

Innovation Procurement initiatives in Belgium

I. Flanders region

1. Anchoring PCP in the political context in Flanders

The first political commitment for innovation procurement was made in the “Flemish Coalition Agreement 2004-2009”, which stated that public procurement will be used to stimulate the innovation potential of industry, in seven domains identified in the agreement¹. As innovation is a horizontal policy in Flanders that cuts across policy domains, there was a need to integrate innovation procurement across government policy and organisations to support the development and deployment of new products via public procurement.

In 2007 the Flemish innovation agency IWT developed a methodology that could be used throughout all government departments to use innovation procurement as a demand-driven tool to stimulate innovation as an alternative to more traditional subsidy instruments. This work started in a thematic working group of the Innovation Platform on Environmental issues and Energy (MIP)² and resulted in 2008-2009 in a Flemish manual on innovation procurement and in a proposal to the Flemish Government for a 10 million euro pilot scheme on PCP.

The Flemish government approved in July 2008 a **first Action Plan on innovation procurement for 2008-2014**. In this plan the government focused on innovation procurement needs that require R&D. To test this integrated approach, the innovation agency IWT was mandated to operate **a pilot scheme on pre-commercial procurement with a 10 million euro budget to co-finance projects coming from 13 policy domains**. The policy domains handed in 48 project proposals out of which 15 were selected.

In October 2016 a **new Flemish action plan for innovation procurement was adopted for the period from July 2016 to end 2019**³. The action plan is coordinated by EWI (Flemish ministry of economy, science and innovation) in cooperation with VLAIO (Flemish agency for innovation and entrepreneurship). The action plan foresees to use a smart combination of PCP and PPI and reminds public procurers that - in compliance with the 2014 R&D&I State aid rules – the use of new innovation partnership procedure should be limited to exceptional cases of unique and specialised products or services that have no or limited commercialisation possibilities. The new action plan sets a target to dedicate at least 3% of Flemish public procurement expenditure to innovation procurement. The action plan foresees a starting budget of 5 Million euro to kick-start 5 new PCPs and 10 PPIs from the Hermes fund. This fund can provide financial support to Flemish public procurers to start innovation procurements: 85% of the budget for innovation procurement is foreseen to provide 50% co-financing for PCPs, the remaining budget supports procurers mainly in the preparation of a PCP or PPI (organisation of open market consultations, legal support, validation/conformance testing of solutions in the context of a PPI). In a first phase, the action plan aims to actively engage primarily public procurers in the priority domains highlighted in the Flanders Vision Nota 2050 (Energy, Healthcare, Industry 4.0, Circular economy, Housing,...) and in a second phase the action plan will be expanded across all areas of public interest.

