



EC financing for Innovation Procurement (PCP and PPI)

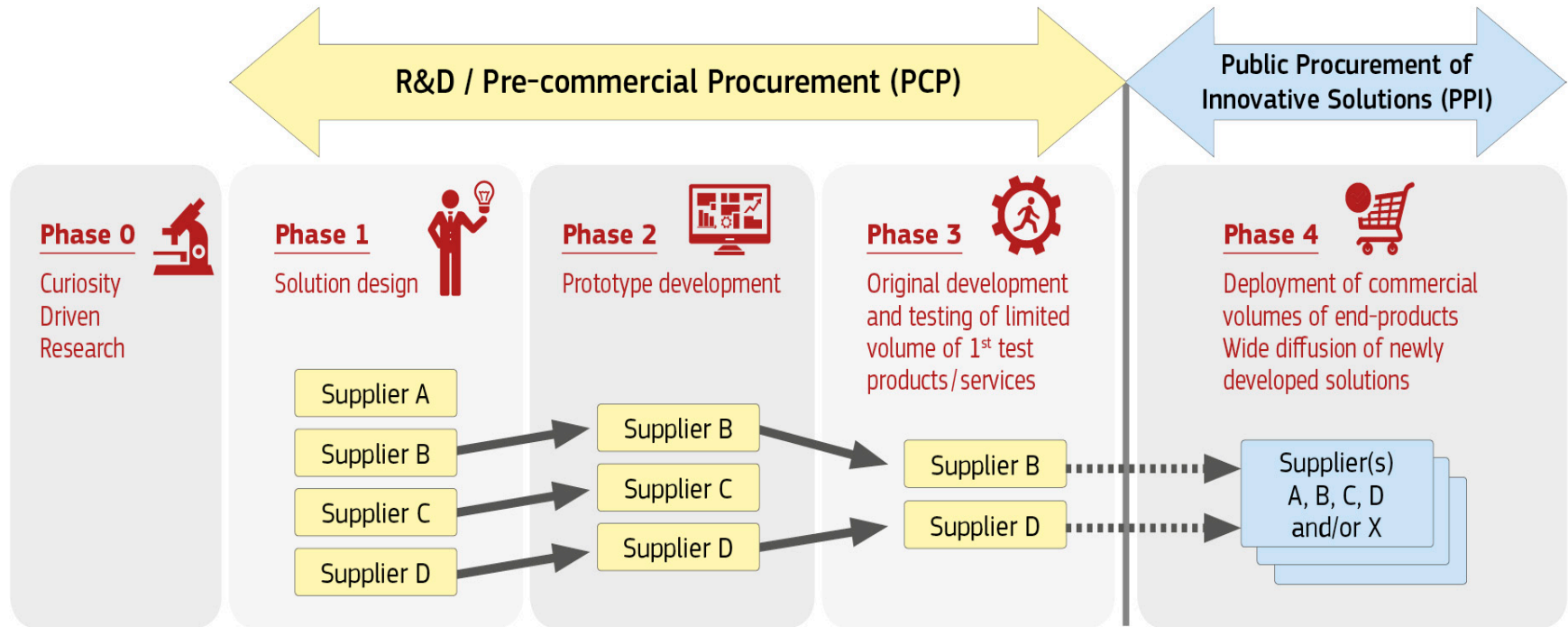
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Innovation Procurement: PCP + PPI

Complementarity



- **PCP** to steer the development of solutions towards concrete public sector needs, whilst comparing/validating alternative solution approaches from various vendors
- **PPI** to act as launching customer / early adopter / first buyer of innovative commercial end-solutions newly arriving on the market



PCP is defined in COM/2007/799 as a demand driven R&D procurement. Also other R&D procurement approaches exist that are not PCPs (e.g. SBIRs).

PCP and PPI: what is procured



Both for PCP and PPI: H2020 gives direct demand side funding to public procurers with a specific procurement need (no SBIRS: no intermediate agencies in the buyers group that execute the PCP or PPI procurements). No direct supply side funding. Both in PCP and PPI, the procurers buy the innovation outcome.

