



#HorizonEU

HORIZON EUROPE

THE EU RESEARCH & INNOVATION PROGRAMME

2021 – 2027

LIEVE BOS

THE RULES OF THE GAME –
FUNDING CONDITIONS

Innovation procurement in Horizon Europe

Pre-Commercial Procurement (PCP)



- **When**

- R&D procurement needed to get new solutions developed, to **de-risk** tech
- Pros / cons of **# solution approaches** not compared / validated yet
- Still **too risky** to commit to go for **large scale deployment**, not possible yet to define final budget and/or final requirements
- Still **too risky** to tie your hands to **specific solutions / suppliers**
- Need to **attract new players** to tackle supplier lock-in issues



- **What**

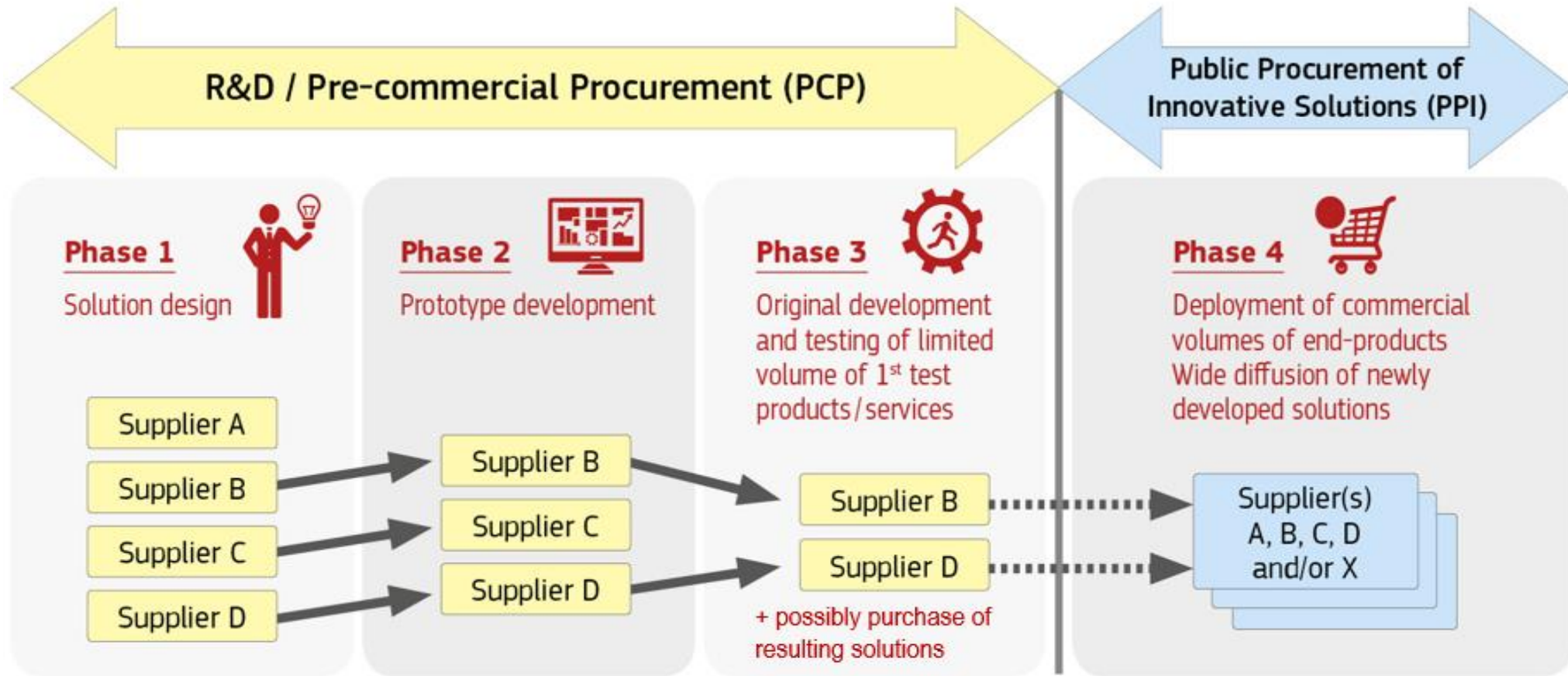
- Public sector buys R&D to **steer development** to its needs, to collect info about pros / cons of alternative solutions to make specs for a possible follow-up PPI, to create a future competitive supply base



