



PAPIRUS

Public Administration Procurement Innovation
to Reach Ultimate Sustainability



The research leading to these results has received funding from the European Union
CIP Entrepreneurship and Innovation Programme under grant agreement n° 512.662792.



PAPIRUS workshops summary

Sharing experience, results and lessons learned from the PAPIRUS, SPEA and PROBIS projects

In the framework of PAPIRUS project an international workshop for EU funded PPI projects, was held on 19th November 2015 in Brussels. The aim of the workshop was to exchange knowledge, experience and share best practices on PPI implementation.

The participants of the workshop represented the following PPI projects:

- **The Smart Procurement European Alliance (SPEA)** project focuses on improving energy efficiency in municipal buildings in order to incorporate energy saving and renewable energy to these buildings and to develop sustainable management procedures in the cities of the European Community (<http://www.speaproject.eu/>, www.sustainablebuildings.eu);
- **Supporting public procurement of building innovative solutions (PROBIS)** - general objective of the project is to promote bidding through innovative solutions aimed at increasing energy efficiency and sustainability of European public buildings (<http://www.probisproject.eu/>);
- **Public Procurement Administration to Reach Ultimate Sustainability (PAPIRUS)** - the overall objective of PAPIRUS project is to promote, implement and validate innovative solutions enabling the European community to achieve sustainable construction. The project implied an introduction of a new public procurement process focused on providing materials characterized by near zero energy consumption for the repair and construction of buildings in four European locations <http://www.papirus-project.eu>.

The last session of the event was an interactive discussion regarding barriers and challenges that each project has experienced when implementing public procurement of innovation. Below is a summary of the results from the workshop and challenges that have been discussed among the representatives of the PPI projects. We hope that these findings and lessons learned will help you to plan and implement PPI projects and minimize in time the challenges they carry.



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PREPARATION PHASE

Planning ahead

PPI still an unexplored area

PPI is still not a well known process in the EU member countries. It is a new area and Public Procurers still lack knowledge and expertise. It is important for Public Authorities to raise awareness about PPI, to train public officers and support PPI implementation. This should be addressed in each member country by nationwide campaigns, awareness raising activities. As a result this would lead to treating procurement not only as a purely financial and administrative task but considering it with broader policy objectives e.g. health, environment.

Establishing strategic plans

PAPIRUS, SPEA and PROBIS are pilot projects in the area of PPI co-financed by the European Union to explore this new way of procuring in which defining needs is the key point. PPI deals with seeking solutions to meet these needs that are not yet available commercially on a large scale. It is important to describe needs and not the technology sought. In Public Procurement of Innovation everything comes down to the definition of needs.

It is crucial to establish a clear strategy in your institution and plan ahead investments needed not only to jump into a project but to go aligned with your institutions real needs and strategies - more strategic project design (ideally cooperative with EU programs). And then these strategic plans should be converted into projects.

The PAPIRUS Consortium was totally committed to launch a joint public procurement seeking the description of the proposal. The proposal in this sense did not establish a clear common strategy for all the PAPIRUS public procurers; each had its own times and needs, such as procuring works or/and procuring supply and works etc.

The proposal of the PAPIRUS project was focused on near zero energy consumption buildings and technologies to fulfill this objective or need on different buildings or pilot cases, in a wide way. The dialogue with the Market narrowed the technologies to be applied.

The PAPIRUS Consortium tackled the issue of tender implementation by analyzing each pilot site in depth and preparing ad hoc procedures sharing with all partners all the steps of the tenders' preparation and the outcomes. The result was one of the partners implementing a work tender of the lots while three partners implemented the supply tender procedure. This shall enable the Consortium to draft a guideline describing the lessons learned from each of the options.



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Set proper timeframe

When planning the project it must be taken into consideration that first of all PPI process lasts longer than normal public procurement. The timeframe established for the PAPIRUS project has been very tense. It turned out that 3 years for planning PPI, dialogue with the market, implementing the tender, doing the constructions works and monitoring the results is far too short. Thus, PAPIRUS had to answer to the EU call and fit into EU requirements.

