



INNOVATION PROCUREMENT HUBS

Examples from Europe and beyond

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CATAPULT
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ABOUT CRISPP

This report is a product of CRISPP - the Consortium for Research in Innovative and Strategic Public Procurement - a collaboration between Connected Places Catapult, the University of Birmingham and the University of Manchester to accelerate the use of public procurement as a tool for introducing innovation and stimulating economic growth.

Further information about CRISPP can be found at: cp.catapult.org.uk/theme/challenging-procurement/

EXECUTIVE SUMMARY

Public procurement in the UK is failing to reach its potential as a driver of innovation and growth.

- By adopting innovative solutions, the public sector can make services work better for people, and cut costs. This research shows that national and regional hubs focused on improving public procurement of innovation have a significant positive impact, delivering more for the public and rewarding innovation by businesses.
- In the UK's drive for growth, we need to make full use of the lever that public procurement of innovation offers. In the past the UK has not done that, but the Government is making important reforms to public procurement, which will be supported by an ambitious Learning and Development plan to ensure that public sector organisations have the knowledge, skills and models to grasp the opportunities created by reform. A dedicated UK Innovation Procurement Hub would help to make sure that the programme for improvement includes building capability to procure innovation better.
- The Innovation Procurement Hubs explored by this research are predominantly public sector led. They offer information and advisory services, and provide networking, all of which deliver value procurement bodies and for suppliers. There are differences between approaches, and quantitative assessment is ongoing, but the hubs deliver significant added value and there is strong support for their continuation.
- The UK can learn from these examples, and select what approaches best fit our needs. A Hub would develop and share information and advice on innovation procurement. It would model and replicate successful approaches. It would accumulate learning and expertise over time, continually improving the efficiency of delivery of the services. By acting primarily in a coordinating capacity, rather than seeking to direct centrally, it would minimise unnecessary duplication.
- A light-touch networking approach would keep set-up time and resources to a minimum, so the Hub would be able to give timely support to organisations seeking to move forward in their practice and grasp the opportunities created when reforms have become law.
- Connected Places Catapult is the UK's innovation accelerator for cities, transport, and place leadership. We have excellent working relationships with innovation organisations in UK regions and high-potential sectors. We have a strong record of bringing public organisations and innovators together to deliver procurement of innovative solutions. We also support a leading research programme on improving public procurement of innovation. We are ready and well equipped to be a lead partner in a UK Innovation Procurement Hub.

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01

Introduction

1.1 BACKGROUND

The context for this report is the launch of a new UK Government Innovation Strategy in July 2021. Titled “Leading the future by creating it”, this set out a “long-term plan for delivering innovation-led growth”. Its proposals focused on “creating the right conditions for business to innovate and giving them the confidence to do so”. They include stronger leadership, policy interventions and targeted funding. Notably, it gave strong recognition to the importance of deploying public procurement as an instrument to generate innovative solutions and encourage the development of innovative businesses. “By procuring more innovative solutions, the public sector can be a driver of innovative new ideas, providing innovative firms with the foothold they need to succeed in the market, fuelling the scale-up ecosystem and facilitating wider adoption of new tech services. At the same time, procuring more innovative products and services can lead to better and cheaper public services in the long run”.

Following on from the innovation strategy launch, the UK government consulted on reforms to the public procurement regime, including specific aspects that would encourage more innovation. The resulting legislation has now been introduced into the UK Parliament and is under scrutiny by legislators ahead of potential adoption in 2023. The roll out of these new proposals to public sector customers and suppliers will be supported by an extensive programme of training and best practise sharing.

Since 2008, at the Connected Places Catapult we have been developing a programme to encourage the adoption of innovation procurement, and to overcome the barriers that have held back its widespread deployment. widespread deployment.

The Innovation Strategy identified the need to tackle these ingrained problems. It noted “the overall culture, expertise and incentive structure of the public sector means there is a low appetite for risk and experimentation”. With our parent agency Innovate UK, we were already involved in the pre-commercial procurement programme - the Small Business Research Initiative – targeted at innovative small enterprises. The Catapult has also been undertaking global benchmarking and analysis on innovation procurement programmes globally and published several reports on this topic. We have established a research consortium involving Birmingham and Manchester universities in collecting data on innovation procurement, highlighting best practices and understanding the reasons for low adoption rates.

These studies have been complemented by a large-scale consulting project, published in May 2022, examining the operation and impact of SBRI since the first UK programmes were rolled out in 2005. This report clearly showed the potential of innovation procurement to deliver the promised benefits of encouraging innovative companies to develop innovative solutions. However, it also showed that low visibility, lack of high-level leadership, and weak integration with mainstream procurement disciplines meant that its full potential had not been achieved.