- **How**

- Public sector **buys R&D** from **several suppliers in parallel** (comparing **# solution approaches**) and **possibly also limited volume of solutions**
- and **evaluates progress** after critical milestones (design, prototyping, test)
- and **shares risks & benefits** of R&D (in particular the IPRs) with suppliers to maximise incentives for wide commercialisation

Complementarity



PCP falls outside WTO GPA and EU public procurement directives ([COM\(2007\)799](#) & [SEC\(2007\)1668](#))

[More than 600 public buyers around Europe](#) have already successfully implemented PCPs

PPI uses procurement procedures defined in EU public procurement directives and national law

Project examples



AI4CITIES PCP: AI based solutions that accelerate cities' climate neutrality transition

Procurers: Helsinki, Amsterdam, Paris, Copenhagen, Stavanger, Tallinn

97 Tenders received

Phase 1: 20 Energy, 21 Mobility

Phase 2: 10 Energy, 10 Mobility

Phase 3: 4 Energy, 3 Mobility (today)

FABULOS PCP: Autonomous bus lines as part of real-life public transport network

Procurers: Helsinki, Tallinn, Gjesdal, Porto, Helmond, Lamia

Suppliers: 5 -> 4 -> 3 consortia

Project just finished, first cities preparing deployment

Impacts EU funded PCPs on procurers

- **Deployment:** 2Y after project end 55% of projects/procurers deployed solutions
- **Improved interoperability:** 60% of PCPs resulted in more interoperable solutions
- **Removing supplier lock-in:** 20% cost reduction & higher quality products
- **Strategic autonomy, security of supply chain:** Several examples for EU companies now being lead providers, not only in EU but also for Asian and US procurers



SILVER PCP (Odense, South Denmark, Oulu, Vantaa, Västerås, Stockholm, Eindhoven)

Robotics for elderly -> BIOSERVO muscle strengthening system (exoskeleton)

Used worldwide (NASA, GM, Airbus, Eiffel...) NASDAQ listed, 3rd VC investment round



2014-2016: PCP by Danish regions & hospitals
Result: Blue Ocean Robotics (Danish startup) created innovative disinfection robots that kill 99% of all viruses & bacteria within 10 minutes.

2020: EU bought 300 of these 'EU made' robots for hospitals around Europe to fight COVID.
Steep worldwide growth, becoming unicorn. Strengthens European position in robotics.

Impacts EU funded PCPs on suppliers

- **Opens a route-to-market for new players/SMEs**
 - More than doubles contracts going to SMEs/startups (>60% vs 30%)
- **Quadruples commercialisation success rate**
 - 20 times more contracts awarded cross-border (86% of phase 3, 75% of phase 2 and 30% of phase 1 contractors commercialise already 1Y after PCP)
- **Fosters access to finance**
 - Doubles chances to win further procurements, increases access to VC funding, partnerships with large corporates, mergers/acquisitions, IPOs
- **Stimulates cross-border company growth**
 - 20 times more contracts awarded cross-border (33,1% vs 1,7%)
- **Creating growth and jobs /strategic autonomy in Europe**
 - 99,7% of contractors do 100% of R&D activities for PCP in Europe

Conditions for participation

ELIGIBILITY

- Min 3 independent legal entities from 3 different Member States or Associated Countries, **min 2 of which are public procurers** from 2 different Member States or Associated Countries. Of these 2 at least 1 is established in a Member State (minimum requirement buyers group)
 - Public procurers are contracting authorities or contracting entities as defined in the EU public procurement directives (see programme guide)



Don't forget the box in the application form that asks you to confirm compliance with this

- Buyers group can contain **additional other type procurers** that are providing services of public interest and share the procurement need
 - E.g. NGOs or private procurers
- Other entities may participate in the action, on condition that they are **not potential suppliers of solutions** sought for by the PCP/PPI and they have no other type of conflict of interest with the PCP/PPI
 - E.g. Assisting buyers in preparing the PCP/PPI, dissemination activities

