



Case Study: Forward Commitment Procurement

KEY ASPECTS:

- Practical supply chain management tool
- Stimulates innovation in response to customer 'unmet' needs
- Addresses environmental challenges cost effectively
- Manages innovation risk

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Forward Commitment Procurement:

New procurement model breaks stalemate by bringing innovative solutions to market

Developed in the UK, Forward Commitment Procurement (FCP) is a new approach to procuring environmental services and products that effectively harnesses innovation to improve public services. This innovative means of matching demand with supply is now being used to stimulate new solutions and better value for money in other sectors, too.

The challenge: breaking the stalemate

Meeting the public sector's sustainability objectives often requires new and innovative solutions, including ones that aren't actually yet available on the market. Because they aren't available no one demands them, and because there is no demand the private sector doesn't invest in supplying them. It's stalemate, Catch 22...

The solution: a new procurement model

Forward Commitment Procurement (FCP) is a new procurement model that can deliver cost-effective products and services to public bodies and help create the conditions for markets to thrive. Initially designed to address the barriers-to-market faced by environmental innovations, the approach is now being used to procure goods and services in other, more diverse markets.

The action: begin by providing the missing demand

FCP was conceived and developed by the Environmental Innovation Advisory Group (EIAG), a joint Department of Business, Enterprise and Regulatory Reform and Department for Environment, Food and Rural Affairs industry-led advisory group, and designed in partnership with the Office of Government Commerce.

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In essence, FCP unlocks the stalemate by providing the missing demand – or ‘market-pull’ – for new products and services. It does this by making the market aware of needs, not in vague, general terms but in the context of a credible procurement process that offers to buy solutions that meet those needs once they’re available at the right price.

Letting suppliers know exactly what solutions buyers need is a way for government bodies to effectively improve the way they manage the supply chain in the sector, explained Jack Frost, former Chairman of EIAG. “It is the lack of credible articulated demand that is at the root of the relative failure of innovation in the UK environmental goods and services sector, not any lack of research, invention or innovative aspirations.”

Having broken away from a business-as-usual approach and provided a real opportunity to the market, the customer can then apply the FCP model to procure the solution best suited to meet the unmet need. “Innovation is never without risk,” said Gaynor Whyles of JERA Consulting Ltd, who has been involved with the project from the outset, “but the FCP model manages the risk to both the customer and the supply chain”.

The results: sustainable procurement

FCP has been successfully used by HM Prison Service (HMPS) to procure cost-effective zero-waste mattresses and put an end to the practice of sending 40,000 used mattresses to landfill each year. HMPS’s call for innovation and information in the Official Journal of the European Union secured over 36 high-quality responses, and the organisation is now concluding a procurement exercise for a ‘cradle-to-cradle’ managed service to supply the product.

“Sustainable procurement has been talked about for years, but the Prison Service launching a competition for zero-waste mattresses was one of the few truly innovative examples we have seen,” said Julie Hill, member of the Commission on Environmental Markets and Economic Performance, which has recommended FCP as a market-pull mechanism.

FCP has also been adopted in the UK Government’s Sustainable Procurement Action Plan, which called for the scaling up and replication of this approach across the public sector. Supported by the Department for Innovation Universities and Skills (DIUS), a capacity-building programme is now being developed to achieve this. “The approach is increasingly being picked up by public sector to deliver challenging sustainability policies,” added Gaynor Whyles. “The DIUS programme aims to create not only a portfolio of FCP projects but also a broad base of public sector leaders and professionals who understand and can use FCP”. ■

FURTHER INFORMATION:

[www.berr.gov.uk/
sectors/environmental/
EIAG/page10066.html](http://www.berr.gov.uk/sectors/environmental/EIAG/page10066.html)

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