

THE CHALLENGES OF BRINGING INNOVATION THROUGH PUBLIC PROCUREMENT AT REGIONAL LEVEL. EARLY EXPERIMENTS IN ITALY

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Abstract

After the Commission's communication on PCP (Pre-Commercial Procurement) in 2007, a number of initiatives have been put in place by the National Government of Italy, in collaboration with the Regions, which are presented in this paper. This has led to the definition of an original instantiation of the PCP functioning scheme, which gives a prominent role to the Region as “arbiter” of technology priorities and market trends, following a logic that pretty much resembles the Smart Specialization concept. The “Italian model” of Regionally funded PCP is now being piloted in several territorial contexts across the Country, and holds several aspects of replicability at European level, also in the perspective of the new Programming Period 2014-2020. While awareness about the possible benefits from the adoption of PCP-like measures has actually been raised, a lot of work is still to be done to strengthen the civil servants' capacity to manage these instruments; to provide policy makers with a more strategic approach to public procurement; to coordinate public procurers at different levels (local, regional, national); and to help SMEs access this new type of calls. The pilot cases worked out will surely help to meet these goals.

Introduction

After the publication, in late 2007, of the Commission's Communication (COM/2007/799) and Staff Working Document (SEC/2007/1668) on the topic of Pre-Commercial Procurement (henceforth: PCP), drawing the attention of Member States to this existing, yet under utilised administrative instrument, a number of initiatives have been put in place by the Central Government of Italy, in accordance with the EC stimuli. The present article reports about these initiatives, and further highlights how Italy's Central administration is working in the context of the Europe 2020 strategy [COM(2010) 2020], with specific reference to the Innovation Union flagship initiative [COM(2010) 546], to fulfil the commitments already undertaken in the National Reform Programme¹.

The document is structured in three sections: the first (“Antecedents”) starts by the results and implications of two, almost parallel, projects of field research on and technical assistance to policy making, financially sponsored by the Italian Ministry of Economic Development in 2008-

¹ The National Reform Programme describes how each Member State is implementing the Europe 2020 Agenda in practice.

2009 – partly with resources of the Structural Funds' National Operation Programme 2007-2013 – and that have set the stage for the one, still ongoing (2010-2012), which we intend to report about here. The latter was entitled (in English translation) “Support to the research and innovation policies of the Regions”, and has been jointly carried out by the same Ministry of Economic Development and the 'Agency for the Promotion of Innovation Technologies within Public Administration', a research body seated at the Presidency of the Council of Ministers. The project consists of six State-Region working groups, established on various thematic domains, one of them being PCP, which were selected according to their relevance for the modernisation of R&D policy making and practice. Specifically, the PCP working group had the twin purpose of confectioning 'juridically validated' guidelines and templates of all tender documents needed for the execution of PCP calls by an Italian administration, while at the same time engaging a number of Regional governments (on a voluntary basis) in the 'pilot' adoption and utilisation of these guidelines and templates throughout 'real' business cases. Overall, the working group has been very successful in terms of attendance, with about 65 registered members, in representation of 13 Regions (out of 21), 6 central government bodies and 18 regional or local bodies.

In the subsequent section (“The Italian Model”), we will introduce the key aspects of an original instantiation of the PCP functioning scheme proposed by the European Commission, which has emerged from the working group activities. This gives a more prominent role to the Regional government as "arbiter" of the selection of technology priorities and market trends in the local territory, following a train of logic that pretty much resembles the Smart Specialization concept². The new proposed approach to Regionally funded PCP is currently being piloted in the Vallée d'Aoste and Apulia territories – a small-sized region from the North and a large-sized one from the South of Italy – but awareness about the procedures and operational instruments adopted and being experimented upon is now fast spreading out within additional Regions across the Country, so that the chances of further replication are pretty high.

Finally, in the “Conclusions and Future Prospects” section, we will delve into the preliminary lessons learnt from this experience, which holds several aspects of replicability at European

² The concept of Smart Specialization was first introduced by Dominique Foray, Paul A. David and Bronwyn Hall – experts of the Knowledge for Growth group (K4G) working for the Presidency of the European Commission – and then embedded in the Europe 2020 strategy [COM (2010) 2020].

level, also in the perspective of the new Programming Period 2014-2020. The work initiated in this way will possibly continue during a further edition of the project, aimed at strengthening public administration's capacity to manage the PCP instruments, disseminating to policy makers the underlying vision of R&D and innovation led by public demand, and coordinating the administrative tasks of public procurers at different levels (local, regional, national) in order to widen the possible market for innovation, reduce transaction costs, and help SMEs to access this new type of calls.

