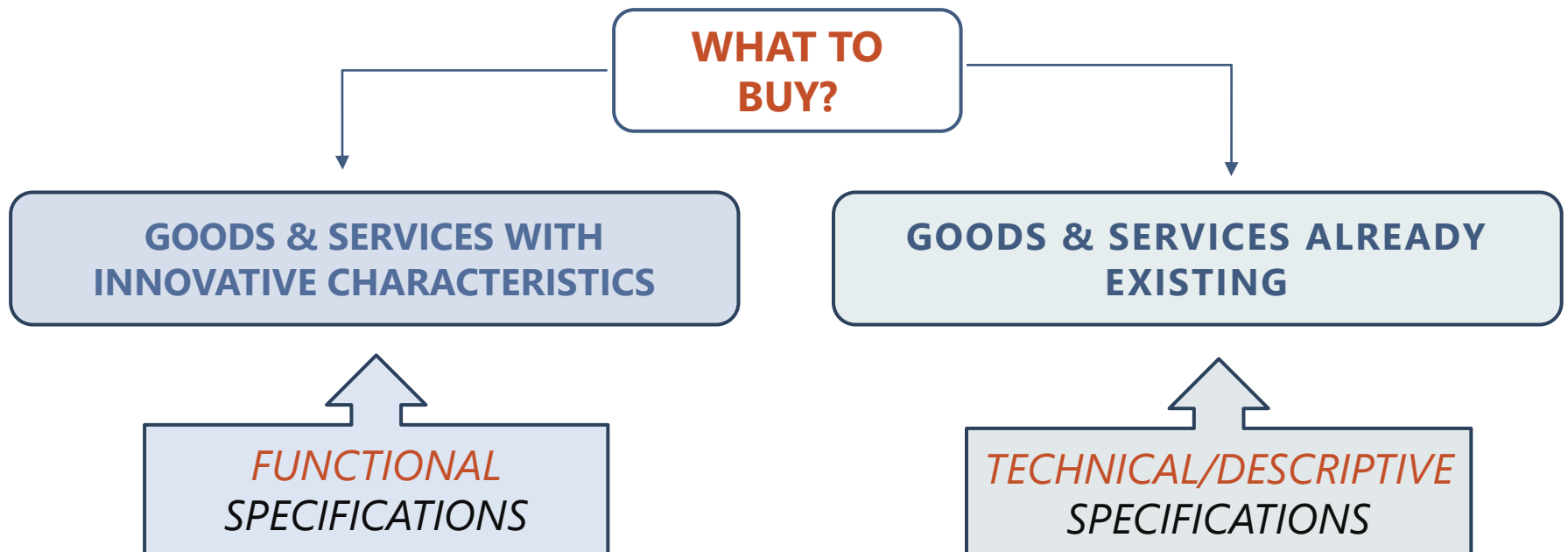
WHY INNOVATION PROCUREMENT

*“The use of **innovation procurement** must accommodate the **raison d’être** of procurement, which is that a public organization purchases goods and services that it **needs to perform its function**” (Georghiou et al., *Policy instruments for public procurement for innovation: choice, design and assessment*, 2013).*

PUBLIC PROCUREMENT AS AN INNOVATION TOOL

■ Public procurement as an innovation policy tool

- Public buying is prominent in several domains
- The 1st approach to innovation starts in the way public purchaser addresses public procurement



PUBLIC PROCUREMENT AS A STRATEGIC TOOL

Public procurement as a **strategic** innovation policy **tool**



IS IT **ENOUGH** TO DESCRIBE THE UNMET NEED IN TENDER DOCUMENTS TO OBTAIN INNOVATIVE SOLUTIONS?

