

Pre-commercial Procurement of Innovation

A missing link in the European innovation cycle

At the National IST Research Directors Forum meeting of October 2005, an ad-hoc Working Group of ICT expert from National administrations chaired by the Commission was set up with the mission of preparing a report on Public Procurement in support of Research and Innovation in ICT to be presented at the ICT RTD '06 High Level Event organised on 22-23 March 2006 in Vienna under the Austrian Presidency. This document summarises the major findings and recommendations of the Working Group bundled in the report 'Pre-commercial Procurement of Innovation: a missing link in the European innovation cycle'.

The Working Group has worked out a proposal that shows how a first-buyer function can be built up in a European single market that aims at being competitive, fair and transparent. The report introduces the concept of **Pre-commercial Procurement of Innovation**, to address a generally missing link in the European innovation cycle, the public procurer that is prepared to share benefits and risks with industry in order to exploit the results of research, moving research developments from their early stages to tested pre-commercial products ready for commercialisation.

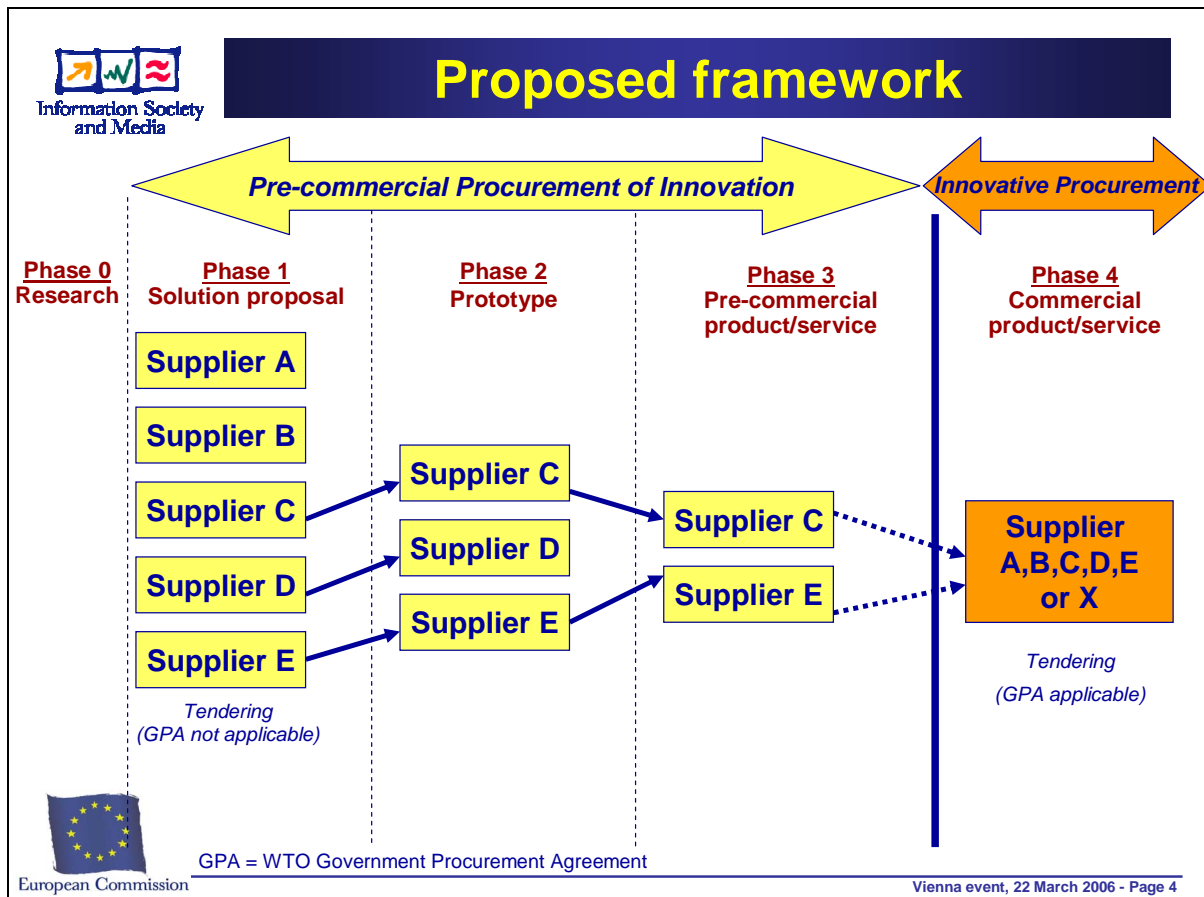
Such **first buyers** play an important role in the US economy as well as in the major Asian economies. For their product development, many European companies have historically benefited from first-buyer partnerships with state monopolies. Those partnerships are now successively dissolved as the markets, rightly so, are deregulated.

The report explains how Pre-commercial Procurement of Innovation can be organised within the WTO rules applying the new public procurement directives and the state aid rules recently under consultation. Legally it is a procurement of R&D services that falls under an exception of the WTO Government Procurement Agreement and the EU public procurement directives, which makes that openness to tenders from outside the European Economic Area is not required. The fundamental Treaty principles of non-discrimination, transparency and objectivity are however applicable and thus procurers have to accept **European-wide offers**. The pre-commercial procurement tenders have to be published in an adequate way, an obligation which indicates that the exploitation of EC supported research demands European-wide publication.

The proposed Pre-commercial Procurement of Innovation process is based on a shared risk – shared benefit approach and demands an **incentive** for procurers who normally are expected to adopt a purely commercial practice. This report proposes that the Commission considers using the Competitiveness and Innovation Programme (CIP) or other relevant instruments to create such an incentive.

There is nothing preventing Member States from introducing their own pre-commercial procurement schemes as long as they fall within the legal constraints identified by the working group. It is however desirable that the schemes are coherent and transparent. Therefore the working group proposes that the Commission provides **guidance** on “best practice” related to Pre-commercial Procurement of Innovation.

In the report one possible approach is discussed. The approach is similar to US and Asian schemes but adapted to the European context. Pre-commercial Procurement of Innovation is proposed to take the form of **a single public procurement in three steps**. The first step is a solution exploration phase, followed by a prototyping phase and finally a test series. In the first phase some 6 to 7 offers could be selected, the number of suppliers being reduced after each step subsequent to evaluations. In the final step at least two contractors should remain to ensure a future competitive market.



A **European dimension** would build critical mass on the demand side, stimulate competition and exploit economies of scale and scope. It would contribute to solving pressing European issues such as interoperability and coherence of solutions across borders. It would stimulate the uptake of European research and trigger organic innovativeness among suppliers. Finally, cooperation on European level would reduce the risks for the individual procurers of purchasing yet-to-be proven technologies.

The working group therefore proposes the Commission to **organise workshops with relevant procurers** in a limited number of areas to explore their interest in joint actions. The Committee of Regions has expressed an interest in co-organising workshops with procurers of ICT tools for Transport, eHealth and eGovernment. The report proposes that DG INFSO cooperates with other DGs concerned to organise workshops in other relevant areas such as Security and Railways. It is finally recommended to explore the possibility to expand the planned article 169 initiative on eInclusion to pre-commercial procurement.

Further Information:

- 'Pre-commercial Procurement of Innovation: a missing link in the innovation cycle', report by an ad-hoc National IST Directors Forum Working Group, March 2006
http://europa.eu.int/information_society/research/key_docs/documents/procurement.pdf
- Contact Persons: Mr. Ulf Dahlsten, Director DG INFSO, EU Commission (Chairman of the Working Group)