Antecedents

One of the preliminary obstacles to a speedy implementation of PCP in Italy was acknowledged to be the fact that in a large number of areas of potential interest for innovation (such as health and home care, energy and environment, public transport, urban planning), the key political and administrative competences do not lie with the Central, but mostly with the Regional level of Government. Summing up Regions and Autonomous Provinces, which have a similar status, we end up into 21 different Government bodies, that is obviously a critical task to mobilise and coordinate. Furthermore, after the Constitutional reform of 2001, the policies for industrial R&D and innovation are shared responsibility between the Central and Regional levels. Thus, only a 'soft law' mechanism, akin to the EU's Open Method of Coordination – combining guidelines and indicators, benchmarking and sharing of best practice – could possibly be the approach to be activated by the Central government in order to achieve the desired results.

As a first step, a benchmarking study was promoted by the Ministry for Economic Development [Ministero dello Sviluppo Economico-IPI (2010)], in order to draw a full and updated picture of public procurement, and to discover where and how it had been successfully implemented as a demand-side instrument of innovation policy, both in Italy and abroad. The study analysed US and European best practices and shed some light on the diffusion of innovative procurement practices throughout the Italian public administration. In that respect, the national level survey showed that indeed, several central, regional and local bodies had actually started to experiment innovative ways of purchasing - at the very least - the products and services used for the daily management of affairs. As an example, the most interesting cases identified by the study were

regarding green public procurement. Thus, the focus was not only set on gaining better quality or more value for the individual contractor's money, but also on achieving broader societal aims. On the other hand, the practical implementation of the PCP concept was found to be still at its early stages when this research was carried out (2008-2009).

In some way, it was encouraging to discover that a certain number of public procurers across the various 'tiers' of Italian public administration were somehow prepared to take other criteria than price into account – for instance, environmental sustainability of the products and services bought – to inform the purchasing process. However, some prominent obstacles were also highlighted, which hindered a faster and more secure progress for PCP, and more generally the strategic use of public demand as a driver for innovation policy in Italy.

First and foremost, the average technical competencies of public procurers (particularly at local and regional level) should be increased. This effort was to be directed in two main directions: how to get contractors more acquainted with the potential of unused or underutilised instruments (such as the competitive dialogue and the competition of ideas, alongside PCP itself), and how to increase public administration's capacity to understand, define and communicate their own technological needs, to be fulfilled by making recourse to innovative procurement calls. Both aims were transcending the scope of conventional training programmes, and challenging two known structural weaknesses of Italian public administration:

- ⤴ On the one hand, a reluctance to change the 'familiar', thus 'reassuring', administrative pathways normally followed in the context of public tendering, which is affected by an abnormally high litigation rate that clearly discourages procedural and administrative innovation: between 2000 and 2009, an average 4.3% corresponding to 3,267 law suits, 40% of which related to smaller-sized tenders according to the Authority of Vigilance on Public Contracts [Camera dei Deputati (2011)];
- ⤴ On the other hand, a diffused difficulty of public procurers to elaborate in abstract terms and formulate in an open way their problems, needs and requirements for improvement, thus opting for the more secure, but also with higher risk of technological lock-in, logic of limiting competition among bidding proposals to the comparison of functional/non functional specifications of the proposed vs. desired product or service.

These 'twin' weakness factors, in general, seem to be well known to public procurers. During a public workshop held in July 2011, a (non-statistical) sample of participants was invited to state what the main barriers were in their opinion, preventing further and broader usage of public demand for the promotion of R&D and innovation [see Agenzia per l'Innovazione / MISE-DPS (2011)]. The results displayed in the following graph are self explanatory indeed.

