

**ESTABLISHING
PUBLIC PROCUREMENT NETWORKS IN SUPPORT OF THE LEAD MARKET INITIATIVE**

DG Enterprise and Industry consultation document

May 2008

I Introduction

In December 2007, the European Commission presented a "Lead Market Initiative for Europe".¹ The Lead Market approach aims to stimulate the demand for innovative products and services in Europe, in particular through regulation, standards and public procurement. Six potential lead markets have been identified to apply this approach: eHealth, construction, protective textiles, bio-based products, recycling and renewable energy. For each lead market an action plan is being implemented by the European Commission, Member States and industry.

Public procurement has been identified as one of the main policy instruments that can be used to implement the Lead Market Initiative. The approach is to stimulate the demand for innovation in Europe by supporting contracting authorities to purchase innovative goods and services in the lead markets concerned and to act as launch customers. The EU legal framework for public procurement² supports the Lead Market Initiative by addressing market fragmentation and encouraging the development of competitive solutions. A guide has been published by the Commission describing how innovation can be fostered through the use of public procurement.³

All of the six lead markets envisage actions to establish networks of contracting authorities, including government organisations that promote professionalism in public procurement (e.g. expertise centres). The aim of these networks would be to enable contracting authorities to improve their knowledge about innovative solutions that are available or being developed by suppliers, to allow a better coordinated and articulated dialogue with suppliers about the future needs of contracting authorities, and to realise the benefits of European cooperation in exchanging experience in procurement practices and in undertaking joint or coordinated actions.

As part of the implementation of the Lead Market Initiative, DG Enterprise and Industry is planning to launch a call for proposals under the Competitiveness and Innovation Programme in the Autumn of 2008 to provide support for the establishment of a number of thematic public procurement networks in the Lead Market areas. Grant funding for the activities of the selected networks would be provided for a period of approximately three years.

This consultation document sets out proposals for objectives, scope, activities and modalities of the public procurement networks that could be supported by the Commission through this call. This follows previous experience in establishing networks of public bodies, for example

¹ COM(2006) 860 <http://ec.europa.eu/enterprise/leadmarket/leadmarket.htm>

² Directives 2004/ 17/EC and 2004/18/EC

³ In particular, the "Guide on dealing with innovative solutions in public procurement" SEC(2007)280. http://www.proinno-europe.eu/admin/uploaded_documents/procurement_manuscript.pdf

in the areas of research programmes and innovation support⁴, as well as expert discussions and existing networks on public procurement.⁵

All interested stakeholders, and particularly contracting authorities, and those organisations that are either active public procuring authorities in the lead market areas and/or promote professionalism in public procurement, are invited to submit comments by Friday 25 July 2008 to ENTR-LMI@ec.europa.eu.

Those submitting comments are requested to indicate:

- The name of their organisation (if applicable) and whether it is a public or private body;
- Their country;
- Which lead market(s) their comments relate to;
- If they agree to their contribution being made publically available on the internet.

Comments would be particularly welcome on the following points:

- 1. The aim of establishing thematic networks of contracting authorities, including government organisations that promote professionalism public procurement in the lead market areas; what are the particular objectives that the networks should address; are there similar existing or planned networks and initiatives at national or European level that should be taken into consideration?**
- 2. The described scope of the networks set out in Section II; should the scope be more targeted or allow more flexibility; should other areas be included?**
- 3. The described activities that will be supported in the networks set out in Section III; are they relevant to all lead market areas; are additional activities needed for particular lead market areas?**
- 4. The described modalities for the networks set out in Section IV; are different modalities needed to fit the characteristics of particular lead market areas?**

The comments received will be used to help the Commission services to specify the call for proposals that is due to be launched in the autumn 2008.

⁴ In particular the ERA-NET scheme supported under the research Framework Programme and the Inno-Net scheme under the Competitiveness and Innovation Programme.

⁵ Such as the STEPPIN project on the use of standards to raise innovation in public procurement.
<http://standards.eu-innova.org/Pages/Steppin/default.aspx>

II Possible scope of public procurement networks in the lead market areas

It is foreseen that the call for proposals will specify the scope of the networks. The aim is to target areas where the public sector constitutes a the major purchaser and where there exist contracting authorities in different countries that are sophisticated purchasers with the potential to demand innovation. Not all of the lead market areas will be covered in the call foreseen for autumn 2008 under the Competitiveness and Innovation Programme: a public procurement network in the area of e-Health is foreseen to be covered under a separate call to be launched by DG Information Society in the first half of 2009 under the ICT part of the Competitiveness and Innovation Programme (ICT Policy Support Programme). Networking and cooperation between public procurers in the development process of new solutions could lead to better interoperability and exchangeability in the e-Health market in Europe which is today quite fragmented. A network in the area of renewable energy is under consideration.

