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Opening speech

**Promoting Innovation through Public Procurement: Best Practice
& Networking**

CCAB 23/03/2010 à 9h30

Ladies and gentlemen,

I am pleased to welcome you in Brussels for these two days co-organized by DG ENTR and DG INFSO.

This conference is dedicated to one of the core EU flagship actions identified by the Europe 2020 strategy: the “Innovation Union”. A flagship action that will be implemented by the Research and Innovation plan the Commission intend to adopt after the summer. As José Manuel Barroso stated, “It is time to harness the power of government procurement to promote innovation”. A core element of this plan will therefore be to develop more demand-side innovation policies, particularly in combination with funding policies.

During these two days, we will talk, act and plan for fostering innovation policy by developing the uptake of new approaches in purchasing goods and services. In other words, we will examine “how” we buy, and the end result of it, “what” we buy. And we will look into how these two phases can empower innovation.

So, these are our objectives for this conference, but what is the rationale for our policy action? Why are we linking public procurement and innovation?

There is a need for public intervention. As economists put it, there is a "market failure". On the one hand, the demand is not able to encourage the market to answer to its needs: it is not giving the right signals. On the other hand, the offer is not known. Moreover, in a time of severe economical, social and environmental crisis, entrepreneurs, investors, businesses are more than before exposed to risk taking. This makes it even harder to develop new markets and to support innovation transfers. That is where the power of public purchasing has to play a role.

Public procurement is indeed a powerful tool. Each year in Europe, 17% of GDP, meaning 2000 billion Euros, is spent through public procurement.

Quite clearly, the societal challenges we are facing – such as climate change, energy efficiency, aging population -, won't be overcome without innovation. Public services therefore have to be drivers for innovation. We even need to go one step further and make our public services more innovative. People and businesses are expecting public services to take the lead. That is the core of our rationale for policy action.

To sum up my first message: better public services, new solutions for public enterprises and authorities, innovation support to businesses, all these won't be successful without the full involvement of public procurers. We need a full engagement of the powerful lever of public purchasing.

Yet, the challenge for the public sector is impressive. It faces severe expenditures restrictions while the demand for social, environmental and economical delivery is increasing. Pressure on public procurer's shoulders is very high. There is a long set of rules to respect, which are crucial for transparent markets.

Is innovation adding to the pressure? Our hypothesis is that innovation can provide solutions and will help public authorities address the societal challenges ahead. How can we reach this goal?

The analysis that procurement needs to be geared towards innovation is not brand new but until now, outcomes have not met the high expectations. In practice, measures to foster innovation through procurement turn out to be more difficult than originally thought. Therefore, Public procurers need support in order to drive innovation.

There are different forms of support and I think all are needed.

First, they need guidance on how to apply the rules. Colleagues from DG Environment or DG Employment have developed a methodology on green and social-responsible procurement, and in DG Enterprise, we published in 2007 a guide book on dealing with innovative solutions in public procurement. But guiding is often not enough. Procurers need to be helped in their understanding on to which extent the procurement legislation could be used to empower innovation. The common rules for procurement are to be assessed by DG MARKT. It should be done in the perspective of the European “research & innovation single market” that Commissioners Geoghegan-Quinn, Tajani and Barnier have decided to establish.

Secondly, targets can help to trigger action and reach better and smarter purchasing. China is working on 40% target for procurement dedicated to innovation. The US, with their SBIR programme – Small Business Innovation Research –, are dedicating 15% of US Departments procurement to innovation per year.

On our side, the Business Panel we launched in 2009 called for a target of 1% procurement budget dedicated to innovation that would mean 20 billion euro per year. The Advisory body for the European Research Area set a more ambitious target of 2%. The conference will envisage that issue.

Thirdly - and I think, this is a crucial issue - procurers need support through networking and knowledge sharing. It helps procurers to face the risks they might take by procuring innovatively. We need public procurers that get to know better what is available on the market. We need public procurers that are recognized as important actors within their organization. We need to give more value to their job: very much like the private sector which has recognized in the last decades the importance and the power of the "purchasing act". The public sector needs to acknowledge that.

DG ENTR has supported this process with 3 Public Procurement Networks initiated by my services in 2009, within the framework of the Lead Market Initiative:

- the ENPROTEX project dedicated to protective textile (i.e. firemen);
- the SCI-NETWORK dedicated to sustainable construction for local and regional authorities (i.e. cities and transport networks);

- and the LCB-HEALTHCARE project dedicated to low carbon building in the health sector (i.e. hospitals)

The Enterprise Europe Network also started to dedicate specific actions to innovative procurement and SMEs access to it.

As these projects intend to do, we need networking among public procurers; we need to see public procurers organizing themselves at a European level.

This conference, where 300 people wanted to attend, is one of the first results of our Public Procurement Networks. It shows that the European Community of public procurers is building up.

I see this conference as an important tool to facilitate this networking, by giving an overview of what is feasible at European, national, regional and local levels to support innovation through public procurements. And by providing space for networking. For instance, I counted representatives of 15 projects here today. That means around 100 partners that will have the chance to get to know each other during these two days.

But in addition to all that, I believe we also need to think about financial incentives for procurers who want to drive innovation. Pre-commercial procurement, as launched notably by my colleagues from DG Information Society, is a good example. In that trend, I am also very interested in the SBIR type programmes some member States – UK, Netherlands -, or even region – Flanders -, have launched as pilots projects. The Commission will reflect upon this issue to determine whether a European SBIR type programme would have a value added.

But let me come to our conference agenda. Today, we will have 3 plenary sessions dedicated to: Procurement and strategies for encouraging markets for new solutions; Pre-commercial Public Procurement; and to tools to support innovative procurement. In the afternoon, you will have the possibility to attend to specific breakout sessions, which have been set-up by you, the participants.

At the end of today, I will have the pleasure to welcome two leading Members of the European Parliament on public procurement, Heide Rühle & Malcolm Harbour, for a concluding session.

Tomorrow, we would like to provide space and time for networking among existing and future projects. I wish all of us very fruitful discussions, exchanges and plans for action. Et: rendez-vous ce soir à 17h30 !