Public Procurement of Innovation:

FINANCIAL INSTRUMENTATION

Directorate for the Promotion of Innovation
Secretariat General for Science and Innovation

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MLE INNOVATION-RELATED PROCUREMENT SESSION 02 “Financing PPI and PCP in Spain”
MADRID, 28th NOVEMBER 2017
0. DOCUMENTACIÓN LÍNEA F.I.D.

- Procedimiento
- Ficha Necesidad
- Evaluación
- F.A.Q.
- CONVENIO FID
- INFORMES A.E.
- CLÁUSULAS CPI
- GUÍA C.P.I. 2.0
- Pto. FID SALUD
- Ficha FID SALUD
- Evaluación F.S.
- Convenio F. S.
- GESTIÓN PROYECTOS
I. RATIONALES - OBJECTIVES AND DEFINITIONS

**Aims:**

- Public Services Improvement (effectiveness & efficiency)
- Increasing funding opportunities for entrepreneurial R&D & i
- Leveraging the commercialization of entrepreneurial innovations (Public procurer/Launch Customer)

**Public Procurement of Innovation (PPI)**
- Compra Pública de Tecnología Innovadora (CPTI):
  - Public procurer – Launch customer. Closer to the market than PCP
  - Objective: procure/deploy innovative good & services not commercially available.

**Precommercial Public Procurement (CPP)**
- Compra Pública Precomercial (CPP):
  - Public procurer share risks and benefits jointly with suppliers in market-conditions
  - Objective: R&D services*** linked to the needs of public services.

(*) EC; “CORDIS: FP7: ICT: ICT:PCP”  
(**) E.C.; “Paper of the Services of DG Competition containing a draft framework for state aid for R&D & i”

(***) Comprendido en categorías de I+D del marco comunitario de ayudas a la I+D+i. Excluyendo productos terminados salvo prototipos.
I. **RATIONALES - IMPACTS**

- **Contribution to annual GNP** [Order of Magnitude 10% - 20% (OCDE, EU/EUROSTAT...)]

  i.e: (ES) $\Delta +3\%$ investing effort at AGE’s* level in PPI, amounts up to $\Delta + 7,5\%$ a 10% in R+D+i

- **Econometric estimations** for Demand Side Measures’ Impacts (PPI...):
  - **PPI – Private Investment on R&D**
    - Augmented private effort on R&D by contractors: [Correlation +]
  - **Public Investment on R&D – Forward & backwards Linkages**
    - Increased likelihood of private R&D investment: [x2]
    - Demand side (forward linkages) – offer side (backwards linkages): [x10]

(*) AGE: Administración General del Estado – Spanish National Administration
(**) OCDE-2014. Cobb-Douglas modelling for private R&D effort
(****) Universidad de Valencia 2008-2009; Serrano Domínguez et al.
II. INSTRUMENTATION

- **GOVERNANCE – NETWORK OF CONCERTED COMPETENCE CENTERS**
  - Leadership: SGCI (Secretariat General for science and Innovation)
    - SGFI (Deputy Directorate General for the Promotion of Innovation):
      - Legal and financial structuring
      - ESIF Management for innovation procurement
      - Needs identification, Overall Coordination, Impulse and Assessment
    - CDTI (Center for Industrial and Technological development):
      - H2020 NCP for innovation procurement
      - Synchronization of supply side measures
  - SGCI’s Concerted Competence Centers (Identification and Evaluation of Public services Needs)
    - Ministry for Health, social Security and Equality (Health and Social Services)
    - Instituto de Salud Carlos Tercero (ISCIII) (Health and Social Services)
    - Instituto Nacional de Técnica Aerospacial (INTA) (Dual technologies)

- **FUNDING – Set aside of ESIF Budget Allocation**
## II. INSTRUMENTATION

<table>
<thead>
<tr>
<th>Instrument</th>
<th>Description</th>
<th>Start Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Guide for Public Procurement of Innovation 2.0¹</td>
<td>December 2015 (v 1.0 NOV2011)</td>
<td></td>
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<tr>
<td>SUPPORT DESKTOPS</td>
<td>AGE (MINECO; MSSSI; CDTI) CC.AA. (GAIN; AQuAS)</td>
<td></td>
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<tr>
<td>PPI AWARD</td>
<td>Since 2012</td>
<td></td>
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<tr>
<td>FID Programme (INNOCOMPRA)</td>
<td>FEDER 2014-2020</td>
<td></td>
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<tr>
<td>H2020 Programme</td>
<td>Since 2014</td>
<td></td>
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<tr>
<td>INNODEMANDA Programme (Synchronization)</td>
<td>Since 2012</td>
<td></td>
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¹. Produced in close cooperation with the Observatory for Public Procurement (OBCP) from the University de Zaragoza (UNIZAR)
PPI. FINANCIAL INSTRUMENTATION

III. ADOPTION

1. 1st & 2nd Generation - Period 2011-2015 + 3rd Generation:

OPERATIONS 1st Y 2nd GENERATION [2011-15]:

- 21 Operations (229,49 M€)
  - Achievements: 85% aprox.
  - Budget Certification: 80% aprox.

