

Part C

Public Procurement Innovations and Sustainable Building Systems

(INNOBUILD)

Partners

Lyngdal Municipality (lead partner), Norway

Falun Municipality, Sweden

The Confederation of Norwegian Enterprise (NHO) National Program for Supplier Development, Norway

The Norwegian Agency for Public Management and eGovernment (Difi), Norway

V.1. OBJECTIVES

The main objective of the INNOBUILD project is to improve the process by which contracting public authorities and entities are acquiring goods and services, i.e. procedures for the award of contracts in public procurement, in two North-European municipalities: Falun in Sweden and Lyngdal in Norway. Together they will develop a joint public procurement strategy and implement a joint procurement for sustainable high tech building projects for senior citizens. The project will, according to the call for proposals, be divided into three phases.

The first phase takes place before the actual procurement, to identify common procurement needs and potentially available solutions in the two municipalities and the Internal Market of the EU, as well as contextual characteristics such as energy efficiency and more sustainable use of building materials, and/or technical installations needed for the improvement of the services offered to senior citizens. The aim of this phase is to improve the procurement capabilities and innovation procurement strategies through market consultations determining state-of-the-art for innovative products or services across the EU market, and joint trainings, workshops and networking with national public authorities working with procurement issues in the two countries involved, as well as relevant EU institutions and organisations. The result will be a set of specifications for a joint public procurement of innovative solutions in the set-up of sustainable high-tech building projects for senior citizens in the two municipalities, which includes standardisation, certification and insurance schemes for suppliers as well as plans for financial support from EU sources where applicable, and a plan for dissemination and exploitation of the specification manual across the Internal Market of the EU. This will include a web-based handbook for public procurement of innovative solutions, developed in collaboration with national authorities in this field, i.e. Agency for Public Management and eGovernment (Difi) in Norway, which aims to strengthen the government's work in renewing the public sector and improve the organisation and efficiency of government administration, and Innovation Norway, a public body providing competence, advisory, promotional and network services for enterprises and industry in Norway.

The second phase is the procurement implementation. It will be based on a joint procurement agreement between the two municipalities, which will define the rights and obligations of the parties to the agreement, and include legal considerations, feasibility and roadmap for collaboration across their national borders and the Internal Market of the EU. The European large scale pilot project in e-procurement, PEPPOL, enables cross-border activities, connecting communities through standard-based solutions.¹ Where applicable, PEPPOL's infrastructure will be taken into account in the procurement phase, from e-tendering to post-award. The aim of this phase is to develop the necessary expertise to improve the quality of selection and evaluation stages of tendering processes and assessing and comparing the innovation components. With the participation of Confederation of Norwegian Enterprise's (NHO), stimulation of cross-border learning will also be part of this phase through NHO's membership in Business Europe, the Confederation of European Business. The joint procurement process will promote access of firms, in particular SMEs from across the EU and outside, and result in an open public procurement of innovative products and services by the two municipalities in the Internal Market of the EU.

The third phase is the capacity building, coordination and communication procedures following the actual procurement, to raise awareness of the results amongst local, regional and national policy makers, procurement authorities and producers of goods and services on the supply side, in particular SMEs bidding for public contracts across the Internal Market. The aim of this phase is cross-border and cross-sector learning and endogenous capacity building in the two municipalities. The result will be a report and a database with references to the actual procurement processes based on an open source basis, i.e. available to all.

¹ <http://www.peppol.eu/>

V.2. JUSTIFICATION

As shown by DG Internal Market in 2009, public procurement in the EU represents around 19 percent of the EU's gross domestic product (GDP), i.e. more than 2 000 billion EURO per year, but with great variations between the member states regarding total expenditure on works, goods and services, the value of calls for tender published in the Official Journal (TED), and the number of calls for tender published in the Official Journal (TED).² According to NORD TED – The Nordic Public Procurement Cooperation – public procurements in Norway represents around 30 billion EURO per year, whereas the figure for Sweden is 40 billion EURO per year; depending on how public procurements are measured.³ The Norwegian Agency for Public Management and eGovernment (Difi), for example, has figured out that public procurements in Norway probably adds up to around 50 billion EURO.

Anyhow, compared to the figures provided by DG Internal Market referred to above, both countries show strong potential for improvements. In particular at the local level of government, in the municipalities, insofar as this is where most of the public procurements are done in Norway and Sweden, and where there is a strong need also for service innovation in the public sector.⁴

Internal market rules are applied to public procurement in both Norway and Sweden through European Community directives, transposed into national law; for Sweden as a full member state of the European Union, for Norway through the European Economic Area Agreement (EEA). But, if a public authority needs to buy goods or services, and a European or international firm want to do business in one of the member states of the EU/EEA, what are the chances for this to happen in an open and innovative procurement procedure?

Identification of perceived needs and constraints in the target groups

Together with the Confederation of Norwegian Enterprise's National Program for Supplier Development and the Norwegian Agency for Public Management and eGovernment (Difi), Falun Municipality in Sweden and Lyngdal Municipality in Norway make up a buyer group set up for the development of a public procurement strategy of innovative solutions, including preparation and implementation, which is new to the procurers and will result in innovative performance based solutions with relevance across the Internal Market of the EU. Innovation Norway and its Swedish counterpart Vinnova, working for research and innovation for sustainable growth, will be giving advice on a non-profit basis to the INNOBUILD project and be represented in the steering group of the project.⁵

As pointed out by the Business Panel on future EU Innovation set up by DG Enterprise and Industry, and clearly stated in the call for proposals for this project, there is a strong need for public sector innovation in the EU and its member states due to societal challenges of climate change, an ageing population in Europe, the future of the young, social exclusion and the safety of future technologies.⁶ Hence the European Commission, member states and industry have introduced what is called The Lead Market initiative to lower barriers to bring new products or services onto the market in six key sectors: eHealth, sustainable construction, protective textiles, bio-based products, recycling, renewable energies. The policy instruments are divided across regulation, public procurement, standardisation, and supporting activities.⁷

² http://ec.europa.eu/internal_market/publicprocurement/docs/indicators2009_en.pdf

³ <http://www.nordted.com/index.html>

⁴ See for example a public report on "Innovation in Care": NOU 2011: 11 Innovasjon i omsorg. <http://www.regjeringen.no/nb/dep/hod/nouer/2011/nou-2011-11.html?id=646812>.