**IT CAN BE,
BUT...**

FRAMEWORK CONDITIONS FOR INNOVATION PROCUREMENT

■ PROCUREMENT **APPROACH** CAN UNINTENTIONALLY BLOCK INNOVATION PROCESS:

- ✓ **Resistance to change** from organisations
- ✓ **Risk aversion**
- ✓ **Procurement processes** often reflect:
 - **historical** situations and **old solutions**



HINDERS THAT TAKE UP INNOVATION

- ✓ Without customers, **suppliers** don't develop new solutions

**Loss for the public sector,
the economy and the society**



FRAMEWORK CONDITIONS TO FOSTER INNOVATION

■ ORGANISATIONAL

- ✓ Public procurement plan towards innovation?
- ✓ Guidelines to favour innovation?
- ✓ Innovation as an horizontal mindset of the organisation?
- ❖ Close **assessment** of **previous contracts** implementation

(bottlenecks, difficulties encountered, organisational & technical constraints)

➔ **NEEDS IDENTIFICATION**

- ✓ **Cross-functional** team work ➔ There is **no innovation in organisational silos**
- ❖ Procurement/legal team cannot be separated from "technical" team: tender procedures **MUST** be designed considering the **NEEDS, KNOWLEDGE & PRACTICE** of the organisation ➔ **CHOOSING THE ADEQUATE PROCEDURE**



FRAMEWORK CONDITIONS FOR INNOVATION PROCUREMENT

▪ CHOSING “**INNOVATION-FRIENDLY**” PROCEDURES

▪ **Adjusting ready-to-use innovation procedures**

- ✓ Competitive procedure with negotiation
- ✓ Competitive dialogue
- ✓ Innovation partnership

▪ **Design contests**

▪ **Procure R&D – develop a tailor-made innovative solution**

- ✓ Open market procedures + IPR reserved to CA
- ✓ Pre-Commercial Procurement (PCP)
- ✓ CA shares R&D benefits with economic operator, keeping

Right to use R&D results

Right to license to 3rd parties under reasonable market conditions

INNOVATION IN PROCUREMENT PROCESS

Pro-innovation procurement or innovation in procurement process



Undertaking of the procurement process in a way that stimulates the supply chain to invest in developing better, innovative goods and services to meet the unmet needs and policy objectives of the sector and/or ensuring the **procurement process enables new solutions** to compete on a level playing with established goods and services.

INNOVATION: DON'T'S

IDEAS TO BE AVOIDED BY CONTRACTING AUTHORITIES (CA):

- ❑ WE CANNOT "INTRODUCE INNOVATIONS" BECAUSE WE DON'T KNOW **WHAT IS AVAILABLE IN THE MARKET**
- ❑ WE CANNOT PREPARE TENDER SPECIFICATIONS BECAUSE WE DON'T KNOW THE **TECHNICAL CHARACTERISTICS** OF THE GOODS OR SERVICES TO BE BOUGHT
- ❑ **PROCUREMENT/LEGAL TEAM** MUST ONLY BE INVOLVED AFTER ALL TECHNICAL DECISIONS WERE MADE
- ❑ **VARIANTS** NEVER FOSTER INNOVATIVE PRODUCTS OR SERVICES
- ❑ **CONSULTING THE MARKET** IS ALWAYS A VIOLATION OF COMPETITION LAWS