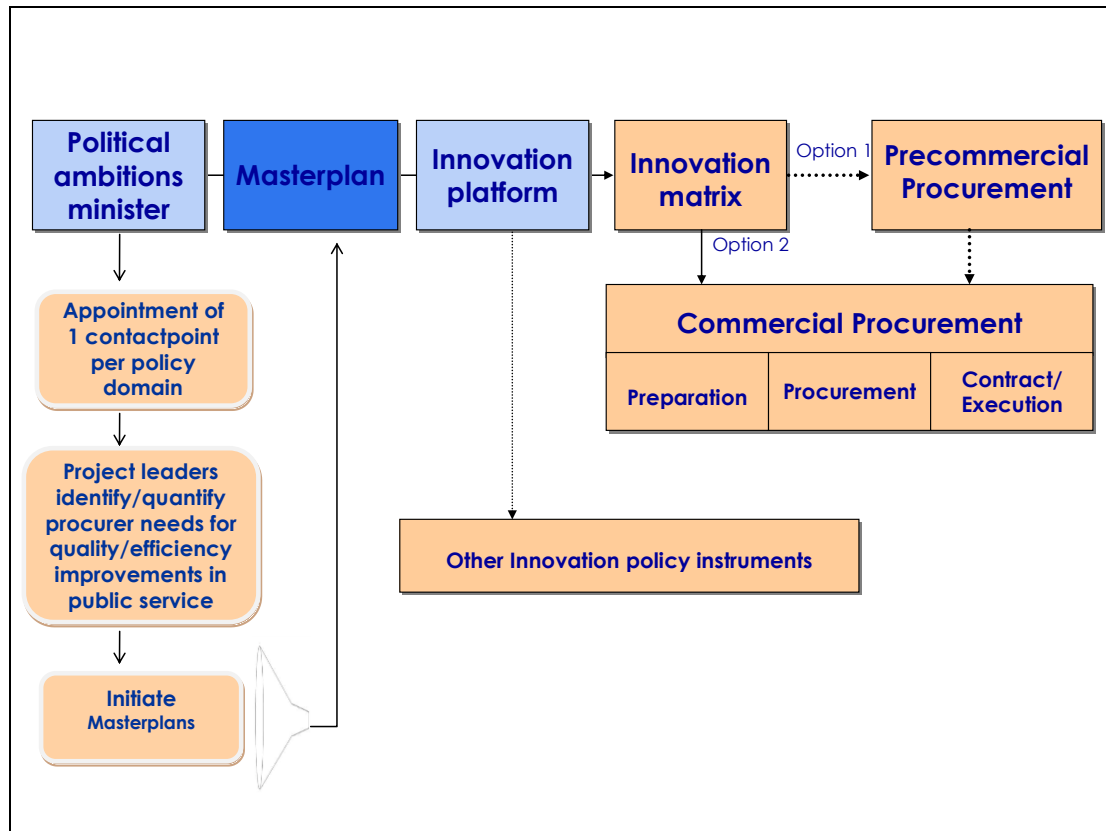
¹ These seven domains are infrastructure, energy, culture, health, environment, mobility and welfare.

² The MIP was created in 2006 to stimulate innovation in the Flemish environmental/energy sector.

³ http://www.ewi-vlaanderen.be/sites/default/files/bestanden/innovatiefaankopen_visienota_web.pdf

2. Flemish integrated model for innovation procurement

The Flemish methodology for innovation procurement, that was originally developed by IWT, consists of an integrated procurement process covering the complete path starting from the political ambitions to the final commercial procurement⁴.



Flemish integrated model for innovation procurement

Starting with a master plan

The *master plan* starts from an analysis of the actual situation with regard to a socio-economic problem or the operation of a public service (what is the current quality/efficiency level of a certain public service) and sets out a vision about the desired future evolution (taking into account targets set out as political ambitions in e.g. coalition agreements and departmental policy plans, expectations from society). Preferably, KPI (Key Performance Indicators) are used to make the level of required quality/efficiency improvements in public services measurable in the master plan. It is up to the departmental project leader to monitor achieved progress with regards to the KPIs, and update the definition of KPIs when necessary regularly. An estimate on the future socio-economic evolutions in society is made including the citizens' expectations on solutions for the socio-economic challenges and the public service level. Based on this master plan vision, the opportunities for innovation (concrete needs for innovations and their priorities) are defined by detecting the limits of the actual

⁴ A "Commercial Procurement" in the figure is a public procurement of commercial volumes of final end products that are not in the R&D phase before commercialisation any more, but that are ready (having been successfully tested at small scale to meet end-user requirements) for trading on the commercial market.

available solutions when trying to extrapolate / stretch these in order to achieve the desired outcome. The master plan should be concise and preferably not too technical in nature. The master plan forms the input for the innovation platform.

Key role of the innovation platforms

An **innovation platform** is established (for an indicative period of maximum 6 months) for market consultation and technical dialogue between the procurer, knowledge centres and companies. The innovation platform will play a key role in the fine-tuning of the building blocks of this new instrument. The aim of the Innovation Platform is to crosscheck the degree of innovativeness of the procurer's procurement needs (master plan) against the state-of-the-art of technological developments in the field (ongoing R&D in universities and industry, requirements of sector / consumer associations etc). The expected outcome of the innovation platform is a refined (technical translation of the) master plan and a decision on which mix of policy instruments is most desirable to achieve the outcome foreseen in the master plan.