Role of different actors

- **Buyers group**
 - Buyers group: Procurers (beneficiaries + possibly linked 3rd parties) that provide the financial commitments to implement the PCP/PPI(s)
 - Needs to comply with minimum requirements buyers group! Eligibility!
- **Lead procurer**
 - Beneficiary appointed by buyers group to lead & coordinate the PCP/PPI(s)
- **Other beneficiaries and third parties**
 - Other entities helping the procurers in related activities
 - 3rd parties can provide in-kind contributions to the procurers to implement the PCP/PPI(s) (e.g. resources/equipment needed for testing)
- **PCP/PPI providers**
 - Successful tenderers, selected by the buyers group & lead procurer as result of the PCP/PPI call for tenders, to provide the R&D services (PCP) or innovative solutions (PPI). They do 'NOT' enter the grant agreement

Applicable rules and guidance



General annexes of the work programme

In particular *Annex H: Specific conditions for actions with PCP / PPI*. It applies to all actions that support the preparation and or implementation of PCP / PPI procurements (see above)!



Model Grant Agreement (MGA) and Annotated Model Grant Agreement (AGA, coming soon)

Annex 5 - Specific rules for PCP and PPI procurements (recalls main points of Annex H of WP)

Article 6.2.D.5 – PCP/PPI procurement costs (specific cost category for PCP / PPI actions)

Article 6.2.B – Subcontracting costs (cost category for R&I / I actions that involve a PCP/PPI)

AGA: Guidance & examples that clarify the obligations from the articles of the MGA



Guidance PCP tender docs, Guidance PPI tender docs (update for HorizonEU coming soon)

Provides guidance on how to draft the tender documents and notices in line with HE rules



FAQs about PCP actions and FAQs about PPI actions (update for HorizonEU coming soon)

You can ask more Q&A via the topic page on the Funding & Tenders Portal



Application form PCP actions, Application form PPI actions

Reminds you of what to explain at proposal stage, mandatory deliverables etc.



HorizonEU Programme guide (section on cross-cutting priority ‘innovation procurement’)