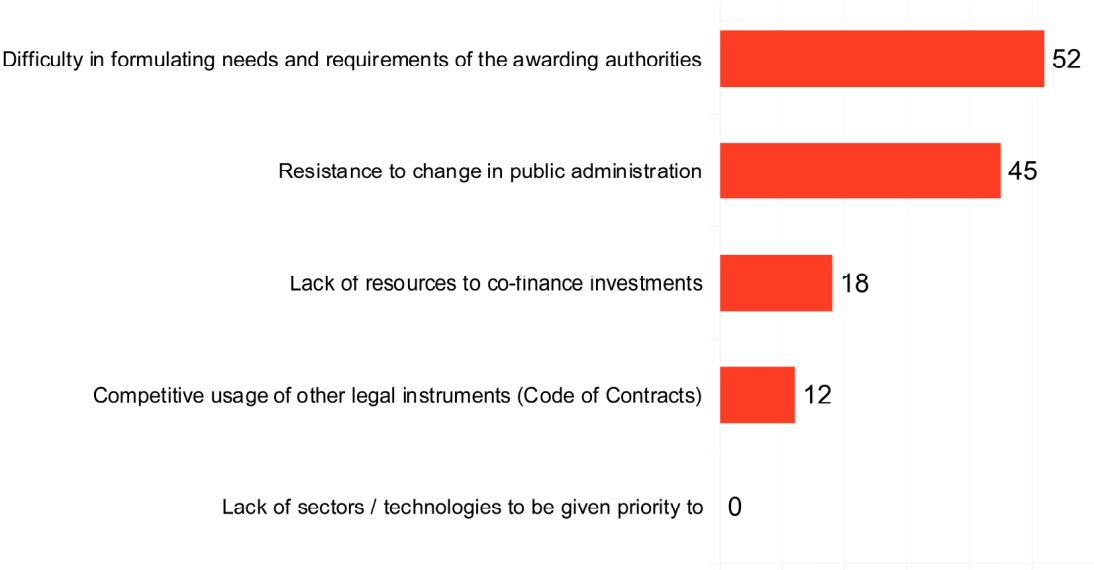


Figure 1. Key barriers to public procurement for innovation in Italy

Another relevant aspect emerged from the national benchmarking study, on which the chances of public demand in creating a sufficiently wide 'lead market' for innovation in Italy seem to be heavily depending, was the lack of a 'critical mass' of public sector procurement, driven by convergent motivations across the different 'tiers' of public administration - or said differently, responding to more or less similar issues impacting on well identifiable groups of government agencies, each constituting a somehow homogeneous class of buyers.

While this latter aspect could be possibly overcome by introducing some degree of strategic coordination between central and peripheral procurers, aimed at mobilising a sufficient level of public demand for new products (or R&D services, as for PCP), the former, 'twin' limitations in the current technical capacity of Italian contracting authorities looked like a much harder issue to tackle with.

However, in 2008-2009, the Department for Development and Cohesion Policies (DPS) of the Ministry of Economic Development – responsible for Structural Funds management in Italy – had successfully carried out a technical assistance project dedicated to the Regions belonging to the Convergence objective and aimed at sharing and transferring good practices of Structural Funds implementation in the field of R&D and Innovation. In particular, high-level academic expertise and a number of success stories were positively offered to policy makers and officials, tackling critical issues, such as: strategic programme design; criteria and methods for proposals selection, monitoring and evaluation; efficient use of conditionality and result-driven funding. Eight working groups were established and functioning along the year 2008, which saw the participation of more than 100 representatives of Regional administration, plus several central agencies and ministries in charge of innovation programmes and initiatives in the Country. The final report of the project (in Italian), is available on the DPS website [Ministero dello Sviluppo Economico-DPS (2009)].

In early 2010, based on the positive impact (also in terms of reputational gains) of the previous experience, the Ministry of Economic Development decided to carry forward a second edition of the project, which was entitled “Support to the research and innovation policies of the Regions”. This time, work was carried out jointly by the Ministry of Economic Development and by the 'Agency for the Promotion of Innovation Technologies within Public Administration', seated at the Presidency of the Council of Ministers. Again, the aims were to provide expert technical support for 'intelligent' R&D and innovation policy-making to central and local governments of the whole Country - and particularly to the Regions of the Convergence objective. However, in comparison to the previous project, the focus here was even more set on concrete capitalization of national and international best practice and on fulfilling all conditions for a fruitful transfer of operational knowledge in the selected thematic domains. Practical development of activities was ensured by means of an articulated system based on six working groups, dozens of dedicated project meetings, and a number of shared repositories of data and information, which were made accessible to registered participants only.

One of the working groups was expressly dedicated to PCP, with the mission to provide and validate 'how-to' guidelines for the introduction of this new instrument in the concrete praxis of public procurement in Italy. These guidelines are currently available in draft version, and in

Italian language only [Agenzia per l'Innovazione / MISE-DPS (2012)], soon to be published on the official website of the Agency. They will include as attachments, the templates of all tender documents needed for the execution of a PCP call by an Italian administration, starting from the Preparatory phase – focused on Requirements Elicitation and Definition – and going through the various phases of Solution Exploration, Prototyping, and Original Development of a Limited Volume of First Products or Services in the Form of a Test Series, as foreseen by the EC Communication of 2007 and depicted in the following (slightly adapted from that) scheme. While the present article is being closed, the Regional Government of Vallée d'Aoste, in the North of Italy, is about to publish the first call for tender on the Official Journal of European Communities, while the Regional Government of Apulia, in the South of Italy, has just come to the end of a delicate phase of Preparation – which has been familiarly nicknamed “Phase Zero” of the PCP process outlined in Figure 2, and we will continue to call like this in the remainder of this paper. In fact, highlighting the importance of “Phase Zero” lies among the key results of the pilot phase of the project, together with a few others that will be described in the next section.

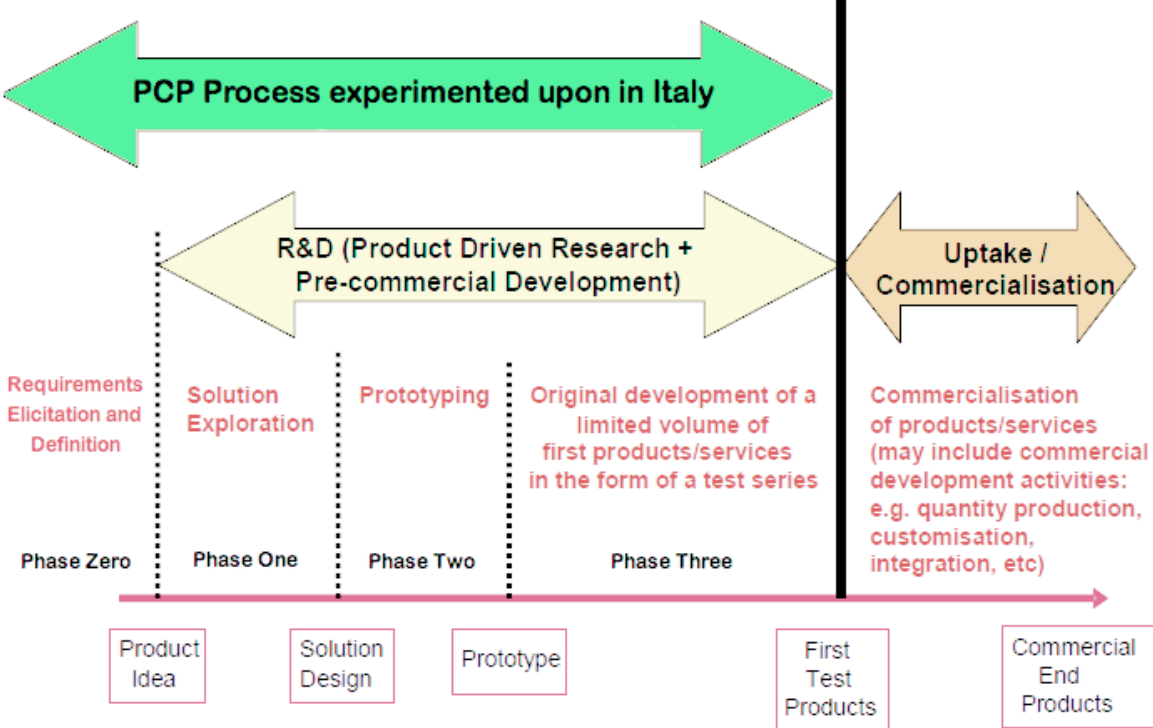


Figure 2. Stage-gate PCP process [adapted from European Commission (2007a)]

The Italian “model”

In essence, from the analysis and experimentation carried out in Italy so far, PCP turns out to be a policy instrument with a double relevance for the Regions (and the other government bodies in charge of R&D and innovation promotion):

- 1) As a tool to incentivise, enhance, and specify research, development and innovation in a given territory (region).
- 2) As a tool to elicit, further, and tailor a “hidden” demand for innovation in a public sector authority, agency, or department.

While the 2007 Communication is mostly focused on 2), we consider 1) among the key results of our “model” implementation, in terms of appropriateness, impact and replication potential, for a number of reasons that will hopefully become clearer in the remainder of this discussion.

Existing alternatives to using PCP in the first direction proposed here, are basically the 'classic' calls for proposal issued by a Regional (or Central) government body, aimed at the selection and funding of R&D and innovation projects set forth by public-private partnerships, or consortia, usually involving enterprises, academia, research centres and the like. What we envisage here as a viable pathway is a different scheme: first, a Regional Government accepts to distribute (some of) its budget resources set aside for the promotion of R&D and innovation, to a number of contracting authorities (either through a competitive mechanism, or less preferably by direct allocations; the latter obviously being made possible by the public nature of all the beneficiaries identified at this level). Given there should be a formal connection between the acquisition of these financial resources and the stated institutional purposes of the beneficiary organisations, it is expected that some degree of co-financing would also occur from the latter. Thus, an immediate multiplier effect of the initial Regional resources is likely to manifest itself at this stage³. Then, as soon as they receive the requested budget integration, the local authorities or agencies will launch PCP calls to commission the prototype goods and services they have stated the intention to acquire. Given the 'sharing of risk-benefit' feature of PCP, stipulated by the

³ The counter argument that local contracting authorities would be incentivised to “save” on their own predefined investment budgets as a result of Regional intervention doesn't seem to hold, for the key reason that – at least in Italy, as the aforementioned benchmarking study demonstrated – there is no significant public demand for R&D and innovation services at the moment. Thus, if any “crowding-out” effect might occur, it would most likely refer to the “traditional” demand for products and services that public administration uses for the normal conduct of affairs.

Communication of 2007, it is once more expected that the already increased budget at disposal of the procurers will be multiplied by the contribution of the finally awarded enterprises.

Besides financial leverage, however, this 'model' approach seems to hold a number of additional advantages that could actually simplify, and make more effective and efficient, the traditional process of R&D and innovation co-funding for all the players involved, like the following table shows in the second column. However, the proposed procedure embeds some potential risks that also have to be taken into account for proper assessment. These risks are mentioned in the third column of the same table.