Both our research and the SBRI study showed that best practise exchanges and shared knowledge on the practical application of innovative procurement tools and processes were critical in exploiting the full potential of the instrument.

1.2 INNOVATION PROCUREMENT



This report is a contribution to the current planning that is taking place in the UK to maximise the opportunities offered by the new public procurement rules. It examines a range of innovative procurement knowledge centres, looking at the scope of their activities and their engagement with customers and suppliers. It includes an analysis of existing UK activity and the history of the SBRI programme as a comparative reference alongside the work that has been done in other countries. It analyses the potential options which should be considered for a centre that could become an essential facilitator in delivering the overall goals of the UK innovation strategy.

Innovation is a vital component of economic, environmental and social progress, and governments are increasingly aware of its central importance. This is stimulating increases in the levels of Government R&D and the promotion of business investment in R&D. In addition, the potential for Public Authorities to promote innovation through their procurement programmes has been identified as a further significant aspect of innovative activity. This is particularly valued as a means by which leading R&D can be taken through to commercial development within an economy.

The scale of public procurement is such that major effects can be achieved through smart procurement.

The UK's Innovation Strategy (2021), recognising this opportunity, emphasised the role of public procurement in stimulating innovation, noting that one of the ten key lessons learnt during the pandemic was to 'use the weight of public sector procurement to drive innovation'. Likewise, the National Procurement Policy Statement (2021) dedicates considerable attention to the role of innovation in procurement strategies.

A recent report on the impact of the ongoing Small Business Research Initiative (SBRI) (2022, Innovate UK) provides considerable evidence to support the confidence demonstrated by these documents in the value of innovation in public procurement.

The report finds that the SBRI has been an unqualified success, allowing the public sector to 'invest in innovative solutions that save money and benefit society' describing the initiative as a 'win-win'. The report also finds that the initiative has been equally beneficial for private sector actors: 'The benefits to the businesses awarded the funding amount to around 1.5 to 4 times the cost of the public sector investment.'

Despite this promising attention, the value of innovation in public procurement is not being consistently recognised and integrated into UK policy documents, as demonstrated by the fact that the recent Procurement Bill fails to mention innovation procurement at all.



1.3 OBJECTIVES

Taking account of the evidence already available in EU countries and elsewhere, this report seeks to put flesh on the bones of the experience of Innovation Procurement Hubs and with the ultimate aim of supporting the further integration of innovation procurement within the UK.

Several governments and the EU are seeking to strengthen European value chain resilience through their procurements, allied to their direct funding of industrial capacity and R&D funding. This is also often linked to the promotion of entrepreneurship amongst SMEs. An emerging feature of the EU's work in public procurement has been the development of Pre-Commercial Procurement (PCP), by which public authorities pull through innovative commercial solutions by identifying prospective market requirements; and Public Procurement of Innovative Solutions (PPI) by which the structure of a procurement process is conducive to the development of innovative approaches. This has been driven by the development of Innovative Procurement Hubs in EU Member-States and by European Commission support for these processes, including in the PWC study "The Strategic Use of Public Procurement for Innovation in the Digital Economy" (2019).

We have undertaken research with examples of such hubs in several countries, in the EU and beyond. We have sought to understand the key characteristics that determine their formation, structure and operation. Categorising these characteristics and reflecting upon the types of approaches evidenced in our case studies will, we hope, enable policy-makers in England to adopt the approaches best suited to fostering a successful innovation procurement hub or hubs. In addition, we would see this research as enabling a community of interest to be created on an international basis for the further development of



INNOVATION PROCUREMENT HUBS



02

Innovation procurement hubs best practices: interview insights and desk research

We have conducted interviews with representatives from the innovation procurement hubs to acquire a more in-depth understanding of how these hubs function than is possible through desk research alone. We used the desk research that underpins these interviews to identify the hubs with the most effective and innovative models and develop our question guides.

We have selected these case studies primarily for their maturity: they or their predecessors have been around for at least five years and are thus suitable for impact assessments. Indeed, many of these procurement hubs have already conducted or are planning to conduct internal evaluations of their performance as regards the promotion of innovation procurement within a government's overall procurement portfolio.