Is cross border joint procurement feasible?

In PAPIRUS and SPEA projects implementation of a joint procurement was planned (one single procurement for all public bodies involved in the procurements) while PROBIS planned a common or coordinated procurement. Implementing a Joint procurement was a very ambitious goal of the projects, which turned out to be impossible in practice due to legal differences in member countries. As a result of the legislative analysis both projects decided to carry out a coordinated procurement. In fact Public Procurers point out that it would have been more effective for each Institution to carry out an individual procurement and exchange experiences, coordinate the process and results.

It turned out that each Public Procurer had different needs due to different demonstration sites that included buildings, climate, legal differences, etc. Having the same award criteria for different projects' needs was a big challenge technical regulations are different and the minimum criteria's differs significantly whereas each public procurer could have focused on its specific needs which would be more beneficial for the interest of each procurer. Instead, trying to launch a joint or coordinated procurement across borders proved that SME are not ready for it yet.

One of the ideas to implement a joint procurement in several countries was that SMEs could offer their products to foreign Purchasers and expand their businesses opportunities to other member countries at the same time rising competitiveness on the European market. Unfortunately almost none of the companies had decided to place a bid in a foreign country. Suppliers indicated that language barrier (even if the applicant could submit the offer in English) and legal differences were deterrent. In case of PAPIRUS Norwegian Partner – Oslo Kommune another challenge was the currency (as Norway is not in Euro zone) and the risk associated with it.

A joint procurement could be used solely if the problem is common overcoming, if possible, the current legal obstacles



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Definition of needs

What is innovation?

Public Procurers have found it difficult to clearly describe requested innovation when even the definition of innovation has still not been set. But is definition of innovation needed at all in the procurement? At the workshop it was agreed that definition of needs will be by itself the requested innovation.

During some of the PAPIRUS market events, there were quite innovative products presented. In Public Procurement public administration is obliged to purchase safe, tested and certified products while PPI allows for certain risks. By PPI Public procurer seeks, something new, beyond the state of the art but on the other hand something that has been already tested and carries as little risk as possible.

During the workshop public procurers discussed about the need of defining innovation, maybe for public administration “innovation is what you need”?

Therefore, first identify what you need and then you will find innovation that will resolve it.

Dialogue with the market

Public Procurer should be trustworthy

Public administration is often changing, there are new elections, political changes etc. therefore to remove the barriers between procurers and suppliers it is important to build trust and have honest interaction.

Public bodies and the priorities of the public sector will always be a subject to changes. It is in the nature of a democracy that the priorities of the administration will change and bring changes on the political scene. On one hand public sector is a reliable and valuable customer to the suppliers, especially when the financial growth is low. On the other hand, the changing political priorities can make it difficult for the suppliers to rely on the priorities to stay the same over time. Since public procurement processes also tends to take a lot of time, public sector can also be a demanding customer. Especially for SMEs that cannot spend a lot of resources not getting money back.

Relation between procurers and suppliers has to be built in trust and transparency.



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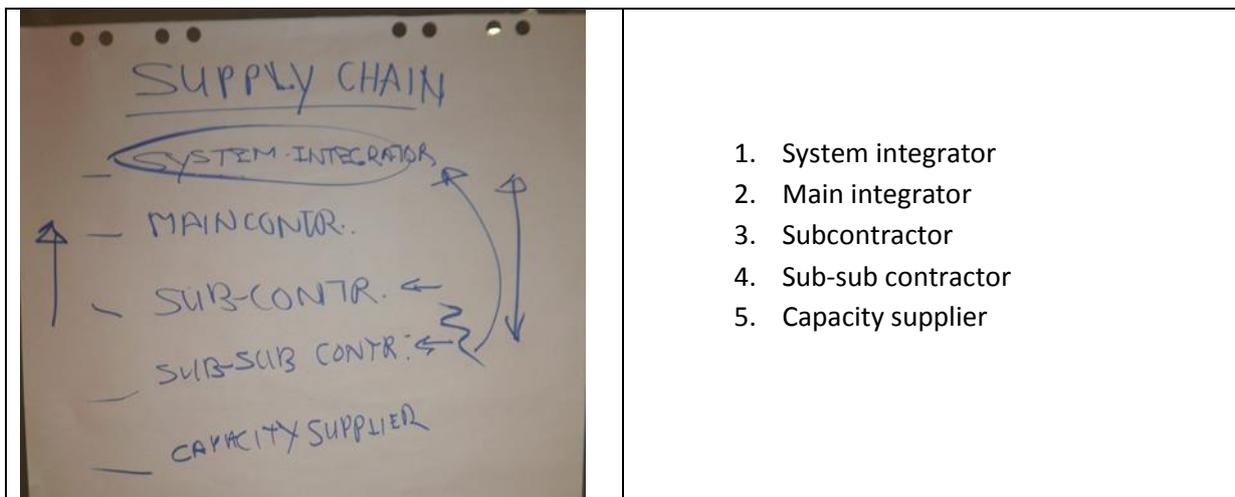
Reach the SMEs