Table 1. PCP as a funding instrument for R&D and innovation

Players involved	Advantages	Risks
Regional government	Better effectiveness and speed of R&D expenditure than in the “classic” calls for proposal	Reduced choice of the sector(s) of intervention (deriving from the beneficiaries priorities)
	Reduced administrative burden in the management and reporting stages of the funding procedure	Less direct control on unforeseen events and errors during the delegated PCP procedure
Contracting authority	Better access to state of the art knowledge and solutions for its own problems, needs and requirements	Lack of technical experience on how to handle PCP calls and need for specific document blueprints
Awarded enterprise	Reduced administrative burden with respect to traditional R&D projects	Loss of exclusive rights (IPR) to the benefit of the contracting authority
	Double or triple success opportunity (one per stage)	Leakage of industrial know-how during the PCP process

To overcome some of the risks outlined in the table above, we suggest that implementation of this model approach should include the following three steps:

Step 1a) – or “PCP Phase Zero” = Technology trend assessment and market dialogue.

Optional, yet recommended, execution of a foresight exercise⁴. Various forms of industrial concertation and stakeholder consultation to translate policy goals, social expectations and technology assessments into shared priorities and pathways for R&D and Innovation.

⁴ According to the European Commission, a foresight exercise covers activities aiming at thinking, debating, and shaping the future. This means to identify the long term trends that guide decision-making; encourage participative and open discussions, for example in the form of stakeholder panels; and imagine some possible, desirable, future worlds, as well as the strategies required to achieve them. See <http://cordis.europa.eu/foresight/definition.htm>

Step 1b) – Definition of a PCP support programme (possibly to be negotiated in advance with DG Regio to ensure compliance with ERDF and/or to be notified to DG Markt in respect to State Aid principles⁵) by the Regional Government in charge.

Step 1c) – Individual PCP calls launched by local contracting authorities, using Regional funding in combination with their own investment budgets. The scope of the calls will cover the Phases numbered from One to Two (or Three) in Figure 2 above.

As a final remark, one can observe that the European Commission has been recently adopting this same approach, *mutatis mutandis*, to promote the formation of multinational consortia by and among EU public authorities, willing to launch joint PCP calls in a number of research domains. The availability of EU funding – in addition to the cofinancing from the beneficiaries – has been ensured by FP7, CIP and other programme calls, depending on the circumstances. As for the next years, the EC proposal “Horizon 2020 –The framework Programme for Research and Innovation (2014-2020)” confirms the central role of pre-commercial and innovative public procurement in the policy maker's toolbox⁶.

In Italy, on the other hand, the Apulia Region has taken up this roadmap with particular interest to Phase Zero, whereby a foresight exercise has been conducted to identify the key technology domains and the most appropriate areas of application for the upcoming PCP call(s), in relation to the needs and requirements of the local public sector. The results of this exercise will be soon made publicly available – presumably by May 2012. Previously, in August 2011, the process was started when the Apulian Government had set aside a budget of 5 Million Euro from the ERDF Operational Programme to realise a concrete experimentation of PCP in the territory. As a partial deviation from the roadmap, however, considering the early stage of maturity of PCP in the toolbox of procuring agencies, the decision was taken by the Region to directly manage the procedure in the directions suggested by the foresight exercise, instead of distributing the resources to any third party, with all the empowerment, coordination and control duties that this option might have implied. Thus, what we expect in the months to come, is the publication of

⁵ This is especially required in the case – quite likely in our opinion – that a Regional Government may want to restrict or exclude access to the PCP calls non-local enterprises, i.e. businesses that do not hold a productive unit in the territory covered by the Operational Programme's provisions.

⁶ In order to implement this policy the European Commission has promoted a feasibility study to define “A European Scheme to Support public Procurement of Innovation”. The results have been recently published and are now made available at http://ec.europa.eu/enterprise/policies/innovation/policy/lead-market-initiative/files/meeting-procurement-feb2012/study-eu-support-public-procurement-innovative-solutions_en.pdf

one or more PCP calls by the Regional Government in the thematic domain(s) of election. The same variation to the proposed roadmap has been adopted by the Vallée d'Aoste Region, in the PCP call that has just been sent to the Official Journal for publication; although for its narrower size in terms of population and budget allocation (only 0.91 Million Euro), their case looks more similar to the second alternative of the 'model' presented at the beginning of this section: PCP as a tool to let some 'hidden' demand for innovation emerge from the local public sector.

Taking Figure 2 above as reference again, the practical implementation of this approach includes the following three steps:

Step 2a) – or “PCP Phase Zero” = Internal requirements analysis within the contracting authority.

Without this essential step, it makes no sense to undertake any PCP initiatives, and the risks are high of compromising this instrument with conventional procurement tools, such as Competitive Dialogue or Competition of Ideas (see next table below). In case a PCP funding programme has been launched by the Regional Government, this is also the step where an application is made to get funded under that programme.

Step 2b) – Launch of an individual PCP call covering the Phases numbered from One to Two (or Three) in Figure 2 above (Solution Exploration, Prototyping and eventually Test Series).

Step 2c) – Launch of an individual competitive call as per the EU Procurement Directive (EC/2004/18), translated into the Italian legislation by the Legislative Decree 163/2006, in case the products or services procured are undoubtedly of commercial nature, and/or the number of awarded enterprises is limited to only one. This means that practically speaking, the previous steps may also be skipped, and the contracting authority could immediately make recourse to traditional means of purchasing the products and services that are required for its conduct of affairs.