Each of the six innovation procurement hubs has been evaluated according to nine characteristics. The nine characteristics chosen are as follows:

- **Public – Private:** This is used to indicate the degree to which these hubs have private or public funding and leadership.
- **Funding Stages:** The type/degree of funding that the hub offers to public bodies to facilitate their uptake of innovation procurement.
- **Budget:** The size of the hub's budget.
- **Information services:** the extent, if any, of information services offered.
- **Advisory services:** The extent, if any, of advisory services offered.
- **Policy Involvement:** The extent, if any, of the hub's involvement in developing or implementing policy.
- **Networking function:** The extent, if any, to which the hub facilitates networking.
- **Sole focus:** Whether the hub is solely focused on innovation procurement, or whether innovation procurement is one priority amongst others, such as a hub focused on procurement more generally.
- **Diversified approach:** This is used to indicate whether the hub utilises both PCP and PPI methods to encourage innovation procurement or is focused on only one of these approaches.

The below section will give an overview of all Hubs, starting with a graphical view on each of these nine characteristics, followed by an in-depth look at the Hubs, covering their landscape & history, structure, cooperation with the private sector, case studies, and impact assessments.



2.1 FINLAND

Characteristic	Finland - Competence Centre for Sustainable and Innovative Public Procurement (KEINO)
Public - Private	Public
Funding	KEINO connects 'buyer groups' to fund specific projects but doesn't (co-) fund any projects of its own.
Budget	€1.97 million per year
Information services	Yes, both for public and private sector
Advisory Services	Yes, both for public and private sector, including strategic management of innovation procurement projects
Policy involvement	No
Networking function	Yes, between public sector and private sector
Sole focus on innovation procurement	No, also sustainable procurement
Diversified approach	Yes, both PPI and PCP

Table 2: Characteristics of the Finnish Competence Centre for Sustainable and Innovative Public Procurement

2.1.1 LANDSCAPE - HISTORY

KEINO is the competence centre for both sustainable and innovative public procurement in Finland. The centre can be considered a public-private partnership as it is located within a government agency but is largely operated by private businesses.

The government's desire to bring together the two separate streams of sustainability and innovation emerged after the establishment in 2008-9 of a dedicated funding instrument for innovation procurement. It soon became clear that there was a wider need for best practice and knowledge sharing, and advisory services relating to procurement. As this happened alongside the increasing focus on the role of new technologies in achieving sustainability ambitions, what resulted was the combining of sustainability and innovation into one programme. This body initially comprised of only a funding agency and players on the ground, without a hub or competence centre where momentum could be gathered. However, ultimately all of these capabilities were brought together under one umbrella for efficiency purposes in 2016: a network-based competence centre, KEINO.

2.1.2 STRUCTURE

KEINO is composed of 5 partners:

- Motiva: plays a coordinating role and promotes sustainable activities within the Finnish government.
- Hansel: the central procurement agency of Finland, which also works on local and regional cooperation.
- VTT Technical Research Centre of Finland: has an in-depth understanding of innovation procurement and is in charge of conducting KEINO's impact assessments.
- The Finnish Environment Institute SYKE: a research institute specialising in environmental issues.
- Business Finland: a funding agency for companies.

As of recently, KEINO has started experimenting with playing the role of 'innovation broker,' by funding 100% of certain (small) projects which, if the prototype is successful, may later be funded by Business Finland.



2.1.3 PUBLIC-PRIVATE PARTNERSHIP

KEINO predominantly engages the private sector through market dialogue and consultations in a similar fashion to PIP. It organises forums where private companies are invited to share their needs within thematic groups and open networks, the information from which is then feed into the national procurement strategy. The timing for involving companies is crucial, however: if they are engaged too early in the procurement process, the objective is too unclear for them to have a meaningful say. Some successes have been found in this regard but no 'silver bullet' direct solution has emerged, and honing this process is something that KEINO continues to work upon.

2.1.4 CASE STUDIES AND IMPACT

KEINO is running an 'academy' coaching programme for procurement management which includes a section on innovation procurement specifically and has led to the creation of an action plan for management practices. Other thematic academies are ongoing for low-carbon and circular economy procurement.

KEINO is currently conducting an impact analysis of its own work through textual analysis of tenders. It is tracking the evolution in frequency of the terms, 'sustainability' and 'innovation' in tender specifications in order assess whether its provision of extensive and centralised information on sustainable and innovative procurement practices has influenced procuring agencies approaches to tenders.