⁵ <http://www.innovasjon Norge.no/Contact-us/>; <http://www.vinnova.se/en/>.

⁶ http://ec.europa.eu/enterprise/policies/innovation/files/panel_report_en.pdf

⁷ <http://ec.europa.eu/enterprise/policies/innovation/policy/lead-market-initiative/>

In this project – Public Procurement Innovations and Sustainable Building Systems (INNOBUILD) – three of these targeted challenges will be dealt with directly:

- **climate change**, through the standards set for use of building materials, i.e. wood in particular since this is a local asset to the two municipalities, and sustainable development of the building processes⁸
- **an ageing population**, by combining innovative building techniques with new technical installations needed for the improvement of the services offered to senior citizens⁹
- **the safety of future technologies**, by determining state-of-the-art for innovative products or services across the EU market, for example in eHealth for senior citizens¹⁰

Furthermore, through a particular focus on senior citizens' needs in this project, innovative building techniques and the use of new technologies should also be seen in relation to how to reduce the challenge of **social exclusion** of senior citizens in the modern European welfare states. This is particular true for senior citizens living in single households, which will be a target group in the joint procurement agreement. Given such challenges, how can public procurement of innovative solutions (PPI), i.e. in this case **procedures for the award of contracts in public procurement**, be used to increase the demand for innovation and enhancing innovation of public services in relation to the improvement in quality and efficiency of such services?

Mats Dahlström from the Swedish municipality represented in this project, Falun, chaired a recent study about needs and constraints in public procurement processes amongst Swedish municipalities in more rural areas (like the two municipalities involved in this project), which was presented at a large conference on the use of wood in modern building projects in Gothenburg 9 March 2011.¹¹ The conclusion of this study was that the main challenge for Swedish municipalities regarding public procurement in the building sector is raising cost and the need for better and more predictable budgets in the procurement processes.

Of the five variables covered by the study – competition, productivity costs, cost of land, way of thinking amongst public authorities, and financial issues – the highest score came on the fourth of them: 56 percent of the respondents said that **conservative thinking** in public procurement processes is the most important cause for increasing prices in the building sector for Swedish municipalities. A similar study does not exist for Norwegian municipalities, hence the collaboration between the two municipalities and participation of public authorities at the national level, is so important.

⁸ See for example the publication from The European Confederation of woodworking industries «Tackle Climate Change: Use Wood», to be downloaded from <http://www.cei-bois.org/files/b03500-p01-84-ENG.pdf>.

⁹ See for example the Swedish National Strategy for eHealth: <http://www.regeringen.se/content/1/c6/06/43/24/f6405a1c.pdf>.

¹⁰ Contact will be established with other actors from private and public sector working with relevant issues for this project, for instance as in the case of the Norwegian network organisation Wireless Future: <http://www.tradlos-framtid.no/english/>.

¹¹ See videos from the conference presenting empirical data and future challenges for the public sector regarding the major challenges put forward by the European Commission in The Lead Market initiative presented above: <http://www.informationsteknikstreaming.se/trastad20110309/Player/default.htm?http%3A//www.informationsteknikstreaming.se/trastad20110309/Ondemand/introduktion.aspx&http%3A//www.informationsteknikstreaming.se/trastad20110309/Ondemand/>.

The way public procurers think is probably also an important factor in explaining why the second highest score of the study was 21 percent saying that prices go up because of **higher production costs**, or the third highest score of 18 percent saying that **lack of competition** is the most important reason for increasing building costs.

The findings of this study support the main problems to be addressed in the call for proposals of ENT/CIP/11/C/N02C011. There is a lack of knowledge and expertise amongst contracting authorities on the use of practices that favour innovation, on risk management in procurement, and on market and technological developments. But, as noted in the call for proposals, there is also a question of lack of (or wrong) incentives for contracting authorities which should be addressed, as well as a mismatch with public policies and strategies, lack of innovative capability in public organisations, fragmentation of demand/lack of critical mass – clearly a problem for rurally located municipalities such as Falun and Lyngdal – and difficulties for SMEs to be involved in public procurement. Hence, the INNOBUILD project will focus on the target groups set up in table 1 below.