OPERATIONS 3rd GENERATION [2016-2020]:

- 10 Operations (aprox. 100 M€)
- 3 Approved Operations (aprox. 20 M€)
IV. FINANCIAL INSTRUMENTATION

- **FUNDING SOURCES (I/II):**

  - **FINANCIAL SOURCE: NATIONAL**

    - Financial assets – chapter 8 – function 46 (R&D Policy) [National Budget Statement: 27.12.463B.823]
      - Nature: Reimbursable advancement – Loan granted to the procurer

    | TRANCHE I (R&D) | TRANCHE II (Deployment) |
    |----------------|-------------------------|
    | FINANCIAL COST: | [0%] | (0+) % * |
    | DURATION:       | [Max. 4] | Max. 10 ** |
    | EXCECUTION:     | PCP**** | Standard Procedures/Contracts*** |
    |                 | (*: According to National Budget Law) | (**: Contractual phase limited to max. 4) |
    | FINANCIAL COVERAGE: | Max. 50-85 % ***** | Max. 70 % ***** |
    |                 | (***: Limited to Innovation Partnership Procedure) | (****: To be fine-tuned) |
    | COUNTERPART COVERAGE: | 50-15 % | 30% |
    | FUNDING RELEASE: | R1: [40-70%; On Signature ] | R3: [100%; On Signature ] |
    | (Indexed to Financial Coverage) | R2: [60-30%; Sign + 2 years] | |
    |                 | (Additionally R2 is conditioned to full execution of R1 + 10% of COUNTERPART COVERAGE) |
    | MATURITY:       | R1: [Signature + 3 y.] | R3: [Max. 10 y.].**|
    |                 | R2: [Release + 3 y.] | (*****: Subject to amortization agreement) |
    |                 | R1+R2: [Max. 5 y.] | |
IV. FINANCIAL INSTRUMENTATION

- COLLATERAL FUNDING: ESIF 2014-2020
  - ESIF**** 2014-2020 POCINT * – Thematic Objective 1 (R&D&i**) – Investment Priority 1b
  - Target TO1-IP1b: Increase R&D/GDP*** ratio from 1,30% (2012) to 2,00% (2020)
  - Budget Set-Aside: Aprox. 290 M€ (subject to regional distribution)
  - Financial Compensation:
    - ESIF Certification + min. 1 y. (Local/regional debt transfer to National Acc.)
    - ESIF Certification + min. 3 y. (National Accounting)
  - Accounting Rules:
    - Outstanding Liabilities: Release (R1, R2, R3) entered under Chapter 9 (Liabilities)
    - Net Indebtment (Deficit): upon commitment/actual payment
    - Liabilities Cancellation: Min. requirement ESIF certification
    - Period of Certification: Yearly. Final certification Tranche I duration + 1y.

(*) POCINT: Programa Operativo Crecimiento Inteligente
(**) R&D&i: Research & Development & innovation
(*** ) GDP: Gross Domestic Product
(****) ESIF: European Structural and Investment Funds.
V. CHALLENGES/ SUCCESS FACTORS (LESSONS LEARNT)

☑ BEFORE LAUNCHING THE OPERATION

- Run a meaningful Cost Benefit Analysis (CBA). Comprising:
  - Clear identification of public service to be improved
  - Clear identification of potential scalability and procurer commitment
  - Clear identification of authentic needs (based on Key Indicators) avoiding solution lock-in.
- Smart investor (consider capacities of local supply chain before prioritising investments)

☑ DURING THE OPERATION

- Need of integrated multidisciplinary teams (controllers, managers, procurers, legal advisors...)
  - Joint effort (coordination required)
  - Early involvement (since the beginning).
- Close follow-up (separated accounting, quarterly reporting...)
- Wide dissemination (market consultation; e-procurement...)
V. CHALLENGES/ SUCCESS FACTORS (LESSONS LEARNT)

AFTER THE OPERATION

- Public Expenditure on RD&i:
  - Approx. 20% leveraged budget (Increase)
  - Approx. 3 years for certification (Public Deficit Neutralization)

- Private Investment on R&D&I ** ***:
  - Augmented private effort on R&D by contractors: [Correlation +; Approx. 70%]
    - Requires data-set and measurement (Challenge)
    - Confined population versus overall monitoring and measurement
  - Increased likelihood of private R&D investment: [x2]

(**) OCDE-2014. Cobb-Douglas modelling for private R&D effort

(****) Universidad de Valencia 2008-2009; Serrano Domínguez et al.