2.2 FLANDERS, BELGIUM



Characteristic	Flanders, Belgium – Programme for Innovation Procurement (PIP)
Public - Private	Public
Funding	Joint funding of dedicated projects, always with another public procurer. PIP never solely funds a given project but can fund both development and purchase depending on the project.
Budget	€5 million per year
Information services	Yes
Advisory Services	Yes
Policy involvement	No
Networking function	Yes, but only between government departments
Sole focus on innovation procurement	Yes
Diversified approach	Yes, both PPI and PCP

Table 2: Characteristics of the Finnish Competence Centre for Sustainable and Innovative Public Procurement

2.2.1 LANDSCAPE - HISTORY

Prompted by the European Commission the Flemish Government’s first iteration of an innovation procurement hub ran between in 2007-2013 and was called the ‘Programme for Procuring Innovatively’. Focusing on PCP, this body was not considered a success by the Flemish government, and as such new avenues for innovation procurement were sought after.

In 2015 a new initiative was established by the department for Economy, Science, and Innovation (ESI) which went beyond PCP and was more meant as a pledging/charter system. During a reshuffling of competences in the Flemish government in 2015-16 the ESI initiative was assigned more resources, a different scope and a new approach: the “Programme for Innovative Procurement – PIP”. A key new element to the PIP approach is the ‘carrot of co-financing’: for all the procurement projects that PIP is involved with, it offers to co-finance up to 50% of the total costs. Initially it was 100%, but this was rescoped because it did not provide enough incentives to adopt stronger procurement processes and engagement of public procurers with the aims of the project. At first, PIP was to be centred within policy priorities, but has been opened up both thematically and geographically (many local governments have also used the opportunities that PIP offers). The first strategic approach was adopted in 2016 for a term of three years, a renewal of which was agreed until 2023. A self-evaluation of PIP is currently underway ahead of the projected end of the project in 2023 to see if a renewal is in order. Most of the projects that PIP works on are focused on digitalisation, capitalising upon the strong tech and biotech sectors industry in Flanders and the contacts, therefore, easily available to the PIP.

In the coming few years, PIP has 4 operational goals: strengthening the portfolio of projects; building a knowledge platform for PPI; informing and engaging other departments of the government; and internationalising PIP.

2.2.2 STRUCTURE

With a 5 million per year budget PIP is composed of a team of 5 full-time equivalents and operates as an independent team within the ESI department but is closely aligned with the cabinet of the Minister for Economy. It’s equally closely linked with VLAIO, the Flemish Agency for Innovation and Entrepreneurship, and the budget for its projects are drawn from the VLAIO budget. The calls for expressions of interest are executed in coordination with VLAIO, since this agency has strong expertise regarding innovation. Within projects, PIP then offers guidance on innovation procurement, through hands-on consultancy and/or co-financing (worth approx. €30-40.000 per project). Procuring governments often need hands-on support, market research, feasibility studies, or needs analyses, which PIP can provide. As part of the hands-on support, PIP reviews calls for tenders and evaluates quotes while the final decision on co-financing rests with VLAIO.

PIP, therefore, provides both information and advisory services, but only for public procurers and not for private entities. In terms of networking activities, it limits itself to connecting government departments with each other regarding innovation procurement. PIP is entirely dedicated to innovation procurement and engages in both PPI and PCP.

2.2.3 PUBLIC-PRIVATE PARTNERSHIP

The input of corporate entities usually starts with market consultations (circa. 30 companies are consulted this process). A network of contacts has been built by PIP that includes 2,000 subscribers to its newsletter, many of which are private entities. There are also formal channels such as the e-procurement platform through which private entities are informed of PIP news and networks such as Agoria, imec and cluster organisations.

2.2.4 CASE STUDIES AND IMPACT

Up until now, PIP has selected 104 projects, some 70 of which are currently in development. Some of the most interesting case studies include:

- Thermal clothing for athletes which was used at the Olympic Games in 2022 (See Box 1)
- Waste management vehicles
- A Book a Place system for libraries
- A vocational training project
- A language acquisition app

A key facet of these case studies is that there is clear added value provided by PIP's involvement that led to positive outcomes for customers and/or citizens.



COLD2GOLD

Innovative thermal clothing for the Tokyo Olympics

In 2018, the Programme for Innovation Procurement co-developed a tender in cooperation with Sports Flanders, the Flemish agency for sports, that aimed to develop thermal clothing for Flemish athletes at the 2020 Olympics. This tender was published on the 20th of July, and a consortium of companies and knowledge centres was appointed to develop the project, dubbed 'Cold2Gold'. The prototypes of this project were presented in 2021, in the run-up to the (postponed) Tokyo Olympics. It was used by the Olympian athletes and positively received, so much so that Sports Flanders set up a loan service for the thermal clothing.

