

- First of all, let me congratulate all the Innobuild partners for their achievements in the context of the project, in particular the two cities of Falun and Lyngdal.
- I would have liked to be with you today for this closing event, but for logistical reasons I just had to deliver this speech from Brussels via videoconferencing.
- If you allow me, I'd just like to go back in time a few years.
- When the contract was signed between the Innobuild project partners and the European Commission, both parties were adventuring into a sort of no man's land, that of the public procurement of innovation (PPI), where only a few explorers had ever ventured into. To make it even more complicated, two cities of two different countries had agreed to collaborate closely to build sustainable high-tech homes for senior citizens.
- Quite frankly, it looked a bit like a recipe for disaster in the eyes of many outside observers, and only a handful of people familiar with PPI believed such projects as Innobuild had any chance of success. And now here we are, 3 years later, with concrete evidence that public procurers can effectively work together to procure innovative goods and services.

1. Why did the Commission support such projects?

- Why did the European Commission finance projects in the area of innovation procurement?
- As you know, the European Union is increasingly relying on innovation to create economic growth and jobs across all of its regions, even more so as our economy is now in a gradual recovery. In order to boost our competitiveness, special emphasis needs to be placed on public procurement, which represents almost 20% of the EU's total GDP. The impact of public procurement is directly linked to its volume, and public procurers have now more responsibility than ever to ensure that this money is spent in an efficient way, for the benefit of both European citizens and businesses. Efficient, well-run public services are a huge asset in the international competition that we are involved into.
- Innovation procurement can be an important tool in this overall effort. Public procurers, whether at local, regional, national or European level, can get many benefits by endorsing innovative solutions which are tailor-made for them: address societal challenges, save on resources (financial, energy...), increase quality of service. For companies, and in particular innovative SMEs, innovation procurement gives a huge boost by enabling

them to find a first customer who can be used as a reference – a public procurer.

- This is why we thought, as early as 2009, that it would be good to support the procurement of innovative solutions via pilot projects. The idea was to help set up consortia of public procurers from several countries, who would purchase innovative solutions in different areas. Our purpose was twofold: help developing the public procurement of innovation in general and gather useful information on the different barriers that prevent PPI from developing further.
- As a result, we have financed or are financing a total of 14 projects in the field of PPI, for a total EU contribution of about 30 million euros.

2. What have we learnt?

We have identified the following main issues while we were following up the PPI projects:

2.1. Languages

One is applicable for all types of procurement, not only PPI. It concerns the use of languages: actually, it was Innobuild who first brought it to our attention.

Public procurers need to publish the tender in their official language (s). At most, if they want to reach a wider audience, they may publish in addition an unofficial translation into another language (English in most cases).

Let's face it, the possibilities you have as a public procurer to attract bids from other countries if the tender is in Swedish, Norwegian, Hungarian or Greek are pretty limited.

To make it even more difficult, the bidder has to submit its proposal in the language of the procurer. Again, you can imagine a Swedish SME trying to get its bid translated into Italian: to stand any real chance, you would actually need an Italian lawyer who would happen to be bilingual in Swedish to help the company write its bid. Next to impossible for any company of a small size.

2.2 Absence of incentives for the procurement of innovation

Public procurers tend to be rather conservative. They usually favour technically proven solutions, and hate departing from the price criterion. It is understandable, as they may have to go to court to justify their choice, and the price criterion is always a winner.

Procuring an innovative solution is, in a vast majority of cases, more expensive

than a conventional one. It takes a lot of convincing to see the long term benefits (for instance, reduced energy consumption, increased welfare for users...) that help offset the initial higher investment.

- **2.3 Lack of knowledge and capabilities on technologies, innovations, market developments**
- Public procurers, and especially the smaller ones, have a difficult time trying to follow the continuous flow of technological and non-technological innovation for the products and services they buy. They simply do not have time to spare to go to events, fairs, where they could be made aware of the latest advances in their area.
- Information sharing between procurers, even though it has steadily increased, is still in our view insufficient.

3. The results

We are very pleased by the achievements of the projects such as Innobuild. On a small scale, the buildings for senior citizens will certainly improve the quality of life for patients and also for the staff that works in them. On a larger scale, we believe that the lessons learnt by the partners, their suppliers will be widely spread. As a result, we hope that PPI will gradually become a mainstream instrument.

With the adoption of the new Procurement Directives, the European Union has made a significant step towards making the public procurement legal framework more innovation-friendly. We are aware that some difficulties remain, when it comes to implementing innovation procurement, which we hope can be solved quickly through exchanges between the Member States and the Commission.

I would also like to remind you that the EU also contributes to innovation procurement through, mainly, the European Structural and Investment Fund and the Horizon 2020 programme.

It is now time for all to ensure that innovation procurement becomes a central part of public procurement policies across the whole EU and that it finally delivers its potential. The Commission is ready to support this process. We count on the support of political authorities, in particular at local level, to contribute to the change of culture involved by innovation procurement. Long-term benefits (be they of a financial or different nature) can most of the time justify a higher initial investment or the additional complexity of the purchasing process.

Thank you very much for your attention.

I will now take questions from the audience, if any.