In a first stage, the innovation platform assesses the available innovation policy instruments on their effectiveness in view of reaching the desired outcome as expressed in the master plan. In this process, IWT supervises and facilitates the innovation interest of the project. Opportunities of using procurement of innovation are benchmarked against the possible use of other instruments, such as launching basic research initiatives at research institutes, start industry R&D with or without grants, start standardisation activities, launch new governmental fiscal, regulatory, education/training or equity support measures. The result can also be that a combination of complementary initiatives is launched (e.g. procurement & introduce complementary tax or standardisation measures to facilitate the introduction of newly developed products in the market) to optimise the payoff of the investment. So, although the Flemish integrated model is primarily designed for procurement of innovation purposes, it may thus have a wider impact and pay-off with regard to innovation.

In a second phase, in case the innovation platform confirms that procurement is required to provide the innovative solution, the innovation platform helps to position the procurer's needs on the so-called **innovation matrix** to decide what type of procurement form should be used.

- On the vertical axis, the innovation matrix identifies the intended beneficiaries of the procurement outcome (direct versus cooperative or catalytic type of procurement⁵). This analysis is important to define the business case for the buyer for undertaking the procurement. It also helps to decide what type of financing model should be chosen by the procurer (internal financing or joint financing with private sector).
- On the horizontal axis, the innovation matrix positions the procurer's needs on the innovation trajectory: Is truly new R&D required to satisfy the procurer's needs? Or can integration/adaptation of existing technology or mass market diffusion of still-fairly-new-but-ready-for-the-market technology do the job? The innovation trajectory consists of the subsequent phases: concept / feasibility, prototype, small scale test pilot, integration/adaptation and diffusion. Based on these two axes of analysis, the innovation matrix analysis defines what form of procurement (pre-commercial or

⁵ Direct public procurement are carried out to satisfy internal government purchasing needs only (e.g. electronic identity card procurements). Cooperative public procurements are carried out with both public and private end-users in mind (e.g. environmental friendly buses). In catalytic public procurements the government is not a final end-user but takes the initiative to procure on behalf of private end-users to secure certain socio-economic policy goals (e.g. more energy friendly fishing or farming techniques).

commercial) should be chosen by the procurer. From the integration/adaptation phase on, a commercial procurement procedure is applied.

Operationalization of the integrated procurement model: a stepwise approach

In short, the government (each policy domain) identifies current and future challenges. On this basis, concrete projects are selected. For each selected project, an innovation platform joins efforts to look for an innovative solution to the challenge. In the first phase, a **project description** (1a) is provided with the **possibility to apply** (2) for participation on the innovation platform (call for participation). Publicity of the innovation platform should be **as broad as possible** to ensure openness and transparency. The results of the innovation platform serve as basis for the decision to go for a pre-commercial or commercial procurement procedure. The platform starts with a kick off meeting (3a), where an overview of the state of the art knowledge (3b) is given. Dialogue (3c) and public market consultation (3d) must lead to the decision on the follow up trajectory (4): in case of pre-commercial procurement (5a), different participants are selected for R&D (5b). Each of these participants builds a prototype (5c) that is delivered to the government for test purposes (5d). After **completion of the research phase**, the government initiates the commercial **procurement procedure** for the implementation on large scale of the innovative project (publication, procurement documents) (6a, b). This phase is according to the procurement rules in force: open and transparent, fair competition treatment, procedure following the most economically advantageous tender (MEAT). Fair competition treatment and good governance are key principles, as well as taking into account the necessary confidentiality among the partners participating to the platform and the appreciation for the innovative character of offers in the award criteria of the procurement.