2.3 AUSTRIA

Characteristic	Austria – Public Procurement Promoting Innovation
Public - Private	Public, but with input from certain private actors (such as the Austrian Chambers of Commerce)
Funding	Joint funding of dedicated projects, but never full. Two types of funding: <ul style="list-style-type: none"> • Consulting costs for design and implementation of PPI challenges on their platform • Investment funding for PPI projects.
Budget	Project budgets have a max cap of €100.000. The budget for the hub is undisclosed.
Information services	Yes, both for public and private sector
Advisory Services	Yes, both for public and private sector
Policy involvement	No
Networking function	Yes, both between public sector internally and with the private sector, through networking events and online platform
Sole focus on innovation procurement	Yes
Diversified approach	No, only PPI

Table 3: Characteristics of Austrian Public Procurement Promoting Innovation



2.3.1 LANDSCAPE - STRUCTURE

In Austria, the “Public Procurement Promoting Innovation” (IOEB) competence centre falls under the Federal Procurement Agency and is financed by the Austrian Ministry of Digital and Economic Affairs and the Ministry for Climate Action, Environment, Energy, Mobility, Innovation and Technology. It also takes input from private actors such as the Austrian Chamber of Commerce. Much like the Flemish PIP it acts as both a single point of contact and information (although in this case for private entities as well as public ones) and initiates and conducts pilot projects.

IOEB, like PIP and (to a lesser extent) KEINO, engages in co-funding projects. The percentage of the cost of a certain procurement is capped at 90% and will never exceed € 100.000. The funding offer comprises two types:

- Consulting costs for design and implementation of PPI challenges on their platform (‘PPI Toolbox Prepare’);
- Investment funding for PPI projects (‘PPI Toolbox Transfer’).

The first type of funding cannot exceed €15.000; while the second type cannot exceed 100.000. Not unlike the Swedish agency Vinnova (cfr. infra), IOEB does not directly finance innovation procurement solutions but rather gives input as to which public clients should benefit from grants to engage in innovation procurement. These grants are owned and managed by Austria Wirtschaft Service, a body IOEB sits on the board of.

IOEB offers information and advisory services for both public and private sector actors and connects them to each other through networking events and an online platform they operate. The information services include half-day workshops during which public procurers learn to appreciate the value of innovation procurement, understand how they can leverage innovation procurement in their own tenders, and go home with a worked-out idea for an innovation procurement project in their government department. Private companies benefit from the sales platform, where they can freely showcase innovation projects they are working on to potential public sector clients. Additionally, they can receive the IOEB Seal of Approval upon successful completion of an innovation procurement project, which grants them further promotion on the IOEB platform.

2.3.2 PUBLIC-PRIVATE PARTNERSHIP

Arguably the strongest advantage offered by the IOEB model is that it helps innovative companies access public procurement (like the Australian example, cfr. infra), and acts as a competence hub for public procurers, providing advisory services and exchanging best practices for innovation procurement.

The former of these is facilitated by the above referenced IOEB marketplace, the sales platform where companies can showcase their solutions and receive the IOEB Seal of Approval if these are deemed relevant for the public sector. The latter is achieved by the IOEB’s innovation platform and by its best practice database and seminars within the Austrian federal government.

2.3.3 CASE STUDIES AND IMPACT

A comprehensive evaluation (KMU Forschung Austria, 2018) was conducted which found that IOEB projects had sufficiently contributed to the furthering of innovation and thus warranted a renewal.

A number of case studies have shown clear added value of the IOEB approach. These pertain among others to:

- Improving the Austrian Food and Health Agency’s quality control checks of seed fields by digitalising the way records are kept and audited;
- Facilitating data exchange platforms for public and private entities for the Austrian Ministry for Climate Change and Technology;
- Transforming walls on Austrian federal highways to wood rather than steel or aluminium to reduce CO2 emissions (as creating steel and aluminium are very carbon intensive processes).



2.4 SWEDEN

Characteristic	Finland - Competence Centre for Sustainable and Innovative Public Procurement (KEINO)
Public - Private	Public
Funding	Grants to public procurers
Budget	EUR 10m (National Agency for Public Procurement) EUR 36m (Vinnova)
Information services	Yes
Advisory Services	Yes
Policy involvement	Yes Contributed to development and are responsible for aiding implementation and monitoring success.
Networking function	Yes: they are launching 'Afori', an arena for innovation procurement bringing together public sector, business, academia and civil society to further innovation procurement.
Sole focus on innovation procurement	No
Diversified approach	Yes

Table 4: Characteristics of the Swedish National Agency for Public Procurement

2.4.1 LANDSCAPE - HISTORY

Innovation procurement is principally carried out by two organisations in Sweden: the National Agency for Public Procurement, founded in 2015, is responsible for the development of activities previously carried out by the Competition Authority and before that the Development Unit at the Legal, Financial and Administrative Services Agency and Vinnova (Sweden's innovation agency). The latter, however, still manages innovation procurement solutions today. Importantly, this does not happen by way of direct co-funding of challenges, but rather by awarding grants to public procurers who want to work on innovation procurement. Importantly, the Swedish National Agency for Public Procurement is not an innovation procurement hub per se, but rather engages in innovation procurement activities.

