

# PRE-COMMERCIAL PROCUREMENT (PCP)

# PUBLIC PROCUREMENT OF INNOVATIVE SOLUTIONS (PPI)

POSSIBLE SYNERGIES BETWEEN
EUROPEAN STRUCTURAL AND INVESTMENT
FUNDS(ESIF) AND HORIZON 2020(H2020)

This is a very first piece of information regarding the synergies between ESIF and H2020 on PCP/PPI. A SWD on that issue will provide more detailed information.



## PCP - PPI IN A COHESION POLICY CONTEXT



#### Why should MA and Regions be interested in Innovation Procurement?

#### .....it is a win-win situation for

#### **✓ Public authorities**

- •by engaging actively as first potential customers in getting new solutions developed and tested, involved in PCPs, can act as a "seal of approval" confirming the market potential of new emerging technological developments, thereby attracting new investors.
- •by triggering the development of breakthrough solutions ahead of the rest of the market, can through their role of demanding first buyer create opportunities for companies in Europe to take international leadership in new markets.
- by increasing "local" public sector demand to develop innovative solutions for the societal challenges of the future, can help combat delocalisation and encourage companies to invest in highly qualified R&D in Europe.
- •can get more efficient infrastructures and service solutions

#### **√Innovators**

•can get first client for new product (lead customer) and faster ROI



#### SETTING THE SCENE

- ✓ The implementation of a PCP and/or PPI should take place in the framework of a holistic approach that involves R&I to achieve the goals set for the development of each region mainly reflected through the Smart Specialisation Strategy and provides clear impact on competitiveness, job creation and growth.
- √ The Smart Specialization strategies will set out the national or regional frameworks for investments in research and innovation not only from ESIF but from all funding sources. In that way synergies with H2020 will be better ensured and actions will be in line with the Europe 2020 objectives.
- ✓ What is important at strategic level

The relevant OPs and European Territorial Cooperation Programs should be designed in a way to support public demand driven innovation in terms of PCP/PPI implementation as well as coordination, consortium building, networking and preparation activities



## **EUROPE 2020**

COHESION POLICY 2014-2020

SMART SPECIALIZATION
Ensures synergies with
H2020

H2020

#### Cohesion policy may support measures in OPs

> To foster more innovative public procurement procedures and admin capacities

Commission

TO 11 (IP11) Enhancing institutional capacity and an efficient public administration

TO 2 (IP2C) strengthening ICT apps for e-gov, e- learning, e-inclusion, e-culture and e-health

Beneficiaries & target group: procurement officers (improving know-how to run PCP/PPI procedures)

- To foster innovation through public procurement both PCP and PPI

  TO 1 (IP1B) Strengthening research, technological development and innovation

  Beneficiaries: public procurers (e.g. open call offering co-financing from the OP to procurers from the region to prepare and carry out PCPs and PPIs, best ideas selected = public sector challenges that would generate maximum quality / efficiency improvement for region if solved by innovations)

  Target group: public sector (improved quality/efficiency) and enterprises (business opportunities)
- > To foster better <u>meeting of public needs</u> through <u>buying the development (PCP) and deployment (PPI) of innovative solutions</u>
  - TO 1 (IP1A) enhancing research and innovation (R&I) infrastructure
  - TO 2 (IP2C) strengthening ICT apps for e-gov, e- learning, e-inclusion, e-culture and e-health
  - TO 4 (all IPs) supporting the shift toward a low -carbon economy in all sectors
  - TO 5 (all IPs) promoting climate change adaption, risk prevention and management
  - TO 6 (all IPs) preserving and protecting the environment and promoting resource efficiency
  - TO 7 (all IPs) promoting sustainable transport & removing bottlenecks in key network infrastructures

<u>Beneficiaries</u>: public procurers such as town planners, transport, environment, health etc. authorities and ministries (ERDF, Cohesion Fund and ESF)

<u>Target group</u>: public sector (improved quality/efficiency) and enterprises (business opportunities)



#### **Cohesion Policy may also support:**

Private demand for innovative solutions (e.g. adoption of energy efficiency and renewables solutions in SMEs and in the housing sector)

TO 4 (all IPs) supporting the shift toward a low -carbon economy in all sectors

- Major projects / Joint Action Plans in cooperation with other Regions and key players in the Cohesion Policy
- Coordination, Networking and Preparation activities for the implementation of a PCP and/or PPI through European Territorial Cooperation Programs



# PCP/PPI IN THE FRAMEWORK OF THE OPS

#### OPERATIONAL PROGRAMME

PCP/PPI UNDER A SPECIFIC THEMATIC OBJECTIVE.