After the discussions held in the PCP working group with several Regional representatives, the crucial importance became evident of deepening the current level of awareness of all the tools that make up the legal framework of innovative procurement in Italy. The next table compares PCP with Competitive Dialogue and Idea Competition, without the ambition of completeness, but for the sake of exemplifying the level of analysis that is required. For instance, during the

foresight exercise done in Apulia, the need emerged to distinguish “R&D and innovation in public services” from “R&D and innovation of public services”. While the former concept refers to product and service prototypes that can be purchased via PCP and used to support the delivery of new public services by technologically advanced means, the latter defines a situation where marginal, or even radical, improvements in the setup of public services are designed and realised indeed, yet in the absence of technological R&D and innovation activities, thus with no possible recourse to PCP calls as a procurement instrument for the competent agency. To the extent that this distinction gets blurred in the eyes of some public officials and/or service providers, we take this as evidence of the strategic need for empowerment and capacity building that the Italian public administration has repeatedly demonstrated during the recent pilot experiments.

Table 2. PCP compared to other instruments for innovative procurement

PCP	Competitive Dialogue	Competition of Ideas
Applied to buy innovative good and service prototypes not yet available on the market	Applied to complex tenders but in relation to commercial products and services only (no R&D)	Applied to planning and design services only (no technological innovation)
The Code of Public Contracts (CC) is not applicable; only its general principles (transparency, non discrimination, equal treatment and proportionality)	Art. 58 of CC applies, as well as its general principles (see PCP)	Art. 108-109 of CC apply, as well as its general principles (see PCP)
The Contracting Authority (CA) must know its needs and requirements, that are not currently fulfilled by commercial products or services	The CA has no information on own needs and requirements: this is why the tender is considered “complex”	The CA knows its own needs and requirements and is open to several solution proposals
The solution to the CA problem is not a product/service already available in the market but a sort of “prototype” (innovation)	The solution is a technical and economic offer, negotiated with the potential suppliers “along with the criteria” for its realisation	The solution is a creative planning proposal or a preliminary project of a product or service
The CA may waive its property rights on the results in exchange for a rebate off the bid price	The CA is not the owner of results and may or may not provide for awards, incentives or indemnities	The CA becomes the sole owner of the results obtained and awarded
Two or more bids must be awarded at each stage of the process	Even more than one bid may be awarded	More than one bid is usually awarded
There are two or more stages and the winners go automatically to the next one	If two or more stages are planned, the winner(s) go(es) automatically to the next one	In two-stage competitions, the winner gains the right to get awarded again in the execution stage without a new tender (if compliant with legal and professional requirements)

From what has been displayed in the table, Idea Competition can be somehow assimilated to 'Phase One' of the PCP process, only with the key difference that the services bought there are not technologically advanced; while Competitive Dialogue seems more appropriate as a tool to the case of “R&D and innovation of public services” described above.

To summarise and conclude this section, we use the following flow diagram to describe the logical framework developed and partially tested in the Italian scenario of Regional innovation. All the terms used in the picture (Phases One through Three, Steps 1a – 1b – 1c and 2a – 2b – 2c) hold the same meaning as previously mentioned in the text above.

