

INNOVATIVE

CITY-

BUSINESS COLLABORATION

Finland – RAKLI procurement clinics

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ABSTRACT

The Finnish Association of Building Owners and Construction Clients (RAKLI) launched the procurement clinic method in 2007 to enable open dialogue on procurement and urban development challenges between public sector clients and potential solution providers, contractors and investors.

Consisting of a series of facilitated and interactive workshops, procurement clinics are inclusive consultation processes that encourage a wide range of stakeholder inputs. Procurement clinics reduce risks, spur innovation and improve outcomes as they make tendering processes more open and transparent, and generate private sector input for urban infrastructure development.

To date, 22 procurement clinics have been conducted to discuss questions such as how to structure the procurement process for a ring rail line in the Helsinki metropolitan area and how to develop a district energy system in Espoo.

CONTEXT

Public procurement practitioners operate in an environment characterized by a high level of uncertainty and bureaucracy. Large infrastructure projects and urban development-related procurement processes are complex as they often involve non-standard goods or services and require public procurers to have in-depth knowledge of the current and future market. In addition, procurement processes are governed by a myriad of strict rules and regulations restricting the potential of engaging in pre-procurement discussions. As a result, contracts are often awarded based on minimized risk and the lowest price available instead of optimized solutions.

To provide public procurers with an opportunity to discuss projects, share information and engage with potential tenderers before the actual tendering, the Finnish Association of Building Owners and Construction Clients (RAKLI) launched the procurement clinic method in 2007. Procurement clinics use a series of interactive workshops to facilitate open market dialogue. Along with focusing on specific procurement challenges, the format is used to generate private sector input to improve general urban infrastructure development.

OBJECTIVES

RAKLI's procurement clinic method was established to facilitate procurement and urban development processes in the built environment. Procurement clinics aim to reduce risks and spur innovation by creating market-based solutions through early dialogues between public sector clients and potential solution providers, contractors and investors.

INITIATOR: RAKLI

Established in 1977, RAKLI, the Finnish Association of Building Owners and Construction Clients, is a membership-based non-profit organization that connects public and private property and construction professionals. Its 220 members include Finland's most prominent residential and commercial property owners, infrastructure owners including road, railroad, airport, harbor, telecom and energy operators, property investors, cities and municipalities, construction clients and service providers. RAKLI's goal is to ensure that buildings and infrastructure serve the needs of their users and that the built environment is functional and attractive.

RAKLI operates in three sectors: residential properties, public and commercial properties, and urban development and infrastructure. Each of them has its own executive committee and management team made up of elected members. Their work is supported by a team of 15 employees. The association represents its members' interests on various national platforms. In addition to organizing and facilitating procurement clinics, RAKLI offers R&D and education services and legal advice.



Head	Laurikainen Jyrki
Legal form	Non-profit
Founded in	1977



PUBLIC SECTOR AND NON-GOVERNMENTAL CLIENTS

Procurement clinics are requested by cities, national agencies, associations or other clients facing a particular procurement or urban development challenge.

CITIES

To date, procurement clinics have been commissioned by the cities of Helsinki, Espoo, Vantaa, Lahti, Varkaus, Turku, Tampere, Riihimäki and Naantali. While all of the cities are located in the southern part of Finland, they differ substantially in terms of area and population. The Greater Helsinki metropolitan area—Helsinki, Espoo and Vantaa—encompasses a total population of around 1.1 million inhabitants. In contrast, Riihimäki, Varkaus and Naantali each have a population of less than 30,000.

Reflecting the diversity of clinics, the municipal departments involved include those charged with city planning, real estate development, environmental protection, social services and health care provision.

GOVERNMENT AGENCIES

While most of the procurement clinics are commissioned by cities, some are initiated or co-initiated by government agencies. The Finnish Traffic Agency, for example, worked with the cities of Helsinki and Vantaa on two clinics on railway development. Other agencies that have collaborated with RAKLI include the Housing Finance and Development Centre of Finland (ARA), VTT Technical Research Centre of Finland and the Finnish Innovation Fund (Sitra).

ASSOCIATIONS

National and regional associations related to the built environment, energy and sustainable urban development have partnered with RAKLI on several occasions. For example, both the Green Building Council Finland and Green Net Finland, a clean technology business network, have co-organized and facilitated clinics with RAKLI.