SMEs are often not used to do business directly with public administration but with contractors (which is easier) without the necessity to go through the whole procurement procedure. Therefore, reaching and encouraging them to engage in PPI is quite a challenge. In the PAPIRUS case the public procurers were in some cases trying to reach a market that regardless of the size of the company does not deal directly with public procurers at all.

One of the challenges in PPI faced by SMEs is the extended timeframe of the process. As result some companies backed out of cooperation in the projects. In order for SME to get involved in PPI, time and resources (both financial and human) are needed. This is not always feasible for small or medium sized enterprises to allocate, especially with no certainty of getting the money back.

For some contractors, on the other hand, public procurement is their main income and therefore it is easier for them. Time and resources to prepare offers and bid in tenders is part of their work. Unlike the SMEs whose main income is derived from retail sales or wholesale to contractors who then provide services to public administration.

Representatives of Eindhoven municipality who analyzed the construction market presented the supply chain during the meeting as follows:



In the chain above SMEs are likely to be positioned somewhere on level Subcontractor/ Sub-sub contractor. In their experience SMEs were not yet ready to answer to PPI alone (at least in the construction sector). They found that the best way to engage SMEs and integrate their results is by using a system integrator, and that can only be a large company.



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Greater attention and need of rising awareness among SMEs in order to encourage them to get involved in PPI is essential. In the framework of SPEA project a Guide for SMEs on how to participate in PPI has been developed. It is available on: <http://www.speaproject.eu/>

In the framework of the PAPIRUS project, Public Procurers encountered lack of response from the natural lighting market. Some SMEs in this field work very closely with construction project prescribers such as lighting engineers and for different reasons there were not interested in the PAPIRUS market events.

As a result of the dialogue with the market two of the 5 technologies had to be left out of the procurement.

The PAPIRUS project succeeded in the initial contact with suppliers and even had a lot of interest from smaller companies. Since the procurement was divided into lots, in theory, there was no need for a system integrator as they found in Eindhoven.

Formation of alliances

Cooperation and formation of alliances between suppliers has not taken place in the PAPIRUS project. Suppliers showed interest in creating alliances during PAPIRUS market events and asked for a Partner search database which was established on the PAPIRUS website, but no alliances were in fact created. PAPIRUS consortium has analyzed this fact and one of the conclusions of SME not being active is lack of real interest on one hand and lack of PAPIRUS consortium boosting more actively this issue on the other.

Municipality of Eindhoven (SPEA project) has dealt with this issue in a successful manner. A Matchmaking event was set up to actively encourage and facilitate partnerships (consortia) between the various parties involved in the “Smart way towards sustainable municipal buildings” project. It included pitches, theme sessions, speed dates. This was not a one day activity. The Matchmaking event was a continuation of prior wide market dialogue activities such as: exploration days, gathering ideas and profiles which were presented online, Process Information session as well as online matchmaking in preparation for the Matchmaking event. Clear presentation of the whole process of Eindhoven PPI is available on <http://sustainablebuildings.eu/>.