PCP

- **Open tendering**
- **R&D services** procurement (procurers buy R&D results incl. possibility to buy also end-product)
- **IPR sharing** between supplier (keeps IPR ownership) and procurer (keeps right to use/license)
- **Multiple sourcing** (# suppliers)
- **Phases** (FW contract for the PCP + specific contracts/phase)
- **Job creation** (majority R&D done in EU MS or associated countries)

PPI

- **Early announcement** (via PIN) of the '**intention**' to buy a critical mass of solutions 'if' the market can deliver solutions that match predefined specific requirements by a set date
- **Conformance testing (optional)** to verify if market can meet needs
- **Tendering**: different procedures possible e.g. open, negotiated procedure, competitive dialogue

Why European cooperation on PCP-PPI?



- **Speed up public sector modernisation** – improve quality and efficiency of public services with breakthrough solutions
- **Get better value for money through cooperation** - enable public sector around Europe to share cost + experience to buy new solutions that can respond to concrete public needs
- **Address issues of common interest together** – e.g. where interoperability and coherence of solutions across borders, pooling of resources or market defragmentation is required
- **Create growth and jobs in Europe** – help innovators bring European R&D to the market (the majority of R&D in H2020 funded PCPs should take place in Europe, ltd set of first test products can be bought in the PPI from companies in the PCP)

Budgets for supporting innovation procurement



Horizon 2020, FP7 and CIP support to PCP and PPI

2018-2020: +€ 224,2 million (€ 41,2 in '18, € 83 in '19, +€ 100 in '20)

2016-2017: € 130 million

2014-2015: € 130 million

2013: € 94 million

2011-2012: € 42,9 million

2009-2010: € 4,5 million

* In 2014, the FP7 (R&D) and CIP (Innovation) programs were merged into H2020

Forms of support



- ❖ **Coord & Support Actions (FP7/H2020) / Thematic Networks (CIP):**
 - Support only coordination activities e.g. preparation of a PCP or PPI by a group of procurers (investigating feasibility to start PCP/PPI, open market consultation with industry before initiating a concrete PCP or PPI etc)
 - CSAs do not provide EU co-financing for an actual PCP or PPI procurement
- ❖ **CP-CSA for PCP (FP7), PCP (Cofund) Actions (H2020):**
 - Provide EU co-financing for an actual PCP procurement (one joint PCP procurement per PCP action) + for related coordination and networking activities (e.g. to prepare, manage and follow-up the PCP procurement)
- ❖ **PPI Pilots (CIP ICT), Actions:**
 - Provide EU co-financing for the actual PPI procurement(s) (one joint procurement or several separate but coordinated PPI procurements per PPI action) + for related coordination and networking activities (e.g. to prepare, manage and follow-up the PPI procurement(s))
- ❖ **EIB/EIF equity, guarantees, loans:**
 - Available to both public procurers and companies in PCPs and PPIs

Funding rates



❖ FP7

- CSAs: 100%
- PCP actions:
 - 100% coord. activities
 - 75% proc. cost

❖ CIP ICT

- Thematic networks: 100%
- PPI Pilots:
 - 100% coord. Activities
 - 20% proc. Cost

CIP EIP

- Procurement actions:
 - 95% coord. activities
 - 20% proc. cost

❖ H2020 (2014-15)

- CSAs: 100%
- PCP Cofund actions:
 - 70% coord. activities
 - 70% proc. cost
- PPI Cofund actions:
 - 20% coord. activities
 - 20% proc. cost

❖ H2020 (2016-20)

- CSAs: 100%
- PCP actions:
 - 90% coord. activities
 - 90% proc. cost
- PPI actions:
 - 35% coord. activities
 - 35% proc. cost

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Experience / lessons learnt



- **Open calls were more successful than narrow scoped calls**
 - Open PCP calls receive 4 times more proposals than budget available. Narrow scoped calls typically receive only just enough proposal to spend budget.
- **CSAs important to prepare the ground for future PCPs/PPIs**
 - Some CSAs have resulted in 3-4 innovation procurement projects
- **Lack of single point of contact for procurers**
 - No EU one-stop-shop / competence center on innovation procurement in H2020
- **No national contact points for innovation procurement**
 - No structured national info dissemination & support to procurers for H2020
- **Today still only 1% of H2020 budget goes to innov. proc.**
 - +/- 1 out of 3 H2020 beneficiaries are public entities, but this potential is still underused to implement mission driven innovation through innovation procurement
- **Link with startups / SME support could be strengthened**
 - Lack of training of startups/SMEs on how to access the procurement market
- **Link with financial instruments could be strengthened**
 - Equal access lacking for startups/SMEs in PCPs/PPIs to financial instruments