Table 1 Target Groups of INNOBUILD and Its Relevance for the Programme

TARGET GROUPS	DIRECT & INDIRECT BENEFICIARIES	REASONS FOR SELECTION OF GROUPS & ACTIVITIES	RELEVANCE FOR TARGET GROUPS	RELEVANCE FOR PROGRAMME OBJECTIVES	RELEVANCE FOR PROGRAMME PRIORITIS
Public procurement authorities	Civil servants directly and their departments and professional groups indirectly	Lack of knowledge and expertise, and lack of (or wrong) incentives	Learn more about innovative procurements, and how to increase efficiency	Collaborate to create a critical mass of demand for innovations in procurement	Make up the demand-side of the buyer group, prepare innovative procurement
Public planning authorities	Civil servants directly and their departments and professional groups indirectly	Lack of innovative capability, fragmentation of demands	Learn to see procurements in a broader and more long-term perspective	Offset additional risks and costs, and support knowledge development	Defining the conditions for the collaboration between contracting authorities
Politicians at local, regional and national level	Individual politicians, their political parties and interest groups indirectly	Mismatch with public policies and strategies, lack of critical mass	Learn how to prioritise and balance the input factors of public procurement	Implementation of joint procurement, working for commitment and accountability	Providing shared resources for joint procurement and supportive measures
Public and private advisory bodies, facilitators of procurement processes	Civil servants directly and their departments and professional groups indirectly	Can provide expertise about procurement processes and programmes	Learn to know the programmes better and how to advise demand and supply side	Dissemination and exploitation of results across the EU and generic knowledge	Provide needs assessments, market consultations, specification development and risk management
Research & development and higher education institutions	Individual researchers directly, institutions and students indirectly	Discuss and develop public procurement as tool for innovation policies	Get first-hand experience and data for improved research and development	Developing generic tools for innovative public procurements procedures	Knowledge development for awareness raising and exploration of possibilities
Architects and construction consultancies	Individuals directly, companies indirectly	Play a central role in the preparation & implementation of building processes	Learn more about the administrative and economic processes of procurements	Trans-sector planning of high-tech innovative buildings and use of sustainable materials	Provide knowledge and expertise in the preparation & implementation of building process
Construction companies & sub-contracting SMEs	Individuals directly and their companies indirectly	Lack of knowledge and expertise, need to learn more about procurement processes	Learn about EU regulations and directives, standards and procurement rules and realities	Provide information about state-of-the-art for innovative products, supply side	Supply innovative goods & services for public procurement authorities, give new knowledge
Companies delivering goods and services, SMEs	Individuals directly and their companies indirectly	Lack of knowledge and expertise, need to learn more about procurement processes	Learn about EU regulations and directives, standards and procurement rules and realities	Provide information about state-of-the-art for innovative products, supply side	Supply innovative goods & services for public procurement authorities, give new knowledge

V.3. DETAILED DESCRIPTION OF ACTIVITIES

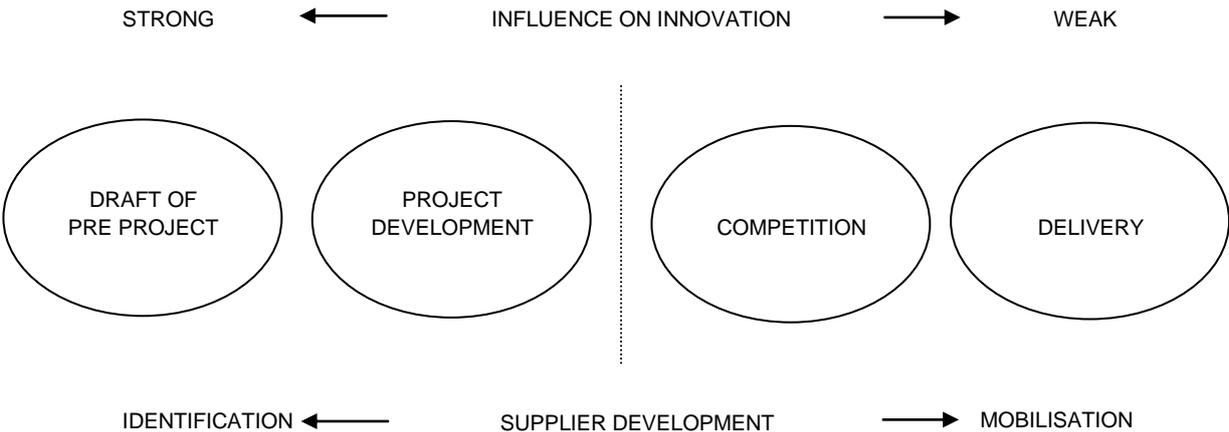
In addition to experiences made from Sweden in the preparation phase of the conference on use of wood in modern building projects in Gothenburg 9 March 2011, the selection of target groups and activities for this project will be based on a further development of a methodology for innovation in public procurement developed by the Confederation of Norwegian Enterprise (NHO) and the Norwegian Association of Local and Regional Authorities (KS) called the National Program for Supplier Development, and experiences made by the Agency for Public Management and eGovernment (Difi), as well as findings from pilot projects financed by the National Program for Supplier Development.¹²

As noted in this programme and EU Internal Market policies, in their capacity as large and important customers, «local and central government sector can stimulate to innovation (product, process and service development) by being a demanding customer and stipulating future oriented requirements to goods and services during the procurement processes».¹³

This corresponds also to one of the main problems addressed in the call for proposals for this project, i.e. the «difficulties for innovative SMEs to be involved in public procurement as direct beneficiary/client of a purchasing authority. This hampers the access of public authorities to the innovative potential of SMEs, in particular high-tech SMEs who play a key role in creating innovative solutions».¹⁴ Hence, it is important to include SMEs and bigger firms already in the first phase of the project, to improve the possibilities for influencing the final results and take advantage of the innovative potential of such a communicative approach to knowledge development.

According to the public procurement of innovative solutions methodology of the Confederation of Norwegian Enterprise’s National Program for Supplier Development, the purchase of new or significantly improved goods and/or services processes should be developed as three-step procedure of identification, supplier development and mobilisation of relevant resources and actors, as illustrated in figure 1 below.

Figure 1 A Three-Step Model for the Development of Innovative Procurement Methodologies



Source: The Confederation of Norwegian Enterprise’s National Program for Supplier Development 2011.

¹² Unfortunately most of this information is only available in Norwegian at the home page <http://www.leverandorutvikling.no/om-programmet/>.

¹³ Programme presentation by Per Harbø at Gardermoen 19 September 2011.

¹⁴ Call for proposals subject Supporting public procurement of innovative solutions: networking and financing procurement. ENT/CIP/11/N02C011, p. 5.

This three-step model corresponds to the division of the project into three phases, as recommended in the call for proposals. Hence, the activities of the INNOBUILD project will also follow the main activities outlined here. Because, as noted by the Confederation of Norwegian Enterprise's National Program for Supplier Development, the main problem underlying this project is the fact that «a lack of knowledge about the legal framework and methods with regard to ways in which to organise public procurement often represent a challenge in relation to facilitating for more innovation in public procurement. The potential for more innovation in public procurement is great».¹⁵

The overall objective of the INNOBUILD project is to contribute to a better political development of public procurement procedures across the Internal Market of the EU by introducing sustainable building solutions regarding use of renewable materials and energy, and the method for purchasing the wanted solutions at budget costs. Hence, when outlining the activities of the INNOBUILD project, notice should also be paid to the second order procurement needs and potentially available solutions, such as:

- sustainability and climate smart buildings
- more flexible and target oriented methods for purchase
- industrial and hi-tech oriented solutions
- security and monitoring systems
- universal layout
- possibilities for later reorganisation of units

Activity I: Identification

Through the identification stage, where the potential of influencing innovative solutions is strongest, the first activity of **identification of common procurement needs and potentially available solutions in the two municipalities** should include contextual characteristics such as energy efficiency and more sustainable use of building materials, and/or technical installations needed for the improvement of the services offered to senior citizens. The aim of this phase is to improve the procurement capabilities and innovation procurement strategies in the two municipalities. This will be achieved through the following activities:

- market consultations determining state-of-the-art for innovative products or services across the EU market
- joint trainings, workshops and networking with national public authorities working with procurement issues in the two countries involved as well as relevant EU institutions and organisations.

The result of these activities will be:

- a set of specifications for a joint public procurement of innovative solutions in the set-up of sustainable high-tech building projects for senior citizens in the two municipalities
- standardisation, certification and insurance schemes for suppliers as well as plans for financial support from EU sources where applicable
- a plan for dissemination and exploitation of the specification manual across the Internal Market of the EU

¹⁵ Programme presentation by Per Harbø at Gardermoen 19 September 2011.

- a web-based handbook for public procurement of innovative solutions

In detail, the activities in this first phase, before the procurement, will be to:

- analyse needs, i.e. developing specifications for the buildings needed within the budget limitations given and according to their functional preconditions
- analyse market potentials, i.e. the volume of need for buildings for senior citizens in the two municipalities in relation to budget constraints
- develop collaborative structures between the two municipalities, i.e. cross-border and cross-sector institutional solutions for innovative procurement procedures combining demand and supply side actors
- develop procurement competence, i.e. further development of the method for public procurements in the field of buildings for senior citizens

Activity II: Supplier Development

This activity consists of the actual **joint procurement implementation**, or what according to the innovative solutions methodology of The Confederation of Norwegian Enterprise's National Program for Supplier Development, combines the competition and delivery of goods and services. The activity will be to:

- set up a joint procurement agreement between the two municipalities
- define the rights and obligations of the parties to the agreement
- include legal considerations, feasibility and roadmap for collaboration across the national borders and the Internal Market of the EU
- develop the necessary expertise to improve the quality of selection and evaluation stages of tendering processes and assessing and comparing the innovation components
- stimulate cross-border learning
- promote access of firms, in particular SMEs from across the EU and outside

The result of this activity will be:

- an open joint public procurement of innovative goods and services by the two municipalities in the Internal Market of the EU

Activity III: Mobilisation

The third activity of the INNOBUILD project is the same as the third phase in the call for proposals, i.e. activities focusing on the capacity building, coordination and communication procedures following the actual procurement. The objectives will be to:

- raise awareness of the results of the joint procurement amongst local, regional and national policy makers and procurement authorities on the demand side
- mobilise producers of goods and services on the supply side, in particular SMEs bidding for public contracts across the Internal Market

- lead to cross-border and cross-sector learning and endogenous capacity building in the two municipalities as well as supply side actors, for instance SMEs

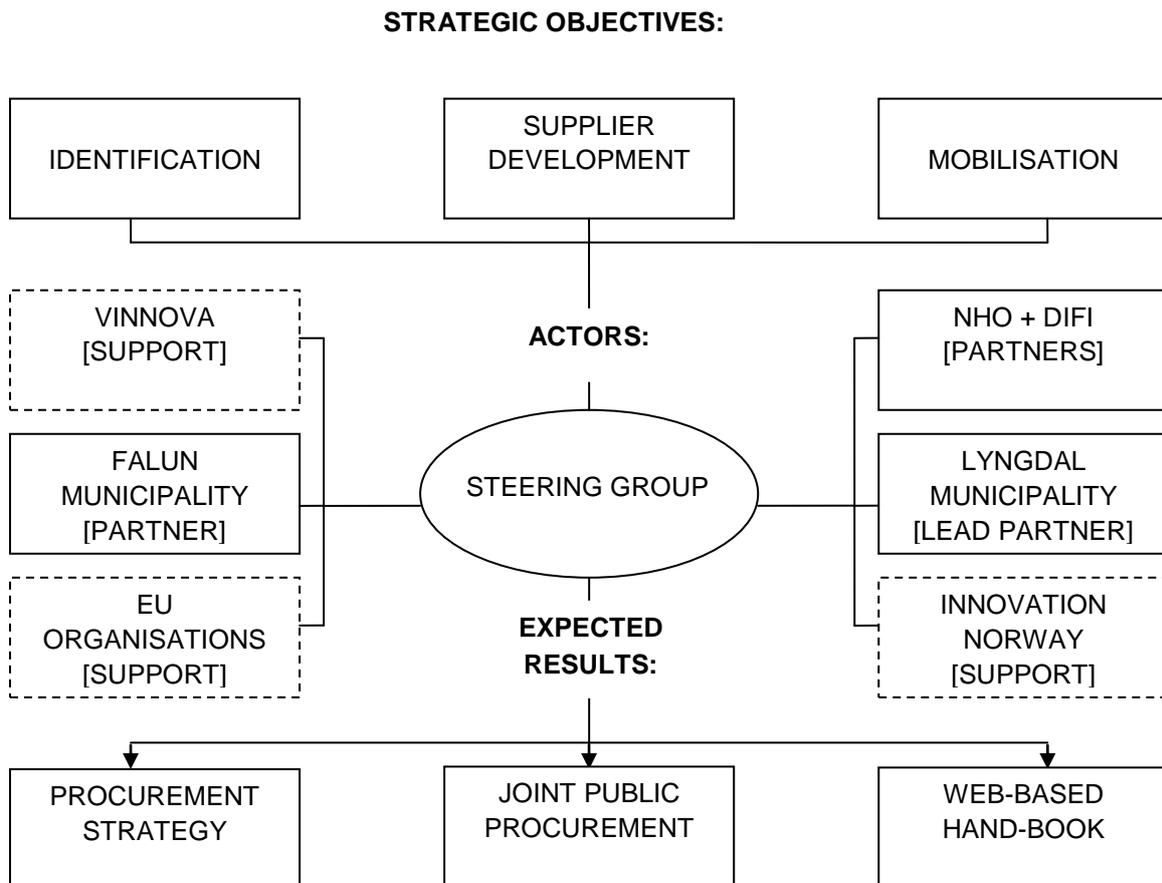
The result of this activity will be:

- a report and a database with references to the actual procurement processes based on an open source basis, i.e. available to all

The activities and the structure of the buyer group

In figure 2 below, the relationship between the activities and the actors of the INNOBUILD project is illustrated with straight lines for the partners to the buyer group and dotted lines for the public advisory bodies Innovation Norway and Vinnova in Sweden, and potential EU organisations. They will be represented on the steering group of the project, together with political decisions-makers in the two municipalities, the project manager from Lyngdal and one representative from the Confederation of Norwegian Enterprise’s National Program for Supplier Development and one from The Norwegian Agency for Public Management and eGovernment (Difi) (see forms A and B for names and positions).

Figure 2 INNOBUILD Relationship Between Strategic Objectives, Actors and Expected Results



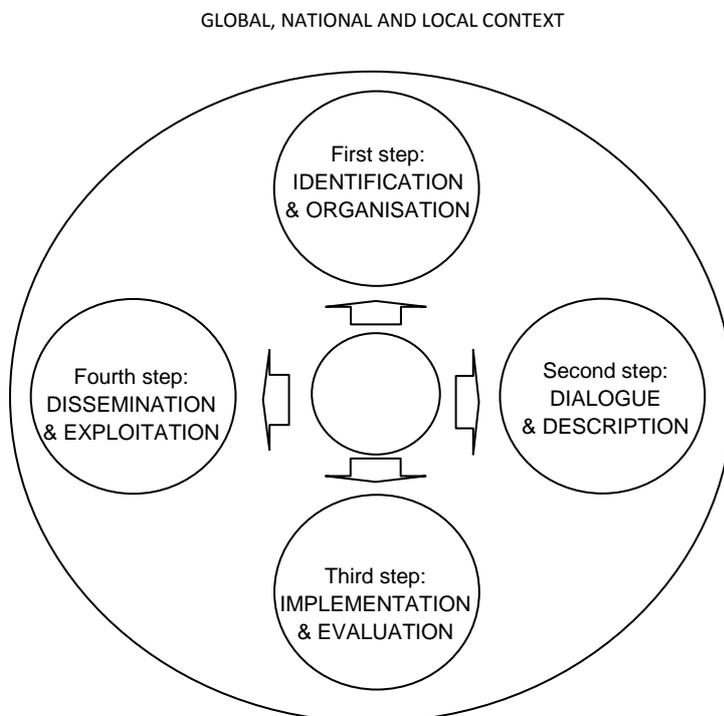
V.4. METHODOLOGY

The INNOBUILD project will build on the methodology developed by the Confederation of Norwegian Enterprise's (NHO) National Program for Supplier Development and the Agency for Public Management and eGovernment (Difi) in Norway, which aims to strengthen the government's work in renewing the public sector and improve the organisation and efficiency of government administration. This methodology is based on a three-step strategy, to which the INNOBUILD project adds a fourth and a dimension of cross-border and cross-sector learning to further improve this methodology with the help of ideas from the Competitiveness and Innovation Framework Programme of the EU and this call for proposals:

- First step: Identification & Organisation
- Second step: Dialogue & Description
- Third step: Implementation & Evaluation
- Fourth step: Dissemination & Exploitation

This methodology will be based on a communicative logic, as illustrated in figure 3 below, where the buyer group is set up to prepare for the procurement of innovative solutions by the two municipalities Falun and Lyngdal, together with the two other partners in the project: The Confederation of Norwegian Enterprise's National Program for Supplier Development and The Norwegian Agency for Public Management and eGovernment (Difi). They will also be advised by the two national organisations for business development: Vinnova in Sweden and Innovation Norway in Norway.

Figure 3 The INNOBUILD Methodology



Vinnova in Sweden and Innovation Norway will provide the partners with advice on needs assessment, market consultation, specification development, risk management etc.

First step: Identification & Organisation

As part of the first activity of the INNOBUILD project, i.e. the identification of common procurement needs and potentially available solutions in the two municipalities – including contextual characteristics such as energy efficiency and more sustainable use of building materials, and/or technical installations needed for the improvement of the services offered to senior citizens, the buyer group should be established as a cross-border organisation. Before doing this, however, an identification of organisational needs should also be presented to the steering group of the project, before the organisation is set up. Questions to be addressed in this first step are:

- How much time and resources will the project consume?
- What commitments are needed amongst the partners?
- Who shall be involved amongst partners and user groups etc.?
- What are the risks involved in the project?
- Is the budget sufficient according to the points above?

Both short- and long-term needs and potentially available solutions amongst the partners to the project should be dealt with at this first step. To stimulate innovation, a long-term perspective is often needed, in particular since the risk of innovative projects requires full commitment amongst the management of the partners, but also to unleash the full innovation potential from communicative processes with user groups and the suppliers of goods and services in the procurement procedures. Hence, the needs and potentially available solutions should not be defined too narrowly in a way that is limited by present understandings of the problem to be solved, but rather in such a way that challenges ahead can be met with innovative solutions in the procurement processes.