City	Population	Area
Helsinki	622,000	715 km ²
Espoo	265,000	528 km ²
Tampere	223,000	689 km ²
Vantaa	211,000	240 km ²
Turku	184,000	306 km ²
Lahti	104,000	154 km ²
Riihimäki	29,000	125 km ²
Varkaus	22,000	524 km ²
Naantali	19,000	688 km ²

PRIVATE SECTOR PARTICIPANTS

BUSINESS

Companies operating in the built environment constitute the clinics' main participants. The businesses involved range from architectural and engineering firms to project management consultants, construction companies, facility management and service providers, energy companies and investors.

INPUT FROM ACADEMIA AND CIVIL SOCIETY

Depending on the clinic at hand, other stakeholders may act as co-organizers of the clinics or may contribute their knowledge to the city-business dialogues. In general, any interested stakeholder group may be involved in RAKLI's procurement clinics.

Representatives from universities and research institutes often contribute by providing background information and participating in the discussions. Non-governmental organization involvement has occurred on several occasions. Actors have been as varied as a refugee aid organization, WWF and the Finnish scout organization. Civil society may be represented by neighborhood associations, community groups or local leaders. In addition, the church has been identified as an important organization in representing the interests of the community.

THEMATIC SCOPE

In line with RAKLI's thematic focus, the majority of clinics deal with challenges pertaining to the built environment. Procurement clinics discuss residential and commercial real estate projects, traffic, energy and other infrastructure-related cases.

Initially launched to facilitate and improve public procurement practices, only around one-third of all clinics are still used to prepare actual tenders. Instead, two-thirds of the clinics are charged with analyzing urban development challenges and opportunities and are therefore often referred to as concept clinics. While procurement-related issues are still considered, they are usually limited to creating, presenting and evaluating alternatives.



PROCESS OVERVIEW

For a case to be accepted by RAKLI, it is important that it be of widespread interest and generally support good public procurement and sustainable urban development.

Since 2007, only minor changes have been made to the format of the procurement clinic method. In general, clinics follow a structured process that takes between three to six months to complete, encompassing the following stages:

- 1 Preparation phase:** The client meets with a facilitator from RAKLI to define the objectives of the clinic and determine the timeframe, process and logistics. They identify relevant stakeholder groups, which usually leads to a list of up to 100 organizations and 1,000 individuals. The client then sends out an open invitation to them and all other interested parties.
- 2 Opening seminar:** Between 50 and 150 public and private sector representatives and stakeholders participate in the opening seminar. The challenge, the case(s) and the process are introduced and discussed. Participants are asked to fill out a questionnaire on the clinic. The answers are evaluated and used to shape the remainder of the clinic. Following the seminar, interested parties register for the closed workshops. The resulting 8-25 main participants then continue finalizing the plans for the clinic.
- 3 Workshops:** Two to five half-day workshops are held per case. To set the scene for the public-private market dialogues, several 5- to 20-minute presentations are delivered. These are followed by workshop rounds that are based on workshop-specific questionnaires. Ideas are exchanged and suggestions are made on how to address the procurement challenge. The workshops serve as a platform to discuss the goals and interests of both the client and the participants. If the clinic is to be followed by an actual tendering process, procurement documents and detailed terms may be prepared in the workshops.

4 **Output seminar:** The output seminar is open to the public. It is used to disseminate, discuss and analyze the outcomes of the workshops and to showcase the solutions developed. Participants are asked to fill out a questionnaire to evaluate the outcomes and present any additional ideas and questions. Following the output seminar, a final report is published online.

RAKLI sets up a contract for each of the main participants taking part in the closed workshops. The contract specifies the objective of the temporary collaboration and timeline of the procurement clinic, and codifies the participation fee. Any modification to the original plan is based on consensus.



FINANCING

Procurement clinics cost between € 10,000 and € 50,000 per case. The costs are borne by the clients and the main participants, with about half being carried by the client. If several municipal and state agencies are involved, up to 70% may be covered by the public sector. Additional funding may be provided by the Finnish Funding Agency for Technology and Innovation (TEKES). The remaining amount is divided between the 8 to 25 main participants, resulting in fees ranging from € 500 to € 2,500.