BUDGET ALLOCATION FOR SPECIFIC CALLS FOR PROPOSALS BY THE MAS ON PCP/PPI

HORIZONTAL PRESENCE - AFFECT ALL THEMATIC OBJECTIVES/INVESTMENT PRIORITIES.

NO SPECIFIC CALLS FOR PROPOSALS BY THE MAS ON PCP/PPI.

PCPs/PPIs are implemented as projects in the framework of relevant calls for project proposals launched by the MA of each respective OP



# POSSIBLE SYNERGIES BETWEEN ESIF AND H2020 ON PCP/ PPI



# SYNERGIES BETWEEN H2020 AND ESIF ON PCP/PPI WHY?

#### **BECAUSE:**

- ❖ The value of support for research, development and innovation could be further enhanced by combining funding resources (increase of effects at regional level)
- ❖ Procurers could choose for higher ESIF co-funding rates instead of H2020 co-funding rates whilst participating to H2020 funded PCP/PPIs.
- Better communication between "regional development community" and "Horizon-Science community"
- ❖ A regional development scheme through the participation in a H2020 project acquires a European perspective



#### **CONDITIONS FOR SUCCESS**

- ➤ Include innovation procurement (PCP + PPI) in the RIS3 SWOT and policy mix.
- ➤ Build PCP/PPI references into OPs in every relevant thematic objective.
- ➤ Ensure support of innovation procurement in the framework of the European Territorial Cooperation.
- ➤ Involve MA from the beginning to ensure availability of ESIF & synchronisation.



#### **GENERAL RULE**

#### IT IS NOT ALLOWED !!!!!!

-To use ESIF and H2020 funding accumulatively to finance the same cost/expenditure item

-To finance the own contribution of the participant from H2020 or ESIF



# CATEGORIES OF POSSIBLE SYNERGIES BETWEEN H2020 AND ESIF ON PCP/PPI

Joint or simultaneous use of funds

Sequential funding

Additional funding

Alternative funding



# A. JOINT OR SIMULTANEUS USE OF FUNDS

Different funding sources in the same project.

This is only possible if the cost items (eligible and submitted) are NOT the same.

Requires very strict financial management to separate the cost items clearly from the conception phase of the project and will only work if the funding decisions of H2020 and ESIF are synchronised.

The rules of both funding sources (ESIF – H2020) should be respected by all beneficiaries even if they receive co-financing from only one funding source.

A partner who receives co-financing from ESIF to participate in a H2020 project should also respect the H2020 rules and vice versa.



#### Possible scenario on the execution of a PCP

- ➤ In the framework of PCP Cofund action calls, some participants of the consortium of the buyers group may receive co-funding from the ESIF and others from H2020.
- ➤ This case is applicable only if there is a clear distinction between budgets offered per OP and between expenditures co-funded by the ESIF (per OP) vs expenditures co-funded by H2020.
  - Example each R&D provider is paid pro rata by each procurer in the buyers group according to the share of each procurer's contribution to the jointly committed budget.
- To achieve innovation goals in their territory by using ESIF Funds procurers from less developed Regions could receive higher co-funding rates to participate in a PCP/PPI implemented in the framework of H2020 by/with procurers from more advanced Regions.