Second step: Dialogue & Description

Dialogue with the market is important for supplier development as well as innovation. In fact, as can be seen from figure 1 above, underlying much of the methodology of the INNOBUILD project, the Confederation of Norwegian Enterprise's National Program for Supplier Development sees it as two sides of the same coin. Through the dialogue, the market gets information about the procurers' challenges, needs and plans, and the procurer can get valuable input about potentially available solutions. The dialogue can take place through traditional market analyses, supply development conferences where potential procurements and products can be presented, dialogue conferences focusing on concrete challenges for mutual knowledge development, and/or plan- and design competitions for particular solutions in planning- og design processes, for example in area planning, urban development, architect- and engineering processes, planning for technical solutions etc. The methodology of the second step of INNOBUILD can be summed up in three main points:

- the dialogue should have clear and concise "rules of the game" so it is predictable for both sides in the dialog what the dialog is about, its aims and objectives, expected results and future plans
- all information provided about future plans should be at such a general level that the competition for the procurements is open and all information is available and understandable to all potential participants in the procurement process
- there should be open meetings where all interested suppliers can participate; such meetings should be announced well in advance of the meeting itself, and in such a way that the information reach all potential suppliers in the procurement process

In addition to the suppliers of goods and services, user groups and interest organisations, professional representatives, public advisory organisations, 'R&D and HE institutions,

politicians and the media should be on the list of invitations for such dialog meetings, and the reports from such meetings should be based on an open source principle of availability to all.

Third step: Implementation & Evaluation

A mapping of needs and potentially available solutions to these needs brought forward by the dialogue under the second step should be part of the procurement documents and open to all to avoid dysfunctions in the market and make sure that the competition is open and free. To guarantee the best results, however, it is also important to make sure that this information is clearly understood by all potential suppliers of goods and services, and that it opens up for innovative solutions. Legal regulations of the procurement processes are necessary but not sufficient for the quality of the process as such. Hence, the results of market dialogs should also be reported and published in a good way. Questions to be asked during this part of the process are:

- Is the information available received and understood by all potential suppliers?
- Is the procurement organised in the best way, or is there a need for splitting it up, changes in part of it, information about future challenges etc.?
- How should the procurement documents and the competition itself be design, or redesigned, if changes are needed?

To get the best results from a public procurement of innovative solutions (PPI), **needs and functional demands** should be used in the specification documents rather than the more traditional technical specifications. The main objective of an innovative procurement procedure is to make clear **what** needs that should be met and not primarily how they are met. A good functional description, though, might of course cover both what the needs are and how they can be met.

When the functional descriptions are ready and the joint procurement document has been agreed upon, it is time to call for tenders. This can be done in at least three ways: either as (1) an open or limited call for tenders, (2) a competition with negotiations, or (3) competition based dialogue. One of the questions to be addressed in the INNOBUILD project is what kind of procedure will be the best for a public procurement of innovative solutions (PPI):

- **An open or limited call for tender** does not open up for negotiations between demanders and suppliers in the procurement process, and is therefore best for procurements where it is easy to compare the solutions offered by the suppliers.
- **A competition with negotiations** makes it possible to introduce negotiations about all parts of the procurement procedure and solutions offered, even though there might be rules that restrict such negotiations from member states or EU regulations and directives to make sure the competition is open and free.
- **A competition based dialogue** is the most flexible way of organising public procurement of innovative solutions (PPI), insofar as the procurer must describe the needs and functional demands in the call for tender and after a prequalification of suppliers the procurer can go into dialogue with the suppliers about how the needs and functional demands best can be met.

Experiences from Norway show that the use of competition based dialogue in procurement processes is a good methodology: if the objective is to foster competition and create good end solutions, but that it takes a lot of resources both for demanders and suppliers to use it.¹⁶ Regarding the evaluation of the different procedures, this should be used not only as a

¹⁶ Report by Input AS for The Norwegian Agency for Public Management and eGovernment (Difi).

control mechanism at the end of a procurement process but also during the different stages of such a process. Questions to be asked in the evaluation procedure are, for example:

- Was user needs taken care of?
- Was it economically bearable?
- Were there any hindrances for innovation?
- What were the strengths and weaknesses in the procurement procedure?
- What feedbacks came from the market, from practitioners or researchers?
- What were the experiences and what ideas came up after the procurement?

Fourth step: Dissemination & Exploitation

It is very important for a group like this to develop a good team, a good organisational structure and common rules for internal and external communication, sharing of information and evaluation of the project. The evaluation should be **formative** in the way that it should take place during the three phases of the project and aim at improving the strategy or way of functioning of the project and its organisation if needed. The steering group should be responsible for the evaluation process, which should focus on comparisons of actual impacts against the strategic plans for the project. At the end of the project, a **summative** evaluation should also be carried through, drawing lessons from the completed project.

As for the dissemination and exploitation of results, these should be used for an internal capacity building, coordination and communication as well as for raising awareness externally of procurement results among policy makers at the local, regional and national level of the EU member states, as for the EU itself. An interactive web page will be set up at the beginning of the project for internal communication and evaluation. Linked to the webpage a newsletter will be published through an open e-mail system and there will be links to new social media for open discussions and dissemination and exploitation of project results. The webpage will also present other relevant publications from the project, such as the hand-book that will be produced, and there will be an open database for consultation based on the existing system used by the Agency for Public Management and eGovernment (Difi).¹⁷

With the participation of the Confederation of Norwegian Enterprise (NHO), stimulation of cross-border learning will also be part of the project and through NHO's membership in Business Europe, the Confederation of European Business the dissemination and exploitation of the results will include business interest organisations all over Europe. Hopefully, the results of this project will also be possible to spread into the social dialog between the business interests and trade unions in Europe.

An information plan and media strategy will be set up at the beginning of the project, with the Confederation of Norwegian Enterprise's National Program for Supplier Development (NHO in table 2) responsible. This strategy will be based on three main principles:

- all information shall be open and free for everyone to use (open source)
- press releases shall be published electronically at each milestone
- the use of new social media shall be an integrated part of project communication

In table 2, next page, the work-plan for the INNOBUILD project is presented in detail with the role of the partners included.