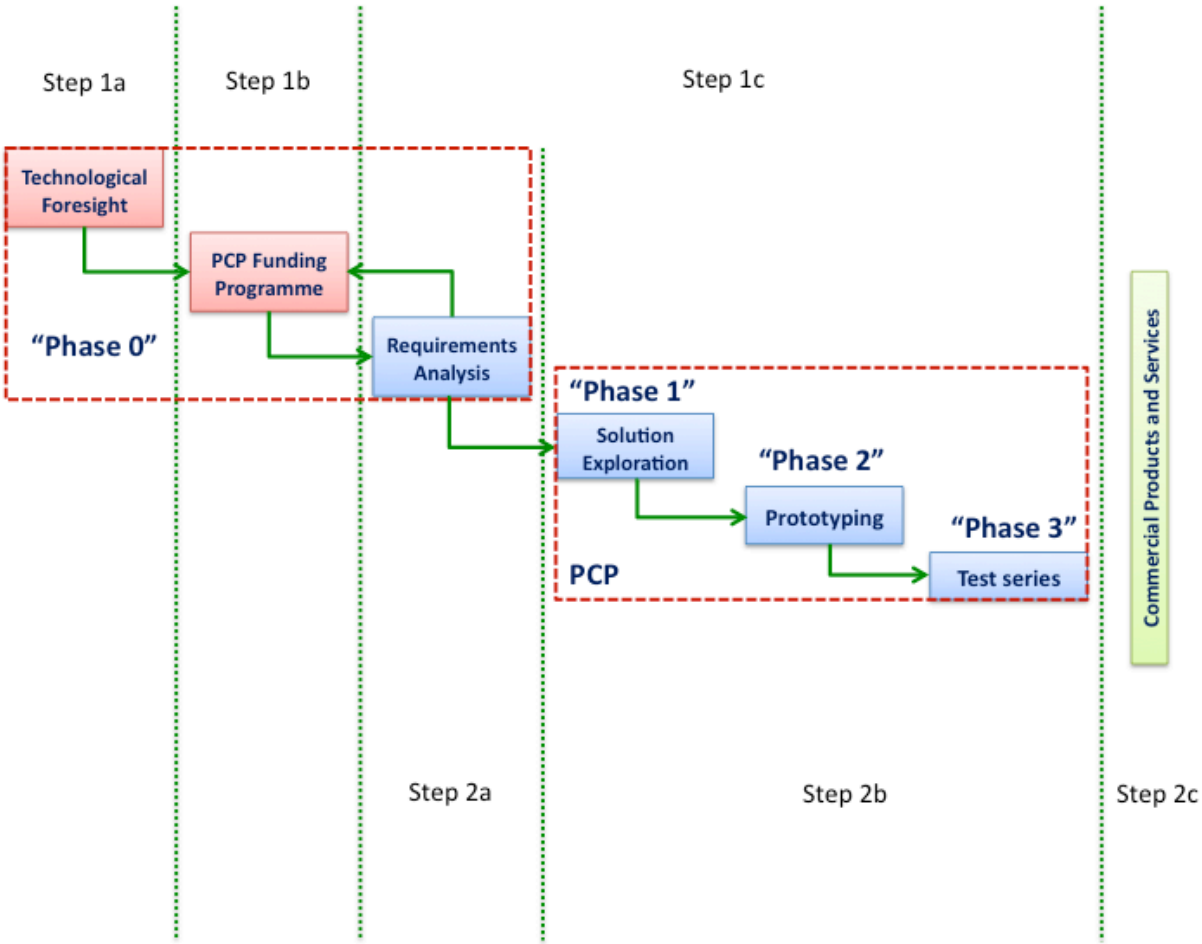


Figure 3. The Italian ‘model’ of PCP and innovative procurement: an overview

As already stated above, a promising connection between PCP and Technological Foresight has emerged during the “Phase Zero”. One of the key findings is that the Phase Zero must receive at least the same level of attention as the following three Phases of the PCP process. This, not only because, during the Phase Zero, the general policy targets and the technology and market trends are reconciled with stakeholder views on the formulation of R&D and innovation priorities, but also for the reason that it gives a more prominent role to the Regional Government as "arbiter" of the territorial dynamics of innovation, following a logic that pretty much resembles the Smart Specialization concept: to concentrate the financial resources on the most promising sectors of comparative advantage, instead of distributing them on a huge number and a wide variety of channels, thus running the risk of reduced impact. We believe that the framework presented is absolutely replicable at European level, also in the perspective of the new Programming Period 2014-2020, which will continue to assign important resources to the European Regions, also for the sake of promoting technological R&D and innovation.

Conclusions and future prospects

The creation of a State Region working group on PCP – that included the main stakeholders dealing with it at central and regional level – has been the answer to a number of issues raised in Europe and in the Country, about the possible introduction of PCP in the Italian administrative praxis. We are now in the phase of publication for the final operational guidelines, which will also include the tender documents of two consolidated experiences (Vallée d'Aoste and Apulia), fully conforming to the EC Communication of 2007. Other Regional Governments, however, whose representatives attended the working group meetings, have decided to run experiments of use of public demand for the promotion of innovation in the territory of competence. These did not necessarily conform to the PCP process in full (for instance, because there was no plurality of awarded enterprises, but only one winner, as it happens in traditional calls for tender). In spite of that, provided the general rules on procurement are respected, what is obviously important is the compliance of that procedure to the internal needs and requirements – or the external R&D policy targets – of the contracting authority. In that sense, we make the point that the positive 'fallout' of the working group has yet to be circumscribed, and will receive further momentum

after the official appearance of the recommendations, although confidential drafts were already circulating amongst the participants since June 2011.

Thus, while awareness about the possible benefits from the adoption of PCP-like measures has actually been raised among policy makers at Regional and Central level, a lot of work is still due to strengthen the capacity of public administration to positively handle these instruments. The Italian procurers that are now showing concrete interest in PCP, continue to ask for support in the definition of needs and requirements on one side, and in the preparation and management of the tender on the other side. Also for this reason, a new edition of the technical assistance project (this one coming to an end by June 2012) is likely to be foreseen, with the additional aims of involving the policy makers (not only civil servants) in the dissemination of this new strategic approach to public procurement, and of running more PCP pilots at Regional and/or City level, also making more room for SMEs among the participants. In fact, it should be kept in mind that usually public procurers in central or local administrations are different people from the policy makers in charge of growth and competitiveness; they simply do not share the same goals. For instance, the first group aims to buy quality products or services at minimum prices, following well described and complete specifications, while the second group has no expertise in using public procurement calls as a way to fund R&D and innovation activities performed by local enterprises, and probably aims to create an open marketplace where solutions and applications may be tested and validated. Another emerging issue is that in Italy neither the legislation nor the praxis of public procurement provide prescriptions or secure guidelines on how to deal with IPRs (Intellectual Property Rights) in the definition of procurement contracts. Usually procurers are left free to decide how to allocate IPRs based on the specificities of the situation, and there is no predefined 'default scenario' on the distribution of IPRs that could be 'silently applicable' if nothing else is defined in the procurement contract [Mazzariol (2011)]. Given the importance of IPRs in the PCP scheme, it is extremely likely that this aspect will soon come to the attention of Italian Regions and Central Administrations with a narrower focus and more intense pressure for results. Thus, the new edition of the PCP working group should also add this item to its agenda.

