



## **Smart Procurement and Lead Markets - Innovation in a Global World**

Joint statement introduced at the occasion of the EP Round Table Breakfast

Wednesday, 5 December 2006, 8h00 – 9h15

European Parliament, Salon des Membres, Rue Wiertz, 1047, Brussels

*“We cannot argue for openness from others while sheltering behind barriers of our own”.*  
*Commissioner Peter Mandelson, announcing the new “Global Europe” trade policy initiative,*  
*Brussels, 4 October 2006*

### **Pre-Commercial Procurement and SMEs**

Pre-commercial procurement is a process by which public authorities in Europe can steer the development of new technologically innovative solutions that can address their specific needs. It focuses on domains where no commercial solutions exist yet on the market. Pre-commercial procurement addresses the missing link in innovation in Europe where public procurers share with suppliers the risks and benefits of valorizing exploratory research up to the stage where it is ready for commercial take-up.

The risk-management techniques applied in the pre-commercial procurement process can also attract venture capitalists looking for promising opportunities offered by SMEs involved in pre-commercial procurement projects. At the same time, support from the venture capital market makes it 'safer' for the procurers that will buy from such SMEs. Finally, venture capital funding would give SMEs which get a 'first buyer' order the financial stability to deliver on it. Business opportunities for SMEs can also be stimulated by embedding subcontracting possibilities into the pre-commercial procurement scheme.

### **Smart Procurement in a globalized World**

In light of the influence by public authorities on lead markets through “smart” public procurement (i.e. an innovation-oriented and preference-based tendering process), or any other forms of public procurement, governments must be careful in their procurement processes not to negatively influence the market through ill-informed choices on high-tech or any other innovative products or services. The principle behind open and competitive government procurement processes for government infrastructures in high-tech services and products, software and hardware alike, is that all products and services offer varying benefits and costs.

Industry, represented through “SME UNION” and CompTIA, the “Computing Technology Industry Association”, supports public procurement of high-tech and other innovative products and services for government infrastructures.

It is obvious and remains valid, that public entities have to procure the products and services that best meets their needs and should avoid national “eligibility criteria”, “national champions” or other national, local or regional preferences as well as any forms of discriminatory intervention. This includes government R&D spending.

### **Public Procurