

# Experiences from development of policy instruments for PPI in Finland

Tekes - The Finnish Funding Agency for Technology and Innovation

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# The themes of the presentation

- Funding for public procurement of innovation – the development path
- The evaluation – the goals and the results
- The next steps – quick wins and long distance strategy
- Discussion



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# Hurdles in procuring innovative solutions

Current situation, why public sector is not innovative in Finland



- Tendency to favour lowest cost bids
- **Limited interaction between procurers and suppliers**
- Perceived conflict between value for money and innovation
- Risk aversion
- **Absence of strategy to link policy objectives, procurements and market/ technology developments**
- Lack of expertise and knowledge of procurers
- Limited networking and collaboration between procurers
- Fragmented markets



# How to go over hurdles

## Funding scheme for public procurement of innovation

- Supporting public bodies to procure innovative goods, services, solutions:
  - Better procurements → more innovation → better public services
- Challenging public procurers to “think innovation” and become intelligent procurers
- Innovation should be encouraged throughout but greatest potential arises from the earliest stages:
  - When policy is being formulated
  - When programmes and projects are being shaped
  - In the formulation of procurement strategy



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# Funding scheme for public procurement of innovation

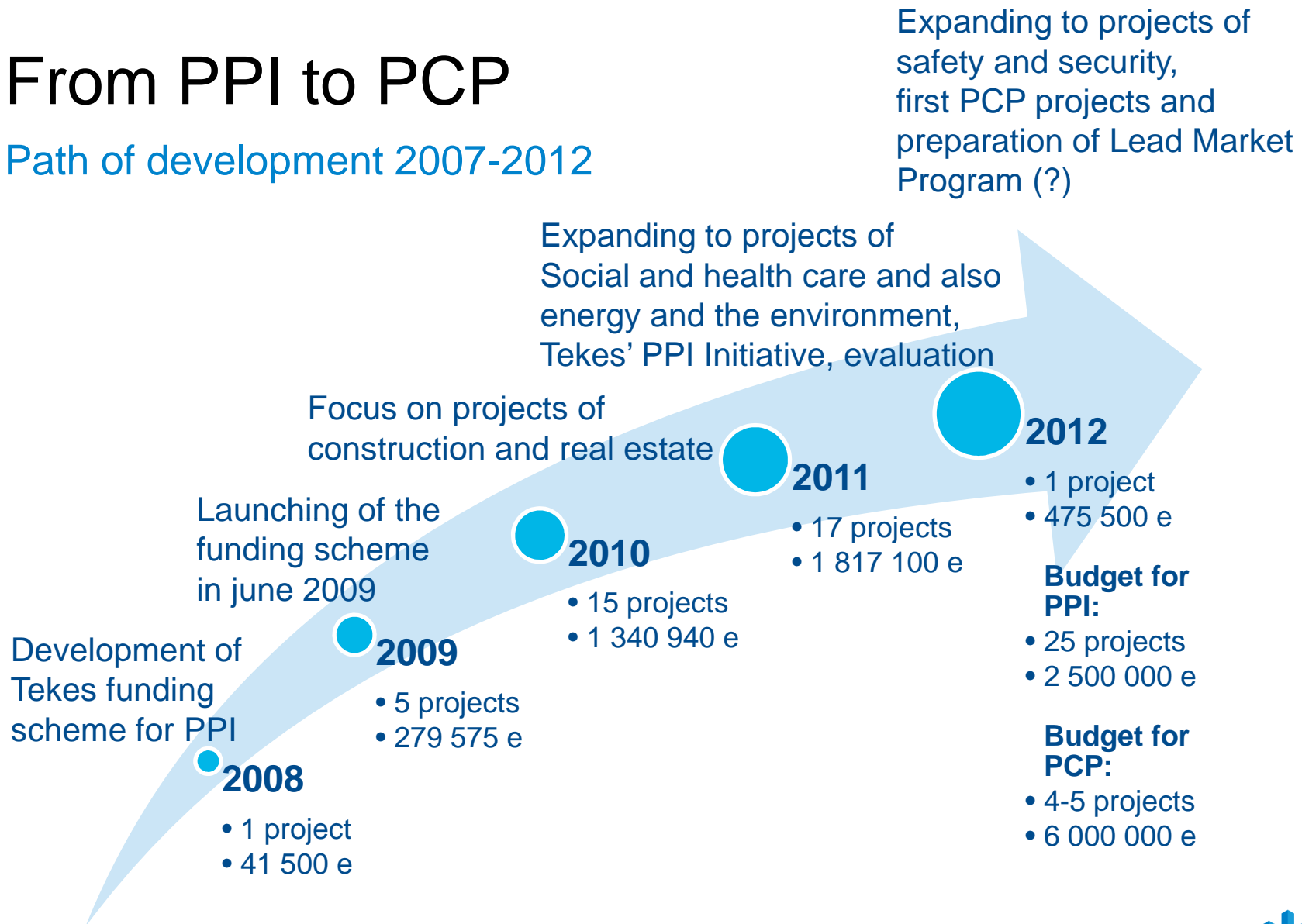


- Funding available for the procurement unit
- To prepare procurement
  - To define what is procured
  - To define how to evaluate tenders
  - Other relevant issues
  - Buy competence if needed
- About 40 projects funded, Tekes' funding 3 982 345 €
- Focus areas:
  - Construction and real estate
  - Water supply and sewerage
  - Social and health care
  - Energy and environment
  - Safety and security