TRIGGER INNOVATION: DO'S

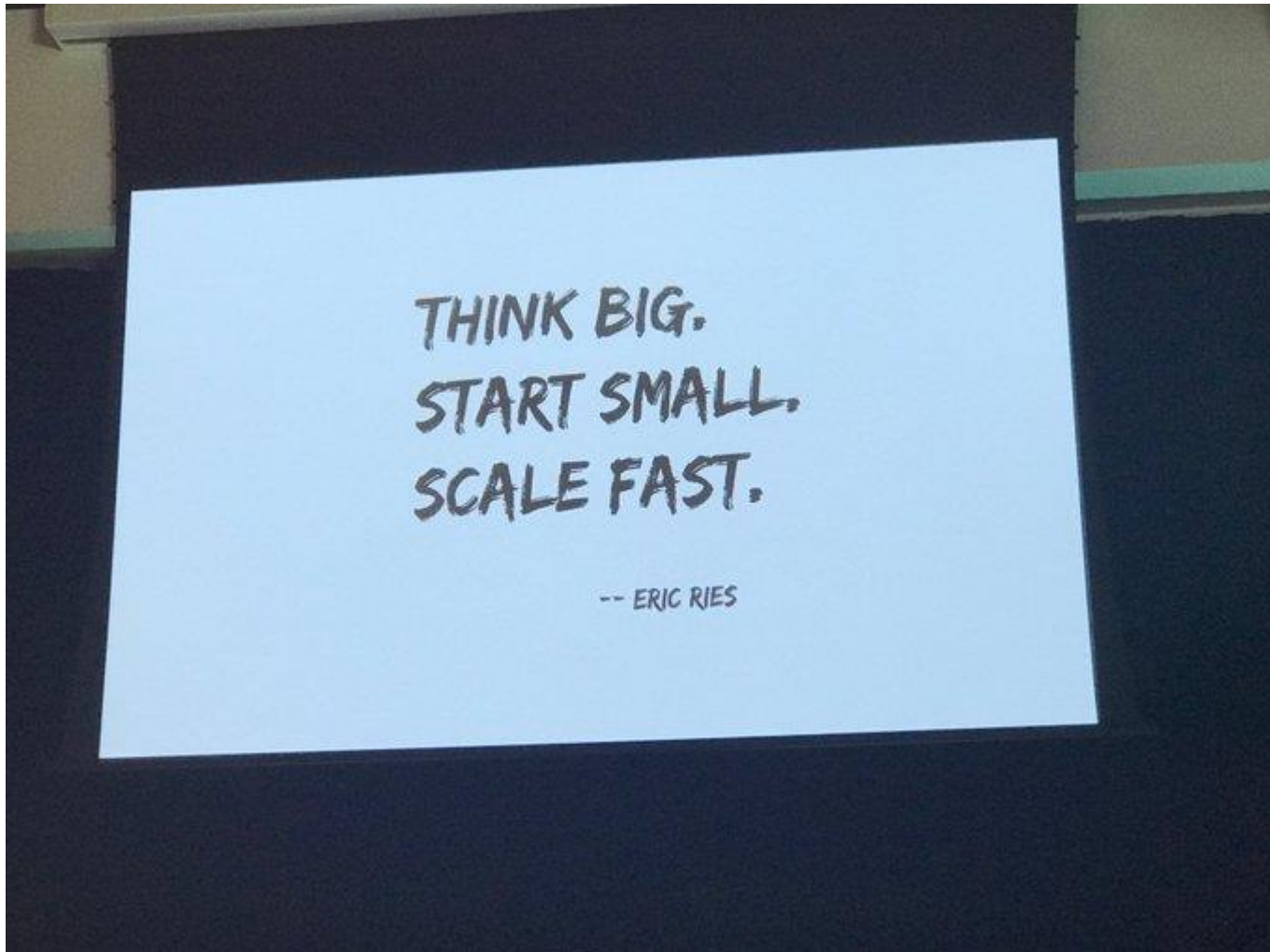
TO TRIGGER INNOVATION PROCUREMENT CONTRACTING AUTHORITIES (CA) SHOULD:

- ❑ DEVELOP AN **INNOVATION CULTURE** WITHIN THE ORGANISATION

- ❑ **ATTRACT INNOVATORS**
 - ✓ Reduce red tape/burdens for tenderers (e.g. larger adoption of ESPD)
 - ✓ Adoption of proportional selection criteria allowing the participation of SMEs
 - ✓ Adopt division into lots
 - ✓ Improves start-ups and SMEs participation
 - ✓ Prevents supplier lock-in
 - ✓ Use of **standards**, open data, open interfaces and open source software

- ❑ **ATTRACT INNOVATION** ENABLING THE SUBMISSION OF INNOVATIVE OFFERS
 - ✓ **Needs assessment**: reveals real needs + improvements desired + leads to the designing process of tender documents + encourage the purchasing of innovation instead of buying off the shelf
 - ✓ **Explore SOTA: open market consultation**
 - ✓ **Tender expressing functional requirements + descriptive need + outcome desired**

ESSENTIALLY, START



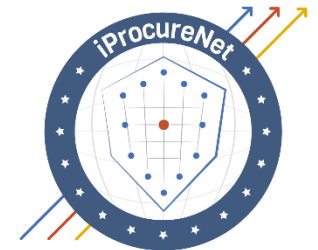
THANK YOU!

FILOMENA VIEIRA

fv@vieiracostagomes.pt

[linkedin.com/in/filomena-vieira/](https://www.linkedin.com/in/filomena-vieira/)

This project has received funding from the European Union's Horizon 2020 research and innovation programme under grant agreement No 32875.



Innovation by developing a European Procurer
Networking for security research services