

Innovation Procurement initiatives in Finland

I. Anchoring innovation procurement in the political context

The 2008 Finnish national innovation strategy emphasises user and demand-driven innovation policies based on public procurement. This was inspired by increasing evidence¹ that shows that the low success rate of traditional producer-research driven innovation, where up to 70% of new products tend to fail in the commercial market place, is mainly due to the lack of first potential customer/user involvement in the definition and R&D phases of the products.

Based on this national innovation strategy, in 2010 the Finnish ministry of employment and economy² published its "Demand and user-driven innovation policy framework and action plan³". This plan identified public procurement as an efficient method to promote the development (pre-commercial procurement) and deployment of innovations (public procurement of new products and services) not only in the public but also in the private sector (catalytic procurement). The action plan endorsed also a measure for the Finnish research and innovation funding agency TEKES, to deploy a financial incentive scheme to encourage Finnish public procurers to undertake more of the above three types of procurements.

II. Finnish financial incentive scheme for public procurers

Since 2009 TEKES operates a funding program⁴ that helps Finnish public procurers undertake more "innovative" procurements, including PCP and PPI.

TEKES funds the planning of public contracts aiming at renewal of services and activities. This funding is targeted at all Finnish Contracting Authorities, and it typically covers 50% (depending on type of cost, funding can vary between 25% and 75%) of total project costs. The procurement must be extensive enough to have an impact on the development of the sector, at least regionally. The planning and preparation of an innovative procurement should encourage active dialogue with potential tenderers and end-users. Additionally, strategic commitment to an innovative procurement is expected of the Contracting Authority.

A Contracting Authority having received funding for the planning and preparation of an innovative procurement, may also obtain second-phase funding from TEKES for research, development and innovation activities that are part of a public procurement.

The TEKES support program for smart procurement has grown in size from 6 Mio EURO in 2012⁵ to 60 Mio EURO in 2014. Any type of Finnish organization governed by public procurement law can apply for this TEKES support to undertake a PCP or PPI project via open calls for proposals published by TEKES. The procurement must be based on a real need, and for PCPs the procurement process must be based on the EU PCP model.

¹ Hippel E., Democratizing innovation, MIT press Cambridge, Massachusetts, USA

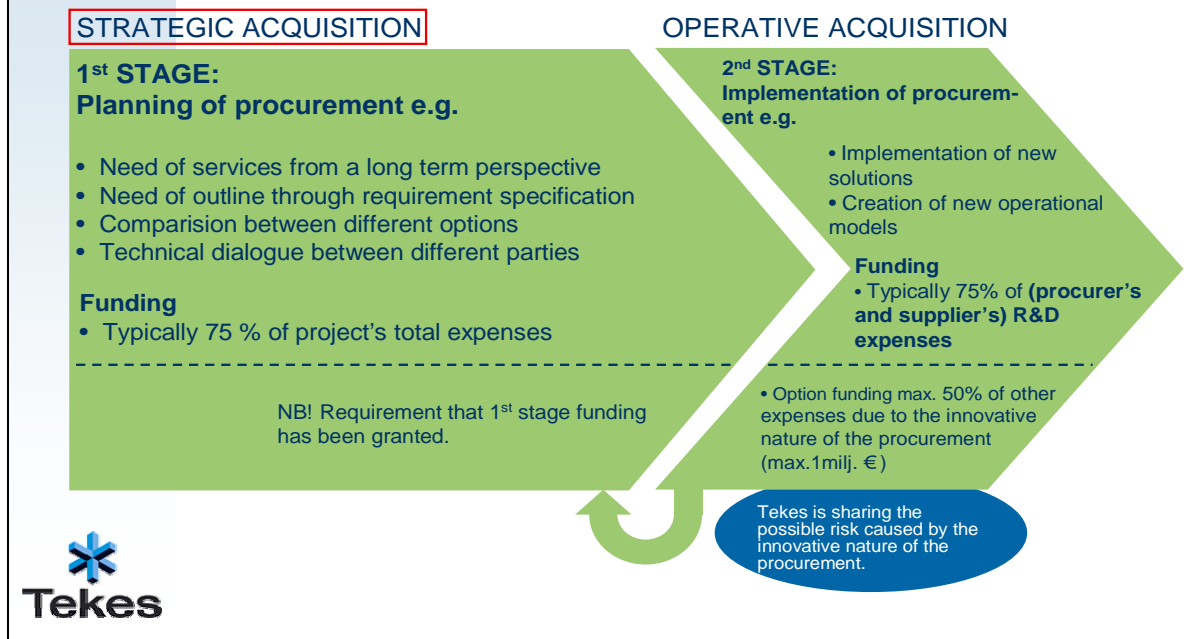
² <http://www.tem.fi/index.phtml?l=en&s=2382>

³ http://www.tem.fi/files/27547/Framework_and_Action_Plan.pdf

⁴ <http://www.tekes.fi/en/funding/public-service-providers/innovative-public-procurements/>

⁵ http://www.vtt.fi/files/sites/procuinno/procuinno1602_lundstrom.pdf

TWO STAGE FUNDING FOR PUBLIC PROCURERS



Two-stage TEKES funding for public procurers

III. Finnish Innovation Procurement projects

TEKES has supported 70 national PPI projects since 2008⁶. TEKES is also supporting the city of Oulu and Vantaa to participate in the EU funded cross-border PCP project SILVER⁷.

Finnish procurers are also in the buyers group of other EU funded PCP and PPI projects:

- THALEA PCP on telemedicine for Intensive Care Units (Northern Ostrobothnia hospital)
- ENIGMA PCP on lighting solutions for cities (City of Espoo)
- IMAILE PCP on e-learning (Municipality of Konnevesi)
- INNOBOOSTER PPI on office furniture and lighting (Hansel)

Finnish procurers are also in EU funded networking projects on PCP/PPI:

- P4ITS prepares a PPI on Intelligent Transport Solutions (Finnish Transport Agency, VTT)
- SAEPP prepares a PCP on smart ambulances (South Karelia Central Hospital)

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Finish demand based innovation strategy

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⁶ <http://www.tekes.fi/en/programmes-and-services/tekes-programmes/smart-procurement/>

⁷ <http://www.silverpcp.eu/public/> and <http://www.forumvirium.fi/en/node/1131>