- **Large PPIs ongoing, but too few**
 - 4 Large scale PPIs ongoing: ageing, e-health, HPC
 - Low response rate PPI calls: No more 100% funding rate for coordination activities
- **PCP calls have successful impact on companies & procurers**
 - 21 PCPs funded (more in the pipeline)
 - Positive impact on startup/SME company growth, bringing products to market
 - Procurers from 50% of PCPs that completed 2Q 2016 have already deployed the products developed during the PCP & are preparing wider commercial deployment
- **Separating PCP from PPI and using a phased PCP approach**
 - Opens the market for small players/SMEs (smaller gradually growing contract sizes)
 - Enables procurers to steer industry R&D to meet their needs, achieve desired quality and efficiency improvements in public services and reduce vendor lock-in
 - Stimulates cooperation with universities and larger companies
- **Use of place of performance condition in PCPs**
 - Can effectively stimulate growth and job creation in Europe

Info about impacts of 16 first EU funded PCPs

<https://ec.europa.eu/digital-single-market/en/news/results-eu-funded-pre-commercial-procurements>



- **Opening a route-to-market for new players/SMEs**
 - 59% of total value of contracts directly won by SMEs
 - Compared to 29% average in public procurements across Europe

Mostly small young SMEs: 23% below 10 people, 58% below 50 people, 51% less than 10 years old
- **Helping also larger market players bring products to the market**
 - 18% of contracts won by large companies as single bidder
 - 11% of contracts won by consortia of larger companies plus SMEs
 - 71% of contracts won by SMEs (SMEs alone, or as lead bidder)
- **Relevance to universities & bringing scientific results to market**
 - 28% of winning contracts have also a university/R&D center partner in consortium
 - Winning SMEs are also often university start-ups
- **Stimulating cross-border company growth**
 - 34,6% of contracts won by bidders that are not from a country of any of the procurers in the buyers group (e.g. DE company working for UK+NL procurers)
 - Compared to 1,7% average in public procurements across Europe
- **Creating growth and jobs in Europe**
 - 97,5% of bidders do 100% of R&D in Europe (2 do 68% resp. 85% of R&D in EU)

Recommendations from impact study & evaluators

<https://ec.europa.eu/digital-single-market/news/quantifying-impact-pcp-europe-study-smart2014-0009>



Recommendation 3 - Reinforced dedicated EU funding program for PCP/PPI

proposes a more efficient and coordinated implementation approach based on:

- A system shift, away from a fragmented funding and project management approach to a specific funding program with a dedicated budget and coordinated by a centralized service with specialized strategic project management and legal/IPR skills that manages all funded projects (alike for the SME instrument)
- Continued CSA support (for groups of procurers to prepare the ground for future PCPs/PPIs) and PCP actions (co-financing the procurement cost for joint PCPs)
- Mainly "open" calls for PCP (alike for the SME instrument and EIC)
- 100% FP9 funding rate for PCPs
- Time synchronization of PCP/PPI calls (to ensure continuation to deployment/PPI)
- Regular cut off dates (today the call mechanism is too dispersed and requires public procurers to pool their demand in too short time)
- Dedicated consultation meetings with public procurers per sector in the preparation of the work program, to ensure WP priorities match real procurement needs/planning.

Recommendations from startups / SMEs



<http://scaleupeuropemainifesto.eu>

The +8000 startups and SMEs behind the Scale-up Europe manifesto recommends:

For the EC: a programme for Europe, with dual targets of 3% of spending devoted to pre-commercial procurement, which covers research and development, and 20% devoted to public procurement for innovation, which covers “bringing innovative end-solutions to market.”

For Member States: set targets to spend 3% of public procurement budgets to be dedicated to pre-commercial procurement (PCP) for development of innovative solutions and 20% to public procurement of innovative solutions (PPI) for deployment of innovative solutions



(Lamy) Report of the independent High Level Group on maximising the impact of EU Research & Innovation Programmes

https://ec.europa.eu/research/evaluations/pdf/archive/other_reports_studies_and_documents/hlg_2017_report.pdf

- **Build a true EU innovation policy that creates future markets**
- Acknowledges that Public procurement is key in designing demand-side innovation policies that help reduce market uncertainty for innovative solutions, shape future markets and open new opportunities for European companies.
- Fostering the support



**Thank you very much
for your attention**

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