TRANSPARENCY AND ACCOUNTABILITY

There are several measures in place to guarantee that the procurement clinic process is transparent. For example, participation in the opening and closing seminars is open to all interested parties. RAKLI and its client(s) use various channels to disseminate information and ensure that all relevant actors are able to contribute to the two meetings. Afterwards, a report containing the main outcomes of the workshops is published on RAKLI's website. Further documents and presentation material are usually made public as well.

Despite the fact that the roundtable workshops take place behind closed doors, universities are allowed to participate for free. Moreover, NGOs and civil society are often involved in framing the challenge and presenting their point of view.

There is no formal mandate for decision-making, and the recommendations made during the clinics are in no way binding. In fact, it is important to note that while contract notices may be prepared during the workshops, procurement takes place outside the clinics. Instead, the seminars and workshops function as neutral meeting points for early market engagement, with the overarching goal of facilitating procurement practices and enhancing urban development.

PROJECTS AND OUTCOMES

Since RAKLI's first clinic in 2007, the association has conducted a total of 22 procurement clinics and now organizes an average of six clinics per year. In several cases, clinics have been used to generate input for final contract notices and have directly been followed by actual procurement (see example 3). Other clinics have eventually led to procurement (see example 1). Concept clinics have mainly resulted in improved concept development and urban planning (see example 2).

1 Development of a ring rail line

RAKLI's first procurement clinic in 2007 aimed to facilitate the planning process for an 18-kilometer railway system connecting the Helsinki-Vantaa Airport to the Helsinki commuter rail network. Commissioned by the Finnish Railway Administration¹ and the City of Vantaa, the complex project involved merging two commuter tracks and constructing numerous tunnels and stations. Through a series of workshops, the public entities were able to openly discuss the implementation of the multi-million euro project with the appropriate industry actors. This exchange of information led to the generation of novel options to deal with limited capacity, helping make the project as cost-efficient as possible while maintaining a high standard of quality. Furthermore, participants discussed appropriate structures for risk transfer and corrected initial errors in the project proposals. The clients benefitted from the know-how and expertise of the industry representatives and the private sector learned more about the planned project and shaped its development. Construction began in 2009. When the Ring Rail connection services start in late 2015, they will bring huge benefits to citizens and tourism, making the city more accessible and decreasing traffic-related congestion.



¹ In 2010, the Finnish Railway Administration and the Finnish Road Administration were merged into the Finnish Traffic Agency.

2 Local area energy systems clinics

In 2011 and 2012, RAKLI carried out two local area energy system clinics. On behalf of the City of Espoo, RAKLI launched a clinic in October 2011 to study the potential of district heating and cooling energy. Over a period of 10 months, four workshops were held. Energy companies, real estate owners and engineering companies engaged in open market dialogues with city representatives and presented their views on a myriad of energy-related aspects. The City of Espoo received industry input on regulatory requirements, technical specifications, financing issues, etc. Moreover, the business representatives provided recommendations on how to link district heating and cooling technology with the local real estate and business sectors. The City of Espoo has used the outcomes to plan and implement the development of its Finnoo district.

In September 2012, RAKLI organized a clinic for the City of Helsinki to analyze the potential of solar energy and electricity generation for its Östersundom area. Both clinics saw wide-ranging private and academic involvement, as well as the participation of and input from the Finnish Ministry of the Environment.

The success of the clinics and the relevance of the topic have led to two subsequent clinics, one focusing on the development of near-zero energy buildings and another one on innovative small and medium-sized enterprises in cooperation with the clean technology business network Green Net Finland.



3 Outsourcing of municipal engineering services

Due to spending cuts, the city of Varkaus approached RAKLI in 2008 to deliver a purchasing process for the outsourcing of its municipal engineering services to the private sector. Affected services encompassed the management of public infrastructure, such as streets and water pipes, and the provision of energy. Five workshops were arranged to engage with potential service providers and co-define criteria for competitive bidding and prepare long-term service agreements for the outsourcing procedure. The workshops were directly succeeded by an actual procurement process. Along with a new operating model for Varkaus, the procurement clinic generated a large amount of in-depth knowledge on the implementation of outsourcing projects that has proven valuable for other Finnish cities.