Condition for success: synchronization between the ESIF calls and the H2020 cofund action calls



Coordination, Preparatory etc. activities are co-funded by H2020 (CSAs)

100% CO-FUNDING RATE

OR

Coordination, Preparatory etc. activities are co-funded by the ESIF

DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT PROCURER A (Less developed Region)

CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH THE ESIF

CO-FUNDING RATE up to 85% (for his contribution)

PROCURER C

CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH H2020

CO-FUNDING RATE
70%(for his contribution)

#### **EXECUTION OF A JOINT PCP**

<u>PROCURER B</u> (Transitional Region)

CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH THE ESIF

CO-FUNDING RATE up to 60%(for his contribution)

#### **PROCURER D**

CO-FUNDS HIS CONTRIBUTION TO THE JOINTLY COMMITTED BUDGET THROUGH H2020

CO-FUNDING RATE
70%(for his contribution)



#### **Possible Scenario on PPI**

Joint implemented PPI: A procurer located in a less developed Region purchases the innovative solution co-funded by the ESIF (up to 85% rate) and another procurer in another MS is co-funded by H2020 (20% rate) to purchase the innovative solution.

The networking and the preparation phase for the execution of the PPI may be cofunded either by the ESIF or by the H2020 (CSAs). In case that they haven't received co-financing for the preparatory activities these can be co-funded by the PPI Cofund actions according to the rules applicable to these actions.

#### Applicable Scenario in cases:

right ramework Contract/Agreement which provides the joint technical specifications separate contracts are implemented by the procurers according to their national law for the purchase of the innovative solutions

Or

>the lead procurer launches one procurement procedure awards all the contracts but the invoices are paid by every individual procurer



Coordination, Preparation etc. activities are co-funded by H2020 (CSA)

100% CO-FUNDING RATE

#### OR

Coordination, Preparation etc. activities are co-funded by the ESIF

DIFFERENT CO-FUNDING RATE PER PROGRAM AND/OR PARTICIPANT

#### **PROCURER A**

purchases the innovative solution with the support of H2020

FLAT CO-FUNDING RATE 20% (for his contribution)

#### PROCURER C

purchases the innovative solution with the support of H2020

FLAT CO-FUNDING RATE 20% (for his contribution)

#### **EXECUTION OF ONE JOINT PPI**

#### **PROCURER B**

(Less developed Region)

purchases the innovative solution with the support of the ESIF in line with the objectives of the relevant O.P CO-FUNDING RATE up to 85% (for his contribution)

#### **PROCURER D**

**Less developed Region** 

purchases the innovative solution with the support of the ESIF in line with the objectives of the relevant O.P CO-FUNDING RATE up to 85%(for his contribution)



# Possible scenario on the coordination, preparation etc. activities for PCP and PPI

To implement the coordination, preparation etc. activities necessary for the execution of a PCP or a PPI procurers A and B that come from less developed regions are co-funded by the ESIF (up to 85% co-funding rate) and procurers B and C are co-funded for their contribution by H2020 (CSAs – if there is a specific call -100% co-funding rate or PCP/PPI Cofund actions co-funding rate 70%/20% accordingly)

- ❖The execution of the joint PCP/PPI can follow one of the scenarios presented in the previous slides.
- Minimum conditions for success:
- Separate and distinguished cost/expenditure items even at project proposal level
- Synchronization and coordination between ESIF MAs and H2020 Managing Bodies



**PROCURER A** 

(Less developed Region)

Coordination and preparation etc. activities for a PCP are co-funded by the ESIF

CO-FUNDING RATE up to 85% (for his contribution)

#### **PROCURER C**

Coordination and preparation etc. activities for a PCP are co-funded by H2020 (PCP Cofund actions)

FLAT CO-FUNDING RATE 70% (for his contribution)

PROCURER B (Transitional Region)

Coordination and preparation etc. activities for a PCP are co-funded by the ESIF

CO-FUNDING RATE up to 60% (for his contribution)

#### **PROCURER D**

Coordination and preparation etc. activities for a PCP are co-funded by H2020 (PCP Cofund actions)

FLAT CO-FUNDING RATE 70% (for his contribution)



OF A JOINT
PCP



**PROCURER A** 

(Less developed Region)

Coordination and preparation etc. activities for a PPI are co-funded by the ESIF

CO-FUNDING RATE up to 85% (for his contribution)