As pointed in the workshop SME`s cooperation and networking opportunities have to be provided.



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Too complex tender documents – a deterrent for SMEs

Particularly to the PAPIRUS project, construction material suppliers are not used to do business directly with the public administration. Their lack of knowledge about public procurement and difficulties in fulfilling all the complex documentation has resulted in a low number of offers.

Holding an event for suppliers after the launch of tender and explaining how to fill the documentation would have been very helpful. This was done with some success in the Eindhoven case and it will be done in the second PPI in Oslo.

TENDER IMPLEMENTATION PHASE

Economical

In the first PAPIRUS tender the idea was to evaluate on purchase price, maintenance need and lifetime of the product separately. This proved to be a problem as the suppliers had difficulties delivering reliable documentation. The results was that purchase price in the end might have been a too important criteria. To solve this issue Oslo is trying a new approach in the second PPI. The idea is to ask for purchase price, maintenance need of the product and lifetime. Oslo will then apply its own prices for maintenance, putting all of the results into a formula. The idea is to evaluate on that price alone, not the purchase price.

TENDER IMPLEMENTATION PHASE

Technical

Integration of different solutions

The PAPIRUS project proposed to divide the contract into lots as a way to encourage SMEs participation which is in line with the new Directives.

This fragmentation had a detrimental effect in the PAPIRUS tenders since dividing the different building parts into lots proved to be a problem, especially in the case when asking for many of the



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solutions. The fact that some of the lots were depended on each other was not taken into account sufficiently. The problem was limited to the windows and the walls.

One of the solutions could have been to try and encourage alliances between the different suppliers making them capable of delivering a holistic bid. However this cooperation would be time consuming and with the contract only being a supply contract, not a supply and works contract it is doubtful that it would be worth it in terms of effort spent and payback. In addition one of the goals of the project was to reach the SMEs and the suppliers to make direct purchases. The PAPIRUS partners were skeptical that the encouragement of holistic bids would result in contracts with large system integrator companies and not lead to the cooperation with SMEs that they were aiming for.

The lessons learned are that if you need to integrate products of several companies, a system integrator is needed. A system integrator will then turn to suppliers for different products. If you still want to engage SMEs directly, a solution might be that the public procurer acts also as the system integrator. However this requires great knowledge and technical expertise. For big municipalities it may not be a problem but smaller ones may lack capacity to hire special staff or subcontract. In such case a system integrator can only be a large company.

As already mentioned in Eindhoven (SPEA project) creating the alliances by SMEs and integrating different solutions went far more successful. However, during the dialogue with the market it could be noticed that SMEs were frightened off by the big construction companies and did not believe they could be competitive.

From Eindhoven experience encouraging SMEs to create alliances has not been easy. This process requires big attention and amount of time. Therefore, plan ahead the process of encouraging SMEs in this cooperation and do not treat it as something natural and effortless. SMEs still do not have knowledge about PPI, are not used to do business with public administration and may be determent by big companies and contractors.

Criteria Award

Limit the award criteria

In the PAPIRUS project, too many award criteria had been established. In the end it was difficult for suppliers to meet them and to deliver the requested documentation. Focusing on a limited amount of criteria that is really required from the products and making them broad is the best option.

The idea is to have a very open approach, turn the roles around - show the market what you need and ask for a solution. They are the ones who should come with an idea to you. This way you leave



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the market complete freedom and are open to innovation. This approach however, may also be very challenging for suppliers as usually public administration says exactly what is required, what standards must be fulfilled. Lacking knowledge on PPI process among SMEs may lead to lack of response from the market. In order to avoid this, deep market dialogue is crucial.

Engage the supplier in establishing the award criteria

A good idea is to engage suppliers in establishing the award criteria as they will have to answer to them. In the PAPIRUS project, during the market events, suppliers were asked and encouraged to identify the award criteria they would have liked to be assessed with, however the feedback was limited. SMEs who were never involved in public procurements did not have enough knowledge on how to create award criteria. It would have been more effective to first establish award criteria and then present them on the market events and discuss them with suppliers.