Innovation Procurement initiatives in Sweden

I. Embedding innovation procurement in the Swedish research and innovation strategy

The December 2007 VINNOVA paper1 "public procurement as a driver for innovation and change" identified that the Swedish public sector:

1. Has a longstanding experience in PPI, called "teknikupphandling" (technology procurement) in Sweden by gathering a critical mass of buyers (public and possibly private) committing to first deployment of near-to-the market innovative solutions. In the energy/sustainability domain Sweden has since the 90s successfully applied this technology procurement approach (same name used in US, also called Forward Commitment Procurement more recently in the UK). This approach could usefully be extended also to other Swedish public sector areas.

2. Still faces the challenge to deploy the use of PCP (pre-commercial procurement) for de-risking more mid-to-long term innovations that could help address public sector challenges.

II. Swedish financial incentive scheme for public procurers (PCP)

In response to this challenge, in 2010-2011 the Swedish research and innovation agency VINNOVA2 developed a “public innovation procurement support program" (link to the

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1 http://www.vinnova.se/upload/EPiStorePDF/vp-07-03.pdf
VINNOVA’s role in this program is to act as catalyst helping public procurers with market consultation, and preparation for an innovation procurement process (e.g. technology procurement or pre-commercial procurement). The Swedish program provides financing for procurement process costs and, in some cases, up to 50% funding for the actual contract costs. A budget of €1 million was allocated for 2011.

At the end of April 2011 VINNOVA opened a call for proposals under its public innovation procurement support program, inviting Swedish public procurers specifically to submit PCP proposals. This call remained open after 2011 aiming to support a number of PCP projects. The call was accompanied by a communications campaign to selected public bodies, participation in seminars and conferences, and exploring partnerships with regions and local councils. The program is granted 24 Mio SEK for 2012 to further operate a competency and support initiative for public innovation procurement. The program is currently supporting:

- the Swedish procurer Västerås Commune that is participating in the EU cross-border PCP project SILVER. More info on SILVER can be found on the EU projects page of the PCP website and the SILVER project website.
- the preparation and execution of a number of Swedish PCP projects. In 2013, two PCP projects were launched in Sweden and others are under preparation (More info).
- PCP on Innovative Traffic Systems (City of Stockholm, the Swedish Transport Administration, Stockholm Public Transport and Kista Science)
- PCP on Electric traction of heavy lorries and other large vehicles (Swedish transport administration)

The Swedish PCP Programme

- Main points

  - Continuously open call
  - Open to any organisation governed by public procurement law
  - 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 of €1M 2011
  - Aiming for 3-5 projects in 2011
  - All sectors welcome

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19 April 2012 the Swedish government has issued fresh commissions to the Swedish Transport Administration, Swedish Energy Agency and VINNOVA to work together on innovation procurement. The aim of the program, which includes an objective on initiating new PCP projects, is to bring about new and better environmental solutions within pressing areas, of which transport is one. The effort is part of the government's environmental technology strategy and is worth SEK 30 million up to 2014.

From July 2014 onwards, the Swedish competition authority KKV also provides methodology support and guidelines for innovation procurement, while VINNOVA continues to offer financing for Swedish procurers to undertake innovation procurement projects via its Innovation Capacity in the Public Sector program.

III. Examples of Swedish technology procurements (PPI)

Sweden NUTEK/STEM has long-standing experiences with technology procurement. Since the early nineties Sweden uses the name "teknikupphandling" for these procurements, which are inspired on the example of the famous US department of energy technology procurements (e.g. Energy STAR procurements). This Swedish approach has been successfully applied to trigger the market diffusion / deployment of near-to-the market technologies in environmental and energy related fields (white appliances, public transport, public heating, etc). More recently this approach has also been introduced in other European countries, sometimes under a different brand name, e.g. Forward Commitment Procurement (FCP).

The strength of this approach is to group public (and possibly in addition private procurers) with an interest in an innovation with the same e.g. environmental characteristics. This 'bundling of future public and or private demand' is a key aspect of the approach. It leads to the 'critical mass' on the demand side that gives technology developers the necessary incentive to develop and commercialise new environmental friendly products. The buyers' group defines and publishes common requirements specifications setting out what they would need from the desired innovation, in terms of its function, characteristics and price, to be able to go for mass market deployment. In this first preparation/market consultation phase of the procurement, the group of buyers (Swedish public sector acting as facilitator) liaises with candidate innovators (via an open market consultation) to assess what the state-of-the art of industry developments is and whether they can meet the procurers' innovation requirements.

Once it is clear from the market consultation phase what level of innovation requirements can realistically be achieved by the supply side in the deployment time frame of the procurers, and what the critical mass on the demand side needs to be to trigger industry to make the necessary investments to bring the innovations to the market, the buyers' group publishes openly (e.g. via a prior information notice in the European tender database) the groups' requirements specifications for the desired innovation and invites suppliers to come forward by a certain predefined date (e.g. 6 months or 1 year) to demonstrate whether the solutions that they have developed in the mean time are able to meet the common set of requirements.

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6 http://www.vinnova.se/en/misc/menues-functions/News/2012/120423-VINNOVA-commissioned-for-innovation-procurement/
7 NUTEK's (Swedish National Board for Industrial and Technical Development) energy efficiency responsibilities shifted to a new agency, the Swedish National Energy Administration, or STEM.
8 US (e.g. Energy STAR) and EU cases: http://www1.eere.energy.gov/femp/pdfs/techproc.pdf
9 More info on case examples on NUTEK (http://www.ecomotion.us/results/pdfs/108es.pdf)
defined by the buyers' group (this RFP can be accompanied by a test/certification event at the procurers' premises). Some well-known results of some of such large scale conformance testing / certification events that took place in the context of such technology procurements are for example the certification and labelling of energy efficient appliances (light bulbs, washing machines, windows, heat pumps, refrigerators for public housing).

If the results of the previous phase are positive (suppliers able to develop innovations in time frame request by the buyers' group), the buyers' group can proceed to the actual purchase for deploying final end-solutions. The Swedish technology procurement program can award small subsidies to private buyers for deploying innovative solutions meeting the specification. The actual acquisition of products, in which any supplier can compete to provide products against the joint specification, can practically be done via joint procurement (one contract requesting large volumes of products to be delivered for several buyers) or several individual but coordinated procurements (several smaller contracts per buyer, but all of them based on the joint specification) which may be easier for SMEs to win contracts from.

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