High level strategic guidance to help you find your way in how to apply

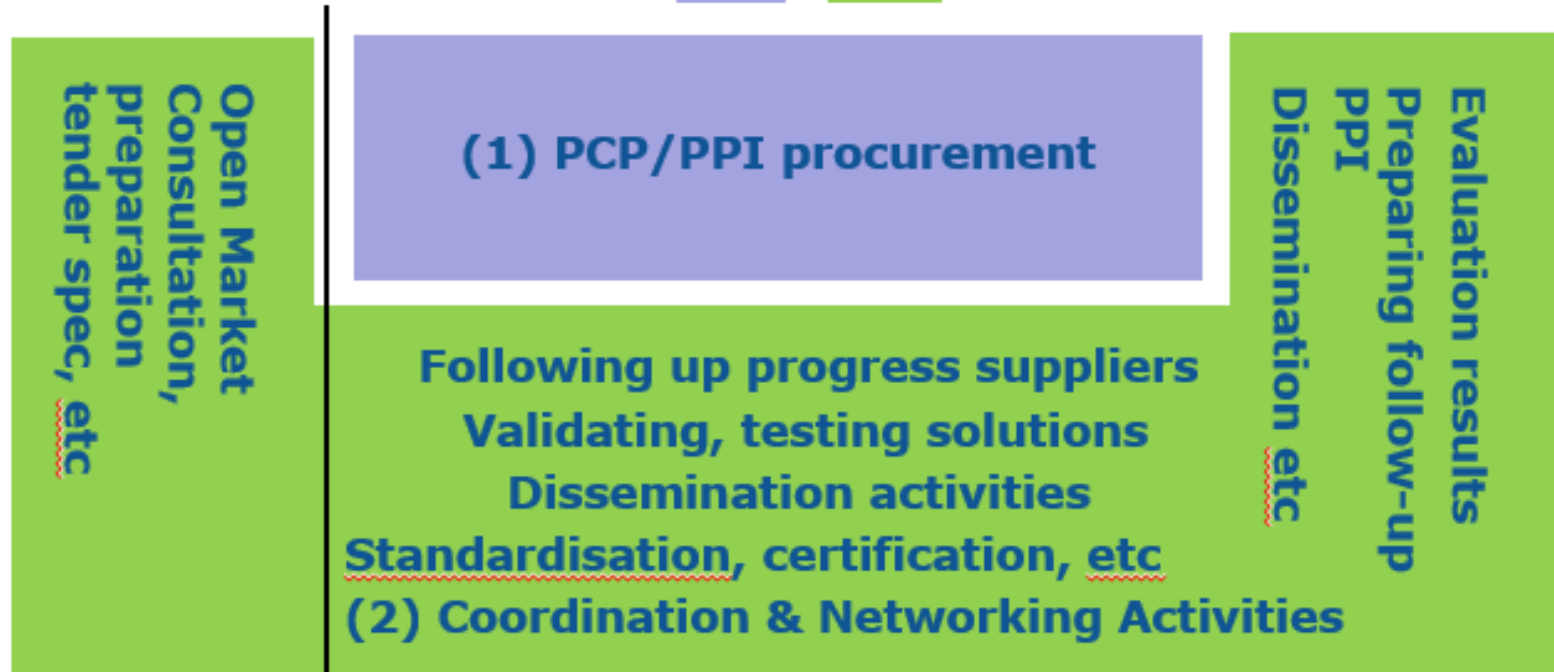
Eligible activities

In the proposal, consortium shall already identify a specific challenge in the innovation plans of the procurers that requires innovation + KPIs (targeted quality/efficiency improvements) for the PCP/PPI. Eligible activities:

- **Preparation stage**
 - Preparing **1 joint** PCP / **1 joint or several coordinated** PPI(s) per action
 - Open market consultation, verifying market readiness to meet the need
 - Outcome: Tender specifications + Joint procurement agreement
 - **Execution stage**
 - Procurement of the R&D services (PCP) or innovative solutions (PPI)
 - Validating performance of solutions for sufficient duration to evaluate impact
 - Assessment & publication of the outcomes of the procurement
 - Confirmation of strategy for dissemination/exploitation of results
- + If relevant to the action, other activities (e.g. preparation of follow-up PPI, testing, contribution to standardisation / regulation / certification, training)

Eligible activities

PCP/PPI actions co-finance (1) + (2)



Every project goes through a preparation stage and an execution stage

1st pre-fin Review Possibly additional reviews Final review
 2nd pre-fin 2nd pre-fin (e.g. per phase of a PCP action) Final payment

EU contribution

- **Reimbursement rate direct costs: Max 100% of eligible costs (PCP actions) versus Max 50% of eligible costs (PPI actions)**
 - Price of the R&D services (PCP) or innovative solutions (PPI) procured
 - Eligible additional activities
 - May include in-kind contributions (and financial support to 3rd parties, if allowed by call)
 - VAT is an eligible cost unless for beneficiaries that can deduct it
- Flexibility: Consortium may choose to use part of the Union contribution to increase the support to additional activities or the budget for the PCP/PPI call for tender as long as the Union contribution does not exceed the max 100% (PCP) / 50% (PPI) of the total costs.
- Requested funding for additional activities can be max 50% (for PCP and PPI actions) of total requested grant. PCP/PPI procurement cost must be min 50% of total eligible costs.
- **Plus 25% for indirect costs:** But, no indirect costs on the PCP/PPI procurement cost, nor on financial support to 3rd parties
- **Pre-financing:** Yes, 1st pre-financing at start project for costs for preparation stage, 2nd pre-financing before execution stage for costs for rest (incl. call for tender)