¹⁷ <http://www.difi.no>.

Table 2 INNOBUILD Work-Plan

	LYNGDAL	FALUN	NHO	Difi
Methods of implementation	A joint procurement agreement with Falun and call for tender through either (1) an open or limited call for tenders, or (2) a competition with negotiations, or (3) competition based dialog; endogenous capacity building on procurements	A joint procurement agreement with Lyngdal and call for tender through either (1) an open or limited call for tenders, or (2) a competition with negotiations, or (3) competition based dialog; endogenous capacity building on procurements	Communicative interaction with existing national program for supplier development and cross-border/cross-sector dissemination and exploitation through Business Europe and networks they participate in	Communicative interaction with existing strategies to strengthen the government's work in renewing the public sector and improve the organisation and efficiency of government administration
Reasons for methodology	Needs and functional demands for high tech buildings for senior citizens and raising costs creates a need for public procurement of innovative solutions; methodology provided partly by NHO and Difi, as well as through the call for proposals	Needs and functional demands for high tech buildings for senior citizens and raising costs creates a need for public procurement of innovative solutions; methodology provided partly by NHO and Difi, as well as through the call for proposals	Knowledge development and supplier support through the Confederation of Norwegian Enterprise's (NHO) National Program for Supplier Development and links to Business Europe	Knowledge development and direct public procurement advice by reference to existing strategies for public procurements developed by Difi ¹⁸
Previous projects	Not of this kind. Public procurements have been implemented but not with EU methodology and financial support	Not of this kind. Public procurements have been implemented but not with EU methodology and financial support	Not of this kind, but NHO has its own supplier development programme which is set up to increase competition, economic development and innovation through more active use of public procurement, understanding, skills and knowledge of innovative public procurement, and implementation of more innovative public procurement	Not of this kind, but this public agency has developed a lot of information material and many hand-books on the modernisation of the public sector through improvements in the organisation and efficiency of government administration; well developed webpage with a lot of valuable information for this project freely accessible
Procedures of internal evaluation	Lead partner and project manager, represented at the steering group. Will run formative evaluations of both project and own participation, the first on orders from the steering group, the second on order from project manager	Will participate in formative evaluation of project and run normal political evaluations of participation in INNOBUILD between the administrative and political institutions in the municipality	NHO already has a programme for supplier development with an evaluation strategy in relation to pilot projects that have been finished ¹⁹	Difi is constantly working with evaluations of public administration and will be an important partner when the organisation of the project is set up and the evaluation processes start; provides knowledge to partnership
Interaction with other organisations outside the buyer group	Innovation Norway, which contributes to enhancing innovation in Norwegian enterprises and industry, build competitive enterprises at domestic and international markets, and transform ideas into successful business cases	VINNOVA, the Swedish Government Agency for Innovation Systems, is Sweden's national innovation agency. Its aim is to increase the competitiveness of Swedish researchers and companies. All programmes are followed-up and evaluated	Business Europe, playing a crucial role in Europe as the main horizontal business organisation at EU level. Has 41 membership organisations, representing 20 million companies from 35 countries; used for dissemination and exploitation of results	Interacts with the ministries of the Norwegian government and plays an important role in the knowledge development of the public sector in Norway; active role in policy formulations in service innovation programmes in Norway
Role of participant	Procurement & implementation	Procurement & implementation	Dissemination & exploitation; advisor	Advisor; responsible for project hand-book

¹⁸ <http://www.anskaffelser.no>

¹⁹ <http://www.leverandorutvikling.no/om-programmet/>.

Table 3 INNOBUILD Organisation

	LYNGDAL	FALUN	NHO + KS	Difi
Lead partner	Responsible for project development; including internal evaluation; responsible for contact with EU Commission, including report obligations; responsible for budget			
Project manager	Work on orders from the steering group with day-to-day project administration; reports to the steering group; work with budget set by steering group			
Steering group	2 representatives: project manager and the city governor of Lyngdal	1 representative, the city governor of Falun, as chairperson of the board	2 representatives; one from the Confederation of Norwegian Enterprise (NHO) and one from The Norwegian Association of Local and Regional Authorities (KS)	1 representative at director level
Activity I: Identification	Identification of procurement needs and potentially available solutions in collaboration with Falun	Identification of procurement needs and potentially available solutions in collaboration with Lyngdal	Responsible for joint trainings, workshops and networking with national public authorities working with procurement issues in the two countries involved as well as relevant EU institutions and organisations	Advisory role in the develop of procurement competence in the municipalities, i.e. further development of the method for public procurements in the field of buildings for senior citizens
Activity II: Supplier Development	Joint procurement implementation with Falun	Joint procurement implementation with Lyngdal	Stimulate cross-border learning through Business Europe	Advisory role in the development of necessary expertise to improve the quality of selection and evaluation stages of tendering processes and assessing and comparing the innovation components
Activity III: Mobilisation	Mobilise producers of goods and services on the supply side, in particular SMEs bidding for public contracts across the Internal Market; supplier development	Mobilise producers of goods and services on the supply side, in particular SMEs bidding for public contracts across the Internal Market; supplier development	Raise awareness of the results of the joint procurement amongst local, regional and national policy makers and procurement authorities on the demand side; lead cross-border and cross-sector learning and endogenous capacity building in the two municipalities	Write a report and establish a database with references to the actual procurement processes based on an open source basis, i.e. available to all; building the database on already existing information at Difi homepage
Dissemination & Exploitation	Run homepage & use new social media	Report to PM & use new social media	Cross-border learning w/Business Europe	Hand-book & database
Personnel	1 project manager (internal adviser/senior adviser) 1 secretary (internal consultant) 1 procurement officer (internal consultant) 1 external consultant (sub-contracted)	1 project manager (internal adviser/senior adviser) 1 property developer (internal adviser) 2 procurement officers (internal consultant) 1 external consultant (sub-contracted)	1 project manager (internal senior adviser) 1 senior adviser (internal) 1 information consultant (internal)	2 senior advisers (internal)