Operationalisation for procurement of innovation: steps

1. Activation: Project description
 - a. call for participation
2. Innovation platform
 - a. kick off
 - b. state of the art
 - c. dialogue
 - d. market consultation
 - e. conclusion
3. Decision follow-up trajectory
4. Pre-commercial procurement
 - a. publication
 - b. selection participants
 - c. R&D phase
 - d. Deliverable
5. Commercial Procurement of innovative solutions
 - a. publication
 - b. procuring documents

3. Status of implementation of the Flemish model

At the start of the Flemish piloting with PCP in 2008, there was no predefined procedure for PCP in Belgium. The 2008-2014 pilot experiences identified several topics for innovation procurement [projects](#). Innovation platforms were set up for the selected projects. For some projects (e.g. energy neutral construction without extra cost) the innovation platform concluded that no R&D was needed, so a PPI procurement was started right away. For other projects (e.g. improving efficiency of subtitling for public broadcasters⁶) the innovation platform confirmed the need for R&D and an R&D procurement was started.

The 2008-2014 pilot experience has provided more insight and lessons learnt on practical implementation that were taken into account when creating the new 2016-2019 action plan. For example, in the approach originally followed by the IWT “Knowledge centre for innovation procurement” in the 2008-2014 pilot period, all policy domains were asked to develop master plans (to identify innovation procurements needs) and there was a predefined maximum budget for co-financing of PCPs per policy domain (the aim was to kick-start pilots in every policy domain). This hampered the implementation of good ideas in active policy domains that identified multiple innovation procurement needs as they could not use the budget earmarked to other less active policy domains that did not identify innovation procurement needs. The new 2016-2019 action plan does not earmark budgets to specific policy domains but uses an open call: public procurers from any policy domain can apply for co-financing to start an innovation procurement and the best applications will win.

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Website new 2016 – 2019 Flemish action plan on innovation procurement: http://www.ewi-vlaanderen.be/sites/default/files/bestanden/innovatiefaankopen_visienota_web.pdf

Website about the 2008-2014 pilot experience: www.innovatiefaanbesteden.be

II. Brussels Capital Region

Following the discussions at federal level in 2011, the Brussels-Capital region integrated in the updating of its "Regional Plan for Innovation"⁷ (October 2012) the objective of developing innovation procurement schemes by 2013-2014. The plan defined a series of short-term and longer-term measures to be undertaken.

Short-term measures (up to 2014) centred around a working group with the task to map by 2013 the potential for innovation procurement, based on the demand for innovative solutions in the region, study the legal framework and the budgetary impact for implementing innovation procurement initiatives in the Brussels Region. Based on the findings of the working group first pilot initiatives could take place in 2014.

Longer-term measures (2014-2020) include:

⁶ http://www.innovatiefaanbesteden.be/project/spraak_-_en_taaltechnologisch_ondertitelen_in_het_nederlands

⁷ <http://www.innovativebrussels.irisnet.be/fr/accueil/plan-regional/mise-a-jour-du-plan-regional-pour-l-innovation-1>

- sensibilisation of Brussels public procurers to integrate innovation into their procurements
- development of a new permanent instrument for supporting innovation procurement
- informing Brussels procurers/enterprises about the specificities of innovation procurement
- creating cooperation between innovation procurement projects at Belgian & European level

Contact for support to procurers interested in Horizon 2020 PCP/PPI projects (transport, energy in particular): Elena Angiolini: ean@impulse.irisnet.be

III. Walloon Region

Following the discussions at federal level in 2011, the "Walloon and Brussels joint Strategy for Research 2011-2015"⁸ indicates that public procurement will support the demand for R&D services. The health, transport and energy sectors and alignment with initiatives at European level are identified as particularly important. There is however no concrete innovation procurement action plan yet in Wallonia.

IV. Belgium – Federal level

As R&D and innovation in a regional matter in Belgium, there is no national innovation procurement action plan in Belgium. However, the federal government does facilitate experience sharing sometimes. For example, in 2011 the economics ministry organised a workshop at federal level to discuss with representatives from different regions the potential of innovation procurement for Belgium⁹.

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⁸ <http://www.recherchescientifique.be/index.php?id=1236>

⁹ http://economie.fgov.be/fr/modules/activity/activite_1/20110330_journee_etude_innovation_marches_publics.jsp