One of the reasons that Sweden decided to create this independent authority was to raise the profile of this activity. Their self-described shift in focus since the organisation's inception has been from a focus on the rule of law, to seeing public procurement as a means of achieving wider societal goals, e.g., sustainability. It does not focus solely on innovation procurement, but rather addresses the improvement of procurement practices more generally.

2.4.2 STRUCTURE

The National Agency for Public Procurement, which operates within the Swedish Ministry of Finance, has ca. 70 employees and had a budget of ca. €10 million in 2021. Vinnova, which deals with innovation procurement together with the National Agency, has 200 employees with an annual budget of ca. €36 million in 2021.

The Agency fosters innovation procurement as part of general procurement practices through information and advisory services. It does not offer funding of any sort of specific innovation procurement projects. In terms of networking, it has recently launched 'Afori', an arena for innovation procurement bringing together public sector, business, academia and civil society to further innovation procurement, in collaboration with Vinnova and PRV. Their advisory and information services address both PCP and PPI.

Vinnova offers a different approach, by working together with the Agency to foster innovation procurement using the proverbial financing carrot. As alluded to earlier, Vinnova's grants are aimed at public procurers under strict conditions. In general, two tracks for grants are available: first, when a public procurer is considering an innovation procurement solution but needs to hire external expertise to aid with the impact evaluation; second, when a public procurer is in the midst of an innovation procurement project but would require more resources for evaluation and qualification of the eventual proposed solution.

2.4.3 CASE STUDIES AND IMPACT

The organisation played a key role in developing the 2017 National Procurement Strategy which implemented several changes to the Swedish procurement landscape, including emphasizing the importance of innovation procurement. The Agency is responsible for both aiding its implementation by offering support to public bodies and also monitoring the extent of its success. This extensive monitoring system (which is highlighted as one of the key indicators of a productive approach to innovation procurement in the PWC report) is a key facet of Sweden's approach. It demonstrates that their approach is focused on mainstreaming innovation procurement, evidenced by the fact that success is assessed in terms of how widespread the centering innovation in procurement practices is, rather than the success of individual innovation procurements.

As part of this monitoring process the Agency carries out extensive surveys (Upphandlingsmyndigheten, 2020) into procurement within Sweden. When we compare the results of the 2018 survey, soon after the new Procurement Strategy was published, and 2020, two years into its implementation there are several key indicators of the Agency and new strategy's impact:

- Government bodies who responded that they 'work to procure innovative solutions to a large extent' (Upphandlingsmyndigheten, 2020) increased from 9% in 2018 to 17% in 2020. While still a low percentage the almost doubling of positive responses to this question demonstrates remarkable progress.
- Likewise, the percentage of procurements that included functional requirements, rather than technical ones, which allows for the introduction of innovative applications, increased by 10% up to 48% in 2020. This approach offers an alternative method of measuring the integration of innovation procurement into tenders than the Finnish approach which entails counting the occurrences of the term 'innovation'. However, notably, this statistic is the result of a survey of public procurers rather than textual analysis.

2.5 VICTORIA, AUSTRALIA

Characteristic	Australia – CivVic Labs
Public - Private	Public Created by the Victorian Government, within the LaunchVic initiative which is all about innovation - the focus is therefore on helping start-ups land public procurement contracts, not helping public bodies obtain innovation
Funding	Yes CivVic Lab, their pre-accelerator programme, funds the development of solutions (not purchase).
Budget	\$2.5 million (Australian dollars) = EUR 1.69m Co-funded by LaunchVic and the Public Sector Innovation Fund (PSIF)
Information services	Yes, but only for start-ups. 'CivVic also offers webinars and educational content equipping startups with the know-how to work with government.'
Advisory Services	Only within the CivVic Labs programmes
Policy involvement	No evidence of such involvement.
Networking function	Yes, they hold events to introduced the start-up community to public bodies.
Sole focus on innovation procurement	Yes
Diversified approach	No