# From PPI to PCP

Path of development 2007-2012



# The evaluation – the goals

- What kind of results have been achieved in the Tekes-funded projects?
- What the impacts the projects have been on
  - The purchasing entity
  - The purchase itself
  - The markets
- How the knowledge developed in the projects is dissaminated?
- The results of the evaluation are used at Tekes in
  - Building the strategy for financing PPI and PCP
  - Dissemination (communication and marketing) of the results of the funded projects
  - Building knowledge and awareness of PPI and PCP in Finland



# The outcomes – how to succeed

## ▪ **Knowing the possibilities of public procurement of innovation**

- Developing innovativeness in the public procurement meets unnecessary hurdles only because the public sector is unaware of the possibilities of public procurement of innovation (Tekes has not been a well known partner to municipal sector)
- Need of sharpening of the **communication and marketing** of the PPI and financing instrument

## ▪ **Building large networks to support PPI**

- To succeed in public procurement of innovation the purchasing entity need to have a large network of **stakeholders** around them to support the PPI: strategic management, politicians, suppliers, end users etc.

## ▪ **Dissemination and rooting the new culture of buying**

- The projects should not be unique but should have a continuity: the buying authorities of PPI must commit to disseminate the results, also the role of strategic management essential at local level
- i • Markets are not changed by one single project, **the market need a signal of continuity in order to keep developing**



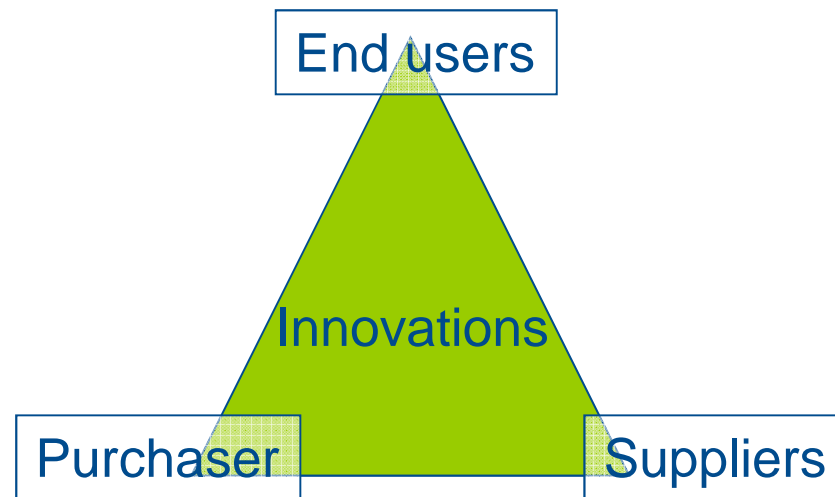
# It's all about communication

Procurement that changes the world



The new culture of communication in preparing the procurement

- Develops new markets
- Stimulates innovations on markets with tradition of pure price competition





## The next steps – quick wins: Call for Pilot Projects of PCP

- Open to any organization governed by public procurement law
- Projects must be based on a real need
- Financing for additional process costs
- In some cases contracts can be financed with up to 50%
- Process based on the EU model
- Flexibility in application of the model – tailored to each PCP
- Budget 6 000 000 e
- Aiming for 4-5 projects in 2012
- All sectors welcome



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# The Finnish PCP-Pilots – Experiences so far

- Promotion / Marketing / Raising awareness is extremely important, for the public sector as well as for SMEs
- "Innovation Readyness" more important than sector
- Collaboration with other stakeholders is vital
- PCP is part of a broader perspective on innovation in the public sector
- Will have to actively look for applicants and projects – no queue to become the pioneer



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# The next steps – long distance strategy: Lead Market Program?

- Tekes considers to start preparing a new program on Lead Markets
- Pairing supply and demand side measures and co-ordinating supply and demand side policies with a bottom-up-approach
- Using all demand side instruments
- Focus on procurement:
  - Public procurement of innovative goods & services
  - Public procurement of R&D
  - Stimulating innovative private procurement
- **From lead users to lead markets**

“Europe has only two natural advantages:  
the knowledge and skills of its people and  
the scale and sophistication of its market.”

Luke Georghiou



# Please, keep in touch

<http://www.tekes.fi/about/publicprocurements>



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**Thank you for your attention!**



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