The areas being considered for inclusion in the call for proposals are:

Construction: A public procurement network in this lead market could focus on non-residential buildings, where the public sector is a major purchaser and markets operate in some contexts at an international level. Such a network could involve the participation of public procurers from national, regional and city authorities. Consideration could also be given to a network in the area of residential buildings or of infrastructure assets whereas appropriate. A particular focus could be on the implications for contracting authorities of innovation in construction in terms of new design technologies, developments in construction management and supply chain management, the trend towards servicisation in construction, and the operational use of standards and life-cycle costing in public procurement.

Protective textiles comprise clothing and other textile-based systems whose main function is to protect the users from hazards and other dangers in the conditions in which they operate. A public procurement network in this area could focus on the demand for innovative protective textiles for fire, rescue, security and policing purposes and hence involve the participation of public procurers from fire, rescue, security or police authorities. In addition consideration could be given to a network focusing on the needs of defence, public transport or of medical applications and involving contracting authorities in these areas.

Bio-based products comprise non-food bio-based products and materials, such as bio-plastics, bio-lubricants, surfactants, enzymes and pharmaceuticals. It should be noted that the contracting authorities may not be a major purchaser for some types of bio-based products and the demand from the public sector for bio-based products may be fragmented across a wide range of different types of public bodies. Views would be welcome on the potential scope of a public procurement network for bio-based products such that there is a clear focus on an area where the public sector is a major potential source of innovative demand. Consideration could also be given to including bio-based products in other public procurement networks, such as the ones on construction and on protective textiles.

Recycling: a separate call is foreseen under the Pro INNO Europe initiative to establish an eco-innovation platform which would include support for recycling through public procurement. To complement this action, a dedicated public procurement network could be foreseen in the area of recycling facilities and services. Such a network could involve contracting authorities, including municipalities, that are major purchasers of recycling facilities and services.

III Possible activities to be supported in the networks

It is foreseen that a common set of activities will be supported in each of the thematic networks. These could be complemented by activities that are specific to particular lead market areas.

Activities to be supported in all the networks would include:

- Creating a specialised network engaging contracting authorities, including public organisations that promote professionalism in public procurement, in the field of the lead market area to allow an exchange of information and mutual learning on procurement strategies and practices, including on technical specifications, award criterion and the use of standards, risk management, and implementation of contracts.
- Undertaking a coordinated technical dialogue with industry and potential suppliers in the lead market area to better inform strategies in future public procurements and better inform suppliers about future needs.
- Monitoring of new developments and trends in the lead market area, including market “watch” mechanisms for potential new products and services, feed back within procuring authorities, and links to relevant research and innovation programmes.
- Organising a set of events, information and guidance material, dissemination mechanisms (including website) and training for the benefit of public procuring authorities in the lead market area.
- Contributing to the wider implementation of the Lead Market Initiative, including through interactions with other public procurement networks and other actions under the Initiative.

In addition, support could be provided in appropriate cases to joint or coordinated actions, such as:

- coordinated "calls for solutions" where potential suppliers are invited to propose innovative solutions to be considered for public procurements.
- Coordinated information (for example prior information notices, internet sites) to inform potential suppliers across Europe about future public procurement opportunities in the lead market area.⁶
- Coordinated or joint public procurements where this helps overcome fragmentation or reduces the risks involved in a public procurer being a launch customer for a new product or service.

⁶ This could include procurements that may not be notified in the Official Journal of the European Union as they are below the thresholds of the Public Procurement Directives.

IV Possible modalities for supporting the networks

The calltext for proposal foreseen for autumn 2008 will establish detailed criteria on who is able to participate, how proposals will be evaluated and successful ones selected, and funding arrangements and contractual terms and conditions. It is envisaged that this will be a call for proposals, which will follow the legal basis of the Competitiveness and Innovation Programme and applicable Commission regulations⁷.

It is foreseen that the consortia should consist of contracting authorities, including notably government organisations that promote professionalism in public procurement from at least three EU Member States or countries associated to the Competitiveness and Innovation Programme. It is important that the main participants are active contracting authorities in the area although consideration will also be given to additional participation by other public bodies (for example innovation agencies or bodies responsible for public procurement policy). Experience suggests that the number of partners in the consortia should be limited to enable effective management. However an important task of the selected consortia would be to engage a wide number of public procurers that are active in the lead market area from across Europe in the activities supported.

As the networks are targeted to contracting authorities and government organisations that promote professionalism in public procurement, it is foreseen that private bodies will not be eligible to participate directly in the consortia. However, an important task of the selected consortia would be to engage industry from across Europe, including SMEs, trade associations and professional bodies, in the relevant activities. In addition, it is foreseen that the consortia may identify certain tasks that would be outsourced to or undertaken by in-house consultants under the responsibility of the consortia participants. Such tasks could include, for example, organisation of events, internet sites and expert reports.

⁷ As an illustration of the possible structure of a call text, please refer to a previously published call: http://ec.europa.eu/enterprise/funding/files/themes_2007/inno_plat_cip/documents/Documents2/call_for_proposal_final_text.pdf