Table 5: Characteristics of Victoria, Australia's CivVic programme

2.5.1 LANDSCAPE - HISTORY

CivVic was launched right before the start of the Covid-19 pandemic by LaunchVic, the Victoria State's innovation agency. It built on Scotland's successful CivTech project and is part of the CivTech alliance, a global network of innovation programmes launched by the Scottish government. The State of Victoria was a natural member of this alliance, because it had had a sister state agreement with Scotland that facilitated skill and knowledge sharing, including in the innovation and start-up sector. It's important to note that CivVic thus did not explicitly arise from the world of innovation procurement, but rather from an innovation programme that incorporated public procurement in its portfolio of activities. While LaunchVic employs around 25 staff, CivVic has only three permanent staffers but does draw on experience and skills from LaunchVic.

2.5.2 LANDSCAPE - HISTORY

CivVic, located within LaunchVic, the Victorian Government's independent innovation agency, defines its two goals as the following:

- To open government procurement to Victorian start-ups and scale-ups, and by doing so help them to build their companies, creating jobs and employment growth in the Victorian economy;
- to assist the Victorian government in gaining access to innovative technologies and approaches that can help them achieve their policy outcomes.

The former of these two goals appears to be the more dominant: the emphasis is upon helping start-ups access public procurement contracts and generating growth. LaunchVic's wider ambition is the development of Victoria's startup ecosystem and as such CivVic largely sees public procurement of through the lens of an opportunity for start-ups rather than as an important shift in approach for public procurers. This can be partially explained by CivVic's location within LaunchVic, which is independent and focused upon nurturing Victoria's startup ecosystem. Still, CivVic Labs also spends a lot of time marketing its services to government departments, as they are ultimately also beneficiaries of co-funded public procurement solutions.

Three initiatives fall under CivVic's activities:

- CivVic Labs: A six-week PCP program that brings early-stage start-ups and government together to prototype solutions to government 'Challenges'.
- Government Liaison Service: Identifies and recruits hypergrowth Victorian start-ups and scaleups with products and services that are felt to be potentially beneficial to the Victorian government and matches these organisations with networks in the Victorian Government.
- Events and Education: CivVic organises events to facilitate networking and knowledge exchange between public sector professionals and the startup sector are organised, as well as educational content designed to equip start-ups to work with government and vice versa.

With the CivVic Labs initiative, CivVic co-funds the development of solutions to the above-mentioned 'Challenges' together with other public procurers, or in the words of a CivVic employee, "CivVic helps government not be scared of start-ups". The idea is that rather than having tenders be completed by large, multinational corporations, the government instead gives start-ups a chance. This is beneficial for two reasons: one, because the amount of funding start-ups require is generally lower, and two, because it facilitates the development of Victoria's start-up ecosystem. The second benefit is enhanced by CivVic Labs' way of working: start-ups that participate in the Challenges are immersed in a six-week pre-accelerator programme where they can test solutions with policy experts and receive equity-free funding. Sessions in the programme ask start-up founders the 'hard questions': is your product validated against the market? What is your business model? They are then guided through the lean start-up methodology and learn how to manage tech businesses effectively.

As with other innovation procurement hubs discussed in this report, CivVic's procurement activities tend to focus on the health, transport, education, and environment departments of the Victorian government. The reason for this is again that these are some of the largest sectors, and the ones most in need of innovative solutions to public policy problems.

In a way, one can consider CivVic Labs' approach as Levelling Up, given that only Victoria-based businesses can apply for Challenges.

2.5.3 CASE STUDIES AND IMPACT

CivVic has not conducted an impact assessment of any of its projects yet. It is primarily measuring success by the quantity of activities it is undertaking, and by tracking the further development of start-ups that have gone through the CivVic Labs programme. Since its foundation, it has conducted numerous Challenges, with two currently running, both focused on improving young people's access to healthy food.

MENTORMATCH

Integrating international students in Victoria

MentorMatch is a project originally started by Study Melbourne with CivVic Labs' support. The aim of the project was to integrate Victoria's international students in society, on both a professional and social level.

The start-up that was awarded the project, Outcome.Life, initially went through CivVic Labs' 6-week programme to build their business and thus also benefitted from equity-free funding worth \$10,000. The project is still ongoing, which is a testament to the success of the CivVic Labs model of targeted and guided funding and shows that even a tiny buy-in from the Treasury can lead to strong outcomes.



