

iBuy - Fostering the role of public authorities as demanders of innovation through public procurement

Action plan for Lithuania



Introduction

“iBuy” is an Interreg Europe funded project dedicated to boost innovation through public procurement. It aims at encouraging public authorities to start acting from the demand side for innovations as it has been conceptualised in the Europe 2020 strategy and the Innovation Union. The partners involved in this project represent territories that are in early stages in the implementation of innovation public procurement (IPP) programmes and they are facing common challenges, mostly based on their lack of experience as innovation demanders, that can be supported through interregional cooperation in order to generate synergies and common added value. Within this goal, iBuy aimed at developing innovative models suitable to mobilise public and private stakeholders—beneficiaries and funding, enlarging the number and the quality of the outputs of the instruments and their policy impact, while promoting a European perspective and ensuring the durability and transferability of the achieved results. The project supported the learning path of policy makers and main stakeholders to better implement their **public procurement of innovation (PPI)** programmes in an efficient and effective way.

In this document, three main terms will be used. Broadest concept in this document, which encompass **pre-commercial procurements (PCP)** and **public procurements of innovation (PPI)** is **innovation public procurement (IPP)**. PCP is a specific approach to procure R&D services that involve competitive development phase, risk-benefit sharing under market conditions, and where there is a clear separation between the PCP and the deployment of commercial volumes of end-products. PCP is used when there are no near-to-the-market solutions yet and new R&D is needed. PPI means procurement where contracting authorities act as a launch customer of innovative goods or services which are not yet available on a large-scale commercial basis and may include conformance testing. PPI is a specific approach for procuring innovative solutions in which procurers, unless they conducted a prior PCP, announce well in advance their intention to buy a significant volume of innovative solutions, in order to trigger industry to bring to the market solutions with desired quality/price ratios within a specific time. In PPI, procurers act as launch customers, also called early adopters or first buyers, of the innovative solutions.

In the framework of the project “iBuy”, analysis of innovation public procurements in Lithuania was performed, local stakeholders group meetings were organized and a survey of experts, related to PPI was also implemented. As a result of these activities, major issues related to PPI were identified.

While pre-commercial procurements in Lithuania are highly promoted using both, financial and soft support services and are increasingly implemented, number of implemented PPIs is still very low. In addition, it is very important to note, that that the number of PPIs is declining. In 2011, 17 PPIs were implemented by 5 different organizations while in 2019 only 1 PPI was implemented (Figure 1.).

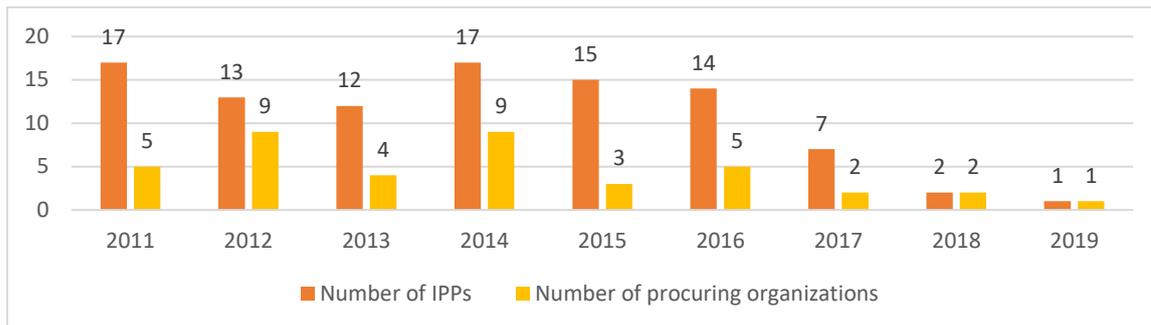


Figure 1. Number of IPPs and number of procuring organizations. Source: Public Procurement Office¹

The poor performance regarding PPI can be related to the fact, that PCP and not PPI is mostly promoted in Lithuania. During the local stakeholder group meetings, participants noted that Lithuania lacks financial and soft support services which would target public procurements of innovations. There is only a financial measure dedicated to support PCP (“Ikiprekybiniai pirkimai LT”) and there are no support measures foreseen for the PPIs.