V.5. DURATION AND PLAN OF ACTION

Table 4 INNOBUILD Duration and Plan of Action

MONTH	1-6	7-12	13-18	19-24	25-30	31-36
Project management	Set up of organisation and kick-off conference; agree on budget and work-plan; 1 st working group on activity I	Revision of budget and work-plan; development of information strategy; first milestone month 12; study trip	2 nd working group on first milestone month 1: discussion of activity I results; start work on procurement agreement	Procurement implementation process; second milestone = call for tender month 24; discussion of activity II	3 rd working group on procurement results month 25; negotiations with suppliers month 26	Third milestone: procurement contract month 31; preparation of closing conference in month 36
Activity I: Identification	Preparation of market analysis	Market analysis	Agreement on results of market analysis			
Activity II: Supplier development			Decision on procurement agreement	Procurement implementation	Procurement negotiations	
Activity III: Mobilisation					Cross-border and cross-sector learning	Capacity building in the municipalities
Dissemination & Exploitation	Set up project homepage; develop media strategy	Start publishing newsletters and the use of new social media	Publish project specific procurement methodology hand-book		Establish public procurement database	Write final report on procurement
Formative evaluation		Discussion of first milestone and results of working group		Discussion of second milestone and results of working group		Preparation of report and closing conference

V.6. ESTIMATED IMPACT ON TARGET GROUPS (MAXIMUM 2 PAGES)

The main target group to be addressed by the INNOBUILD project is the **public procurement officers** of the two municipalities participating in the project, i.e. Falun and Lyngdal. But, insofar as they work together with **public planning authorities** and local and national **politicians** in the procurement processes, these groups also have be included amongst the main target groups.

To develop a good public procurement methodology and a joint procurement agreement between the two municipalities, the INNOBUILD project will be based on further development of an already existing methodology created by the Confederation of Norwegian Enterprise (NHO) and the Norwegian Association of Local and Regional Authorities (KS) through their National Supplier Development Program, in a communicative process with the Agency for Public Management and eGovernment (Difi) in Norway, Innovation Norway and the Swedish public agency Vinnova. Furthermore, there will be study trips to other cities around Europe for cross-border and cross-sector learning, as well as close contact with EU institutions and programmes for knowledge development of a more generic kind.

The INNOBUILD project is strongly focused on supplier development and an open dialogue between the public procurers and potential suppliers of goods and services across the Internal Market of the EU. Hence, **architects and construction consultancies, construction companies and sub-contracting SMEs** as well as **companies delivering goods and services, often SMEs**, are also amongst the target groups. The same goes for

research and development and higher education institutions and national public agencies working as facilitators in public procurement processes. At this stage, we have not included private companies dealing with these issues, but in both Sweden and Norway there are many law firms and accounting companies that have this as their speciality. Such actors might also be included amongst the target groups, inasmuch as they might work as subcontractors to the INNOBUILD partners or wanting to work with the project partners as potential suppliers of services in the procurement processes.

V.7. PUBLICATIONS AND OTHER OUTPUTS

An **interactive webpage** used for internal and external communication will be established by the project administration on the basis of a communication and media strategy in which the use of **new social media** by all the involved partners and advisory organisations will be strongly encouraged.

The webpage will include all types of publications that are produced during the project period, such as internal documents used in the daily administration of the partnership, reports and research results delivered by subcontracted consultancies, or other kinds of material that can have a more general interest for other similar actors in good standing with the main principles of the EU and the programme objectives.

An INNOBUILD project **newsletter** will be established and distributed through an e-mail system which is integrated in the project webpage. But in addition to this quarterly newsletter, press releases will be distributed via the e-mail system when needed. This information will be sent to the media and to targeted groups such as business interest organisations, trade unions, user groups etc., or anyone who sign up for it via the homepage.

A **hand-book** on how to improve the process by which contracting public authorities and entities are acquiring goods and services, i.e. procedures for the award of contracts in public procurement, will be developed electronically together with an **open source database** for supplier development for public procurement of innovative solutions (PPI).

V.8. MULTIPLIER EFFECTS (MAXIMUM 1 PAGE)

Through the INNOBUILD project hand-book and open source database, cross-border and cross-sector replication and extension of project outcomes will be stimulated. So will the participation of Business Europe as an adviser to the project buyer group through the partnership of The Confederation of Norwegian Enterprise (NHO) and the common programme for supplier development that NHO has established together with the Norwegian Association of Local and Regional Authorities (KS). For the public sector as such, replication and extension of project outcomes will be stimulated by the partnership of the Agency for Public Management and eGovernment (Difi) and its international contacts, as well as the advisory public organisations Vinnova in Sweden and Innovation Norway in Norway. But the biggest potential for cross-border and cross-sector replication and extension of project outcomes, will be drawn from participation in the Competition and Innovation Framework Programme of the EU.

V.9. SUSTAINABILITY

Insofar as the joint public procurement agreement between Falun and Lyngdal is an integrated part of the public services the two municipalities offer their inhabitants, **financial and institutional sustainability** will be guaranteed by local and national public authorities in

the two countries, and include the closing of the joint procurement procedure and the actual set up and daily use of high-tech buildings for senior citizens in their municipal welfare services. **Political sustainability** will be guaranteed through the involvement of the Norwegian Association of Local and Regional Authorities (KS) for the local and regional level of government in Norway, and for the public sector as such, replication and extension of project outcomes will be stimulated by the partnership of the Agency for Public Management and eGovernment (Difi) and its international contacts, as well as the advisory public organisations Vinnova in Sweden and Innovation Norway in Norway.

The Agency for Public Management and eGovernment (Difi) is the main knowledge provider on issues like this for the Norwegian ministries and directorates, and the results of this project will be used for further knowledge development at Difi, which aims to strengthen the government's work in renewing the public sector and improve the organisation and efficiency of government administration.