2.6 SCOTLAND, UNITED KINGDOM

Characteristic	Scotland - CivTech
Public - Private	Public
Funding	Funds PCP challenges / the development of solutions but not their purchase.
Budget	£6m
Information services	To challenge sponsors within challenges but not in general
Advisory Services	To challenge sponsors within challenges but not in general
Policy involvement	No evidence of such involvement.
Networking function	Partially, as the demo days have a networking function.
Sole focus on innovation procurement	Yes
Diversified approach	No

Table 6: Characteristics of Scotland's CivTech programme

2.6.1 STRUCTURE

'Innovation Flow' programme sees Challenge Sponsors (public sector organisations) bring challenges to CivTech, which are announced publicly, and SMEs are invited to respond with solutions. Within the Innovation Flow programme teams that complete all stages of the process will have received 100% funding to produce, with the Challenge Sponsors, an MVP: a Minimum Viable Product that both works and is capable of further development. This product is then presented at a Demo Day, organised by CivTech, and attended by hundreds (there were over 1,000 attendees in 2021) of representatives from the public and private sectors. There is also a 'Intrapreneurship Leadership Programme' which is concerned with developing an entrepreneurial mindset in the public services leaders of the Challenge Sponsors but does not extend beyond those partaking in the Innovation Flow Programme.

With an exclusive focus on innovation procurement as it relates to technology products it received £6million in funding from the Scottish Government in 2022.

2.6.2 IMPACT ANALYSIS

There is evidence of the positive impact that CivTech has had upon start-ups that have participated in the accelerator programme. For example, Trickle, a workforce engagement app, grew fivefold in the 12 months following its participation in CivTech. Their participation in the CivTech Demo Day in February 2019 Trickle resulted in 25 leads which they ultimately converted into 8 paying customers.

However, there is a deficiency in established monitoring systems or measurement that would allow for an assessment of the impact of CivTech upon the sponsor teams participating, the outcomes of the contracts that emerge from the challenges and the impact upon procurement processes more widely.



03

Conclusions

These case-studies show how regional and national governments use Innovation Procurement Hubs to improve procurement practice, with resulting benefits in improvements to public services and growth for providers of innovative services. In the UK, the Government and public sector organisations can learn from these examples, and apply that learning to support the reform of the public sector procurement framework that is nearing completion.

The six examples of innovation procurement hubs we researched show clear similarities, and some differences. The research summarised in this report would help clarify which approaches would best fit our current reforms and our priorities. A UK Innovation Procurement Hub could take on the role of specifically promoting uptake of innovation by public procurement, which otherwise may not have a dedicated delivery champion to ensure that successful methods are understood and available to be replicated by public sector organisations around the UK.

Three of the six cases studies (Austria, Flanders, and Finland) demonstrated the added value to be gained from assigning a budget towards the procurement hub that allows the hub to co-fund projects in cooperation with other public procurers, such as local, regional, or national authorities. These examples show that relocating and combining budgets can deliver greater impact. They also show that different co-funding models can be successful, but that full funding by hubs may result in fewer improvements in practice by the procuring bodies over time. A co-funding model coupled with advisory services appears to offer most impact on the basis of this research.

Secondly, advisory services for public procurers led to the adoption of more innovation-focused procurement practices and strategies, and this is supported by impact analysis by Sweden's hub, as well as by our interviews. The

Austrian and Australian hubs showed benefits from including private sector bodies in advisory services, and the Finnish and Flemish hub representatives considered that as potentially a valuable future addition to their offerings.

Third, almost all had found a strong networking function to be essential and comparatively low-cost element of their overall offering. These networks included internal networks of public sector stakeholders (for example in the Finnish case, where the hub itself is a cooperation network of multiple Finnish government agencies), and supporting private and public organisations to connect on procurement challenges.

One example in particular reinforces how a UK Innovation Procurement Hub can contribute to the Levelling Up agenda. CivVic Labs aims to solve procurement challenges not only through improving practices to better recognise what innovation can offer, but also by creating a system by which local start-ups in the Victoria region are supported in developing concepts and engaging with procuring organisations to deliver new solutions to the public need.

A UK Innovation Procurement Hub can learn from these examples, and select the approaches that best fit UK needs, conditions and priorities. A Hub would develop and share information and advice on innovation procurement. It would model and replicate successful approaches. It would accumulate learning and expertise over time, continually improving the efficiency of delivery of the services.

By acting primarily in a coordinating capacity, rather than seeking to direct centrally, a Hub would minimise unnecessary duplication. A light-touch networking approach would keep set-up time and resources to a minimum, so the Hub would be able to give timely support to organisations seeking to move forward in their practice and grasp the opportunities created when reforms have become law.

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