



PROCURE2
INNOVATE

P2I EXPERT OPINION DOCUMENT:

Sustainable innovation and internal clients

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ABOUT

The present document summarizes the main points discussed during the 3rd knowledge exchange meeting held among representatives of the Procure2Innovate network on September 23rd 2021. The purpose of the meeting was to identify challenges and opportunities when procuring sustainable innovations, with a particular focus on the involvement of the internal client.

The document contains observations from the perspective of the P2I network on this specific topic. The key takeaways expressed in this document are those of the P2I network and do not necessarily reflect the views of a Member State.

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SUSTAINABLE INNOVATION PROCUREMENT - INTERNAL CLIENT

Climate change, sustainability, inequality, and other societal challenges are taking centre stage in the world. Many of these societal challenges are connected to consumption patterns and can therefore be influenced, by changing or innovating supply. Governments are very large and influential consumers and could use their purchasing power to boost sustainable investments and innovations. In the meantime many government procurement projects also involve many stakeholders with different perspectives, which adds complexity and can make it difficult to incorporate sustainable innovations. The Internal Client or the representative of internal clients, is an important stakeholder in any procurement project, particularly as they can also be a budget holder. The role of this stakeholder is important, as internal clients can accelerate (e.g. by accepting a higher risk rate involved with innovation procurement) or slow down sustainable innovation procurement (e.g. if the client is not open to using an innovation stimulating procurement procedure).

Sustainable innovation procurement and the role of the internal client has been discussed in the knowledge exchange meeting between members of the Procure2Innovate network, which took place in September 2021. In this opinion document, the outcomes of the knowledge exchange meeting are briefly described, outlining challenges and solutions when procuring sustainable innovations.

CHALLENGES WHEN PROCURING SUSTAINABLE INNOVATIONS

Several challenges related to the internal client (and to some other stakeholders as well) can be identified when procuring sustainable innovations. Based on practical examples discussed during the meeting, some challenges when procuring sustainable innovations were identified, such as the following (listed in alphabetical order):

1. **Competences:** On the one hand, sustainable innovation procurement teams require technical and legal skills and an understanding of what sustainable innovation implies. Likewise, such procurement teams need to understand how to facilitate sustainable innovation with public procurement, in order to realise sustainable solutions that do not yet

exist . On the other hand, pragmatic skills are required as well. Especially when dealing with several social and sustainable aspects in a procurement project, often choices need to be made to focus on the most important issues. Some of the skills required can be delivered by procurement and legal officers. Technical and pragmatic competences are more often required for internal clients. If such competences are not available in the procurement team, this could limit the possibilities for innovation procurement.

2. **Costs:** Sustainable innovations can increase (initial) costs of a procurement project, but decrease external costs (to the environment) and/or other internal costs than the initial costs (e.g. LED lighting has higher initial costs and lower usage costs). Costs saved by an innovative product will not always be accrued by the internal client and his/her budget or even by the contracting authority itself. Internal clients with budgets that are insufficient for larger (initial) investments, may in particular, limit the options for sustainable innovations.
3. **Language and complexity:** Shifting the mindset of internal clients towards achieving 'higher goals' such as sustainability can take some effort. Explaining the concept and approach of procuring sustainable innovation in such a way that it is understood can be difficult, especially where sustainability is not perceived as the core function of the need. The existence of multiple clients with different needs increase this challenge.
4. **Quantifiability:** The environmental or social impact of sustainable innovations are often hard to measure. For internal clients who are accountable for purchases, lacking measurements and the complexity of providing a clear quantified view of external costs¹ make it more difficult to develop business cases (measure the benefits of a potential sustainable innovation) or to explain considerations that may involve more risk.
5. **Risk aversity:** There are different risks that may exist such as technological risks as well as risks related to implementing new technology in the future. Buying (sustainable) innovations typically involves more risk, with the effect that internal clients are less inclined to embrace sustainable innovations.

¹ External implications of production to environment and society, such as air pollution.

6. **Time constraints:** In some cases, regulation imposes specific constraints for the duration of the tender, as sustainable innovation procurement might take longer than regular procurement. Both aspects make sustainable innovation procurement more challenging for internal clients who are under time pressure or have limited capacity.

HOW TO OVERCOME THE CHALLENGES WHEN PROCURING SUSTAINABLE INNOVATIONS

Several solutions related to the internal client can be identified when procuring sustainable innovations. The following were identified in relation to the challenges mentioned in the previous section:

<i>Solutions related to competences</i>	<p>Training: (Mandatory) training and accreditations for procurers and internal clients can improve competences and accelerate the implementation of sustainable innovations. In some Member States, expert guidance is available as well, which can be used to support sustainable innovation procurement.</p>
<i>Solutions related to costs and quantifiability</i>	<p>Pilots, life cycle costing, redefine procurement needs, and external funding: The quantifiability and cost-related challenges can be solved by measuring the impact of sustainable innovations via small scale pilots that allow risks (such as the example from Sweden shown in the box below). In a way that costs and benefits can be extrapolated to a larger extent. A second suggestion could be to use Life Cycle costing or procure the need integrally as a service. It might also be useful to help internal clients reconsider, reduce and redefine their needs. For instance, by reducing overall consumption while saving costs. Lastly, by making use of external subsidies, co-financing programs or funding from private sectors can provide a solution to overcome certain cost aspects.</p>
<i>Solutions related to language, complexity, and quantifiability</i>	<p>Market and buyer consultations, step-by-step explanations and talking in terms of outcomes: Engage in market consultations to hear about possibilities and ideas. Consulted suppliers can explain the innovation possibilities in easy to understand language for stakeholders involved who are not technical experts. Market consultations can also provide internal clients with a clear view of whether it is possible to meet sustainability goals, in line with internal considerations. Furthermore, personalize positive outcomes of sustainable innovations – direct and indirect – to stimulate forward thinking within the organisation. Additionally, develop</p>



buyer groups, in order to improve understanding and harmonize thoughts, in addition to linking internal clients with peers at other public organisations.

*Solutions
related to
risk
aversity*

Share risks and assign pilots to learn from: In order to reduce risks, one can implement joint procedures, so that the internal clients can share risks, incentives, and gains. Finally, make internal clients feel confident that they will be supported through the entire process, from defining the need, to contract management – and then actively do so. Another Suggestion, is to identify pilots with a high risk profile, which offer potential to learn from as examples/case studies.

*Solutions
related to
time
constraints*

Make time: The implementation of more approved sustainability labels and the development of National or European databases for existing (sustainable) solutions will increase efficiency and save time. Such databases would make it easier for buyers to identify possible solutions and invite suitable suppliers for small tenders. Also, it is important to allow sufficient time for sustainable procurement projects. By doing so, one can conduct research when additional questions arise and create more awareness, acceptance and openness towards sustainable innovations among internal clients.

HOPPET FOSSIL-FREE PRESCHOOL (SWEDEN) ²

An inspiring example of sustainable innovation procurement is the fossil-free preschool 'Hoppet' in Sweden. This project is part of the climate strategy program in the City of Gothenburg. Directly from the start of the project, the internal client was involved with and interested in sustainable innovation actions. The most challenging aspect of this procurement project is that all materials are fossil-free as well as transport, work machines and energy for the construction, including operation and maintenance of the building. In the project, the procurement team triggered the market to experiment with different processes and materials to find optimal solutions throughout the whole construction process. The project attracted ground-breaking entrepreneurs willing to innovate. The lessons learnt from this pilot will be used in future projects, increasing its impact even more.



² Source: <https://goteborg.se/wps/portal/enhetssida/hoppet---an-innovation-program-to-build-fossil-free>



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