Public organizations also lack innovation capacities and have difficulties to identify the needs where newly developed solutions could potentially be applied. PPI is a complex process which requires different knowledge and skills, however, some public procurers lack PPI related competencies, e. g. they don’t fully understand the market and the newest tendencies; they have a lot of misconceptions about the price and time; they lack project management skills. Last but not least, private sector also has a role regarding the low implementation of PPIs as it is still reluctant towards a possibility to participate in innovation procurements because it still doesn’t find public sector as a reliable partner to develop a partnership. Private sector still has many false stereotypes about public procurements and public sector in general.

Taking all the learnings into account an action which should lay a basis for the creation of a support system for PPI in Lithuania has been formulated.

¹ Public Procurement Office, “Inovatyvūs pirkimai: 2011-2019 m. rezultatų ataskaita”. < https://vpt.lrv.lt/uploads/vpt/documents/files/Inovatyvus_viesieji_pirkimai_2011_2019.pdf>



Part I – General information

Project	Fostering the role of public authorities as demanders of innovation through public procurement “iBuy”
Partner organization	Lithuanian Innovation Centre
Other partner organisations involved (if relevant)	-
Country	Lithuanian
NUTS2 region	Lithuania
Contact person	Justė Rakšytė-Hoimian
Email	j.rakstyte@lic.lt
Phone number	+370 694 39886
Legal representative of the organization	Mantas Vilys



Part II – Policy context

The Action Plan aims to impact:

- Investment for Growth and Jobs programme
- European Territorial Cooperation programme
- Other regional development policy instrument

Name of the policy instrument addressed:

- Financial support measure of the Lithuanian OP 2014-2020 priority No. 1 “Strengthening research and development and innovation” InoGeb LT;



Part III – Details of the action envisaged

Action 1

Improving and extending the scope of support services regarding public procurement of innovation

Background

In order to strengthen Lithuania's economic development as well as tackle social exclusion, unemployment, energy security and other related challenges, The Lithuanian Operational Programme (OP) has been designed. As this programme was being developed, a very small share of enterprises implemented all types of innovation, R&D expenditure on innovation in 2011 was only 0,9% of GDP (business R&D expenditure was 0,33% of GDP), commercialization of the existing Lithuanian scientific potential was low. Besides that, major trends and initiatives, including Industry 4.0, digitisation, circular economy, carbon neutrality were and are emerging. Under the development area "Smart long-term economic growth", priority No. 1 "**Strengthening research and development and innovation**" was developed (in total there are 12 thematic priorities).

Understanding the importance of innovation public procurements, policy instrument "Pre-commercial procurement LT" was designed under the first priority of Lithuanian OP to encourage innovation development and the creation of new products and services. Policy measure was developed specifically for the public institutions to procure R&D services rather than actual already existing goods or services. "Pre-commercial procurement LT" in the context of Lithuania is a unique support measure as it is the only one demand-side innovation support scheme. A support scheme encourages public institutions to adopt a PCP mindset by significantly reducing risk. The programme provides funding up to 85% of the PCP with the remaining 15% to be financed by the contracting authority. The programme can support pre-commercial procurement at different stages:

- creation and approval of the concept of innovative products (stage I);
- creation of a prototype of an innovative product (stage II);
- pilot of innovative product, which may include the purchase of an innovative product (stage III).

Supported activities include the creation of new, non-existing products, services, materials, processes or substantial upgrade of an existing product, services, material, process, addressing societal and economic challenges of public interest. In total, 30 appli-



cations to use this support measure was submitted and 20 of them were approved. Requested funding for all 30 submitted projects amounted to 26 million euros, while funding allocated was 17 million euros.

Soft innovation support services are also very important in order to foster innovations and the implementation of innovation public procurements. Most companies or institutions, starting or already engaged in R&D activities lack information and knowledge on various issues related to R&D. As a result, innovation support services have been developed under the 2014-2020 EU structural funding first priority of OP and “Inospurtas” project was initiated, with the main objective to increase innovation capacity of enterprises and to encourage them to implement R&D activities more actively in the sphere of smart specialization by providing innovation consulting and soft support services. Regarding IPP, the intended purpose of the project was to stimulate the demand for innovation, by encouraging pre-commercial procurements and it was done through the provision of services encouraging the implementation of PCPs for both actors from public and private sectors.