#### **PROCURER C**

Coordination and preparation etc. activities for a PCP are co-funded by H2020 (PPI Cofund actions)

FLAT CO-FUNDING RATE 20% (for his contribution)

PROCURER B (Transitional Region)

Coordination and preparation etc. activities for a PPI are co-funded by the ESIF

CO-FUNDING RATE up to 60% (for his contribution)

#### **PROCURER D**

Coordination and preparation etc. activities for a PCP are co-funded by H2020 (PPI Cofund actions)

FLAT CO-FUNDING RATE 20% (for his contribution)



OF A JOINT
PPI



#### **B. SEQUENTIAL FUNDING**

Separate successive and legally/financially not linked projects with alternating H2020 or ESIF support –

First PCP and then PPI –

This is an easier way to combine funds with less risk of (involuntarily) creating double co-funding scenarios.

Sequential funding can go in both directions: First ESIF and then H2020 or vice versa.



#### **Possible Scenario**

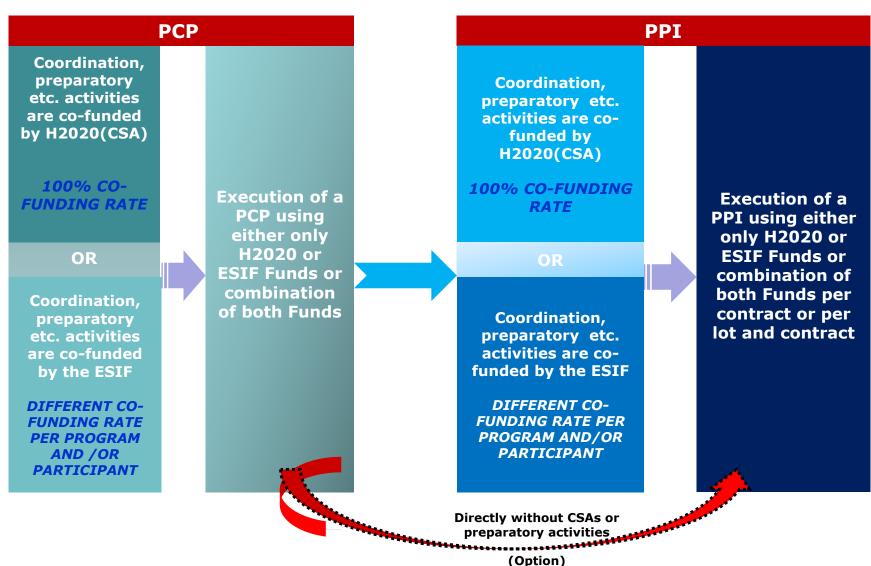
First PCP (ESIF) to develop and test the innovative solution and then PPI (H2020) for the deployment of the innovative solutions developed and tested through PCP and vice versa (H2020 for PCP and ESIF for PPI)

#### **Example:**

A group of Public Procurers from different cities are looking for a new sustainable public water supply system. It requires R&D. At first they implement a PCP (Phases 1,2,3) with the support of H2020 and different solutions are developed and tested.

Thereafter they implement a PPI with the support of ESIF/ERDF to cofund the preparation of the call for tender and the purchase of these new solutions (each MA for the territory covered by its OP).







#### C. ADDITIONAL/PARALLEL USE OF FUNDS

ESIF money is not linked to a H2020 project (PCP/PPI), but a regional/national authority decides to co-fund a regional/national project or beneficiaries to enhance the H2020 project or programme in its region.

This may be particularly relevant to skills development or capacity building in innovation and cooperation

#### Example

Skills enhancement of the public procurer focused on the use of the innovative product that is purchased in the framework of a PPI that is cofunded by H2020



#### D. ALTERNATIVE FUNDING

ESI Funds could be used for project proposals that have received positive evaluation under H2020 and could not be co-funded due to lack of H2020 funds under the call.

These proposals could be reoriented towards ESIF requirements and submitted at national/regional level, if this type and topic of project fits into the operational programmes of the concerned territories.



#### Thank you very much for your attention

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