LONG-TERM IMPACTS

RAKLI's procurement clinic method has yielded a number of long-term impacts. In general, the various clinics have led to procurement and urban development projects that are more competitive, innovative and sustainable. Compared to conventional public procurement processes, they have also proven to be more transparent as well as more time- and cost-effective.

On an individual level, they have enabled the transfer of knowledge and the generation of mutual understanding between public procurers and relevant private actors. This has led to wider collaboration networks that would otherwise not have formed. The provision of information as well as the clarification of details, and in some cases the discussion of alternative solutions, have supported the shaping of the projects.

Due to the clinics' focus on addressing general procurement and urban development challenges, some of RAKLI's clinics have affected nationwide procurement practices and building standards, particularly in cases where national agencies have acted as collaborators or initiators. Others have triggered the execution of similar clinics (see example 2) or the adoption of their outcomes (see example 3) in other municipalities.

FUTURE PLANS

Since 2007, RAKLI has gained in-depth knowledge of and has closely observed developments in the market. This has spurred the generation of new topics, some of which go beyond the association's traditional thematic scope. As a result, two upcoming procurement clinics will deal with the information and communications technology-powered emergence of knowledge work and the disruptive hybridization of physical retail, logistics and e-commerce. The clinics will discuss their impacts on the built environment in Finland, related services and investments, and the country's labor market. More traditional clinics that will be conducted in 2015 include one on the establishment of new social housing and one on the establishment of a roadmap for neighborhood development.

INNOVATION

RAKLI's procurement clinic format offers an innovative alternative to conventional procurement schemes. Public procurement projects and tenders are traditionally prepared in isolation from industry experts, often resulting in very technical and complex contract notices that are based on outdated knowledge of private sector solutions. By providing a platform for early market engagement, public procurers and potential solution providers are able to openly discuss procurement procedures and develop market-based tenders.

General urban development is enhanced through concept clinics. By bringing together representatives from various sectors, clients benefit from a wide range of industry expertise, which in turn enables a comprehensive, integrated approach to urban planning. Procurement and urban development challenges are addressed using a novel systematic approach. The structured procedure ensures that procurement clinics are time and cost-effective while simultaneously maximizing city-business interaction.

Compared to conventional processes, the clinic method represents a more transparent approach to procurement. This is due to RAKLI's open information policy and its unbiased role as facilitator. It also reaches a wider audience and attracts more industry actors through its public opening and closing seminars, thus making it a more inclusive and participatory endeavor.

SUCCESS FACTORS AND LESSONS LEARNED

Relevant and interesting cases

Cases that are relevant to the private sector are crucial to the success of RAKLI's procurement clinics. Participants need to be interested and motivated to engage in the intense workshops with the public sector and the other business actors.

Open invitation

RAKLI's open and non-committal introduction seminars allow clients to interact with and receive input from companies that they might not have met otherwise. This ensures comprehensive market engagement.

Neutral facilitator

The association's role as an unbiased facilitator is important to enabling open information exchange between the actors. In fact, RAKLI once attempted to export the clinic method to another field using a consultancy as facilitator. Other consulting companies competing in the field, however, did not accept this and the intended clinic could not be started.

Fast and structured process

RAKLI's systematic procedure allows for a time- and cost-effective approach to solving complex procurement and urban development challenges. Time and capacity savings are particularly great where procurement clinics are used to inform and prepare final contract notices.

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The World Business Council for Sustainable Development (WBCSD), a CEO-led organization of some 200 forward-thinking global companies, is committed to galvanizing the global business community to create a sustainable future for business, society and the environment. Together with its members, the council applies its respected thought leadership and effective advocacy to generate constructive solutions and take shared action. Leveraging its strong relationships with stakeholders as the leading advocate for business, the council helps drive debate and policy change in favor of sustainable development solutions.

The WBCSD provides a forum for its member companies - who represent all business sectors, all continents and a combined revenue of more than \$8.5 trillion, 19 million employees - to share best practices on sustainable development issues and to develop innovative tools that change the status quo. The council also benefits from a network of 70 national and regional business councils and partner organizations, a majority of which are based in developing countries.

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