Consultation services regarding pre-commercial procurement was provided to the both public and private sectors. Capacity-building programmes were provided as they reduce the complexity and uncertainty associated with pre-commercial procurement. In case of public sector, consultation covered these topics:

- The benefits for the contracting authority as well as the society brought by implementing a PCP project;
- The concept of R&D and what has to be procured;
- The solutions which already exist on the market;
- The financial instruments to obtain funding for the PCP project.

Private sector companies received support on the following topics:

- The benefits that companies derive from participating in PCP;
- Procedures of the PCP which need to be followed;
- Preliminary evaluation, whether the service/product proposed by the company meets R&D requirements.

As project “iBuy” was based on cooperation, collaboration and community engagement, it allowed project partners to learn from each other and share good practices. It was ensured through project partners meetings, study visits and presentations from a variety of local stakeholders. Given the identified challenge in Lithuania, that there is lack of soft support services regarding PPI, good practices in the field of soft support services directed towards capacity building were particularly relevant and interesting. During the study visit in Finland, project consortium was introduced with the KEINO Competence Centre, which helps Finish public contracting authorities with the development and implementation of sustainable and innovative procurements. This centre is based on the idea, that in order to promote PPI, contracting authorities have to receive various support and consultation services, that include:



- assist to the contracting entities in management tools development and measurements;
- help to set up procurement groups;
- support the development of procurement competences through advisory services, events and networking meetings;
- providing good practices and case studies, strengthening international networks and cooperation.

Concept of competence centres that provide support services regarding PPI were also presented in the project partners meeting and seminar in Portugal. The purpose of this meeting was to discuss the relevance of the procurement competences and policy instruments to support capacity building on the implementation of PPI. During this event, consortium was introduced with 5 different innovation procurement competence centres from Austria, Sweden, Germany, Spain and Netherlands. Using these examples, a number of best practices and recommendations on how capacity building can be delivered to the procuring organizations were collected:

- What should be the goal of mentoring activities;
- What are the critical factors for the success of innovation public procurement;
- What type of information should be provided;
- What kind of competences and skills should be promoted;
- What kind of activities should be implemented;
- How to finance capacity building initiatives.

Action

PPI in Lithuania is underused due to the fact that some contracting authorities lack a general understanding, competencies and support regarding this process. Having this in mind and based on the learning experience from participating in the project, Lithuanian Innovation Center proposed an action that is directed towards the capacity building of procuring organizations, including public procurements of innovation.

Project “InoSpurtas” under innovation support measure “Inogeb LT” has been implemented since 29 of July, 2017 until 31 of March, 2020. Understanding the importance of soft support services to promote PPI, Lithuanian innovation center proposed to prolong the support activities and improve the support services by extending their scope while giving more attention to the support services related to PPI. Taking this into account, additional funding for the support services has been allocated.

Consultations will be provided individually and during the information events organized for several procuring organizations.

In the framework of this action, results to be achieved are:

Indicator

Target value



	Lithuanian innovation center	Agency for Science, technology and innovation
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Number of pre-commercial procurements and public procurements of innovation	17	33
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It is a written need (planned intention) of the contracting authority that has received support services to procure R&D services or to carry out public procurement of innovation.

Number of consulted contracting authorities	72	144
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Consultations for contracting authorities regarding the functional parameters of the products to be procured and other questions related to the procedures.

Players involved

Two organizations will be providing the support services: Lithuanian innovation center and Agency for Science, technology and innovation. Separate target values are foreseen for each of the service providers.

Timeframe

09.2020-12.2022

Costs (if relevant)

Costs for the capacity building of contracting authorities are planned as follows:

- Salaries of the staff – EUR 237 000;
- Secondments expenses of the staff – EUR 3 000;
- Expenditure on the operation of vehicles and premises required for the implementation of project activities – EUR 5 000;



Funding sources (if relevant)

Project will be funded using funds allocated under Lithuanian OP programme priority No. 1 "Strengthening research and development and innovation".