

VTT TECHNICAL RESEARCH CENTRE OF FINLAND LTD



*Suomi  
Finland*  
**100**

# **Innovation procurement in Finland**

**Mutual Learning Exercise (MLE)**

**Madrid 28-29 November 2017**

**Ville Valovirta**

# Innovation procurement in Finland

- Government target: 5 % of all public procurement should be innovative.
- A competence centre for sustainable and innovative procurement will commence operation as of 2018 (funding 6 million Euros).
- Innovation funding agency Tekes provides support funding to public sector organisations for planning of innovative procurements (50 % funding).

## Innovative Public Procurement (IJH) funding

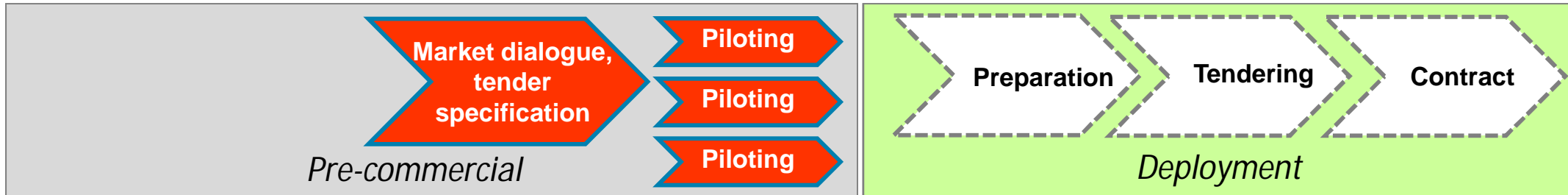
- Innovation Funding Agency Tekes
- Eligible for all public procurement units
- Grant 40-50 % funding rate of project's total costs.
- Development, piloting and adoption of new products and services
- Use of grant funding to source additional competences, collaboration, market consultation, pilots, R&D work etc.
- Key criteria: prospects for scalability and export potential
- No earmarked budget

The logo for Tekes (Innovation Funding Agency) is located on the right side of the slide. It features the word 'Tekes' in a large, blue, rounded, sans-serif font.

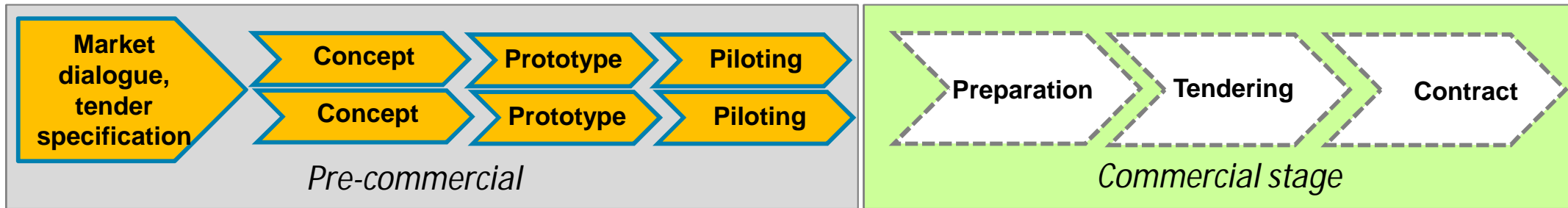
# Public procurement for innovative solutions (PPI)



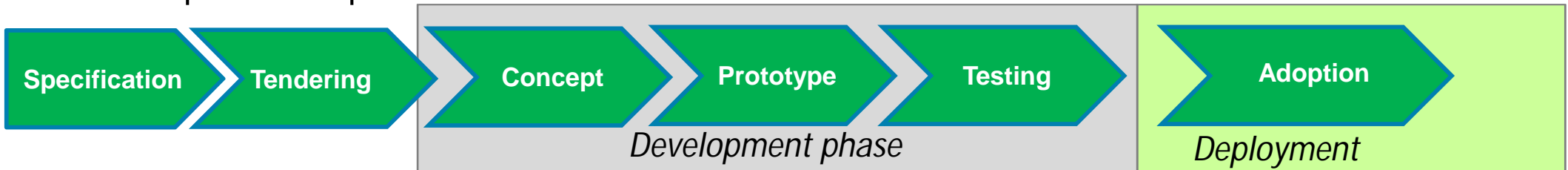
## Piloting (preceding procurement of innovative solutions)



## Pre-commercial R&D procurement PCP)



## Innovation partnership



# Prospects

- Procurement co-finance for high technology risk projects in the commercial / operative stage (e.g. cleantech investments)
- Procurement risk sharing instruments (guarantees etc.)
- Funding to facilitate collaboration between buyers in order to pool resources and share risks
- Leverage Structural Funds – e.g. 6Aika initiative between the six largest cities for smart city development

## The Finnish experience so far

- Motivation to undertake innovation procurement begins with the focus on strategic goals of the public sector: efficiency, service quality, sustainability, and effectiveness
- Balanced combination of top-down (policy-driven) & bottom-up (needs-based) approaches to activate public authorities
- More diverse toolbox for risk reduction and risk sharing
- Needs identification & market maturity analysis first, only then selection of procurement approach (PPI, innovation partnership, PPI etc.)
- Majority of public procurement is service procurement → performance-based contracts to create incentives for providers to procure new technology

# Select appropriate procurement approach according to market readiness

## Market readiness

1. There are products on the marketplace to meet the procurer's needs. Reference deployments are available. (Might be new to the procurer, not to market.)



## Procurement approach

- Conventional procurement

2. There are new solution(s) available but they lack first deployments; no customer references yet, or they are from another industry.



- Public procurement for innovative solutions (PPI) by e.g. employing functional specs
- Pilot use by R&D procurement before full-scale deployment

3. No solutions readily available to meet the procurer's needs. The solution must be first developed.



- Pre-commercial procurement (PCP)
- Innovation partnership (development + deployment)