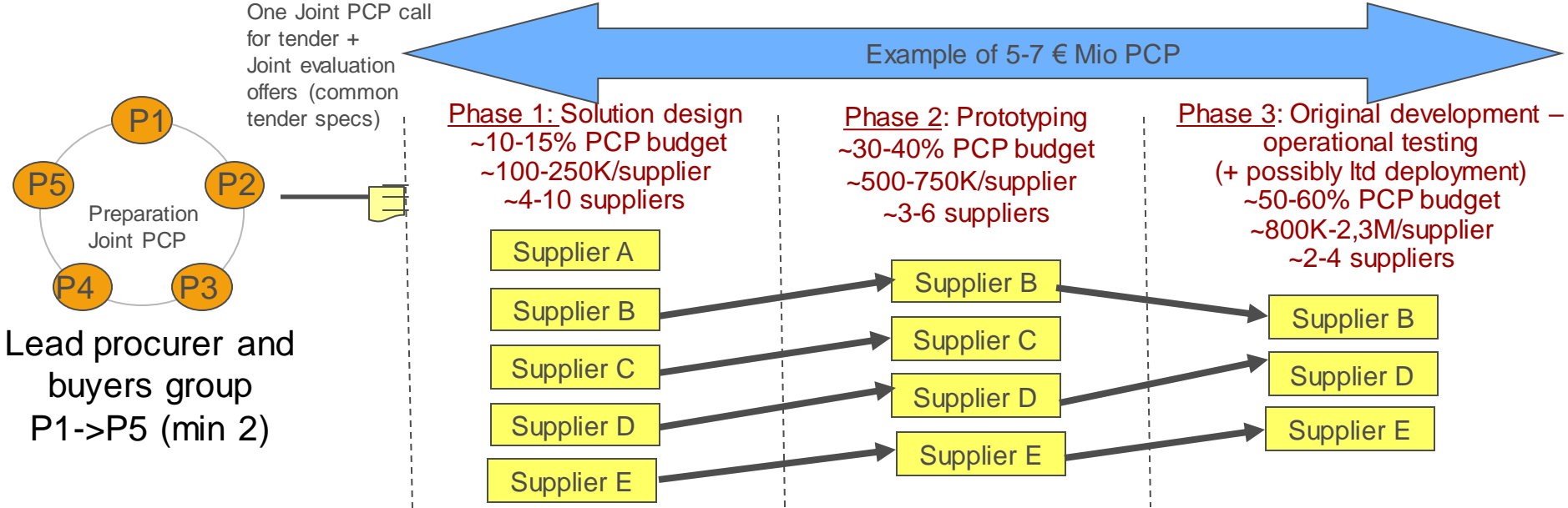
Example PCP action

- Example: 5 €M PCP action**

- EU contribution: e.g. 4,3 €M for PCP (procurement of min 4,3 €M) + 0,7 €M for other activities
- EU contribution: Min 2,5 €M for PCP (procurement of min 2,5 €M) + Max 2,5 €M for other activities

- Example: 3 €M PCP action**

- EU contribution: e.g. 2,3 €M for PCP (procurement of min 2,3 €M) + 0,7 €M for other activities
- EU contribution: Min 1,5 €M for PCP (procurement of min 1,5 €M) + Max 1,5 €M for other activities



IPR allocation

- **PCP procurements:**

- Beneficiaries retain IPR they generate and give each other and other participants (including PCP/PPI providers) access to their background needed for project
- PCP providers retain IPR they generate and buyers group obtains:
 - License free rights to use the results *for their own use*
 - Right to require the PCP providers to grant, or to grant themselves, *non-exclusive* licenses to exploit the results *for the procurers* under *fair and reasonable conditions*, without right to sublicense
 - Call back right: If PCP provider uses results to the detriment of the public interest, including security interests, or fails to commercially exploit the results within a specified period after the contract, then - *after having consulted the PCP providers on why this happened* - the procurers can require the PCP provider to transfer the IPR ownership to the procurers

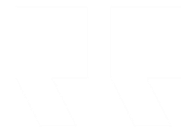
- **PPI procurements:**

- Similar approach as in PCPs: Ownership of IPR should be allocated to the party generating it, except in duly justified cases (e.g. when party not able to exploit)

EU IPR
action plan
recommends
this for all
procurements
in Europe!

Main novelties in Horizon Europe

- **Implementation novelties:**
 - Higher funding rates: 50% (PCP actions), 100% (PPI actions)
 - Easier to propose PCPs/PPIs in other actions (incl. for single procurer)
 - Fast-track PCPs (2 iso 3 phases, deployment in PCP), starting PCP with 2 iso 3 suppliers
 - Third party financing possible in PCP/PPI actions
 - IPR allocation approach from PCPs generalized to all procurements (also PPIs)
- **Fair international level playing field:**
 - Non-discrimination: no preferential treatment for companies from your country / region / city, or for bidders of specific size / types (SMEs/startups)
 - Access for 3rd country bidders based on reciprocity
 - All PINs for market consultations, contract (award) notices published on TED, except possibly for low value PPIs (< national thresholds) and security contracts
 - Restriction to EU-established/EU-controlled bidders possible in security PCP/PPIs
 - Place of performance conditions possible also for security PPIs
 - EU strategic autonomy clauses: e.g. restrict licensing / transfer of IPR outside EU, require sourcing strategic components from EU, min level commercialisation in EU



Thank you!

HorizonEU

<http://ec.europa.eu/horizon-europe>



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