Innovation procurement in Finland

Mutual Learning Exercise (MLE)

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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
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.)

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

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

**Procurement approach**

- **Conventional procurement**
- **Public procurement for innovative solutions (PPI) by e.g. employing functional specs**
- **Pilot use by R&D procurement before full-scale deployment**
- **Pre-commercial procurement (PCP)**
- **Innovation partnership (development + deployment)**

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