Last but not least, considering that public administration is not able to directly manage the PCP process with the current level of expertise, every effort should be provided to avoid the creation

of a class of private consultants hired to do so. That would not only imply additional costs for tender management, but also growing risks of conflicts of interest, given the specificities of the PCP process that include possible leakages of information and knowledge regarding the various technological solutions being awarded – particularly in the earlier process phases. If the pathway of refining and singling out is not transparent enough, there could be the risk of 'consultant lock-in' for the contracting authority, as opposed to the 'technology lock-in' that affects many tenders run under the EU Procurement Directive. Thus, it is highly recommended that the concept of technical assistance be extended to include the building up and strengthening of PCP skills in the medium-to-long run, possibly including the establishment of a permanent, State-Region expert team, exclusively made up of civil servants that have successfully implemented at least one experiment of innovative procurement in their own administration. This proposal might be scaled up to the European level, joining all the best practice experience holders that usually are invited to speak in public events, but have no time enough to get into the details of their legal and administrative options and choices – which is the most interesting information to consider for those willing to imitate or emulate them.

Together with the above, another potentially interesting initiative is now being designed in Italy. Among the industrial research projects that were funded some years ago through the so-called “Industria 2015” programme of the Ministry of Economic Development, it should be possible to identify those that are already able to transform the results of their research into a first set of working 'demonstrators'. These projects have been funded in fields such as energy efficiency, sustainable mobility, etc.: technological domains that can be considered totally coherent with the socio-economic challenges set out by Europe 2020 and the Innovation Union initiative. The challenge here would be to find a group of public procurers at Central and Regional level, which could be interested in joining their forces, so as to co-finance the production of those demonstrators and their first implementation and usage, in such a way to show how new technologies work also to deliver social benefits. This experiment would be the first in the direction of coordinating the procurement for innovation efforts at different tiers of public administration (local, regional, national) in order to widen the possible market for the innovative enterprises and especially the SMEs, while also reducing transaction costs for the contractors and overcoming the current fragmentation of the Italian public procurement market. A new

technical assistance project on PCP might surely help to meet these goals, contributing to improve the design and delivery of public services with the support of new technological advances, while providing businesses and research laboratories with more and diversified market opportunities.

In this scenario, Italy is currently working to fulfil the commitments undertaken in the National Reform Programme. In this key policy document, the Central Government engaged on adopting demand-side measures, like innovative public procurement, in the 'policy-mix' defined to foster innovation throughout the national productive system. It should also be reminded that since last year, in the context of Innovation Union, EU Member States and Regions have been invited to set aside specific funds, expressly devoted to PCP and public procurement for innovation.

Furthermore, the Ministries of Education and Research and Economic Development are going to develop a Strategic Plan, which clearly defines the overall objectives of an innovation policy based on public procurement, suggesting how different administrations could coordinate their efforts to write common tenders thus reducing their costs and widening markets for new ideas to become new products. The Strategic Plan recognises the need to support public administrations at each level in this activity through training programmes and qualified advice. The plan will identify the financial resources from within the central government budget that will support the implementation of this strategy. Every action of the plan will be monitored, so as to improve those actions that meet difficulties in their implementation. The new edition of the PCP working group may constitute a pilot implemented by central and regional administrations in the context of the mentioned Strategic Plan.

To conclude, several central and regional administrations in Italy are currently working to develop a favourable framework for innovation and PCP. Legally compliant and practically validated guidelines are on their way to be completed, so as to promote additional experiments and share the results with other procurers throughout the Country wishing to apply the same rules and guidelines. According to a recent survey done by the DG INFSO Unit in charge of PCP [European Commission (2011)], Italy is amongst those countries having started to work on identifying national and regional support schemes for PCP.

The key lesson learnt is that none of these efforts alone could actually be able to deliver effective results if planned interventions were not strategically coordinated with one another. A

Strategic Plan like the one under preparation, which defines ways to 'pool' public procurers in order to reach increased levels of public demand, can be a useful step ahead in that direction. On the other hand, it should be kept in mind that even in the next Programming Period 2014-2010, a considerable amount of financial resources will continue to be channelled to the Italian Regions, especially from within the Convergence Objective, for the promotion of technological R&D and innovation. Thus, the design and implementation of innovative procurement, and particularly PCP, policies at Regional level, is an issue that deserves being further explored and discussed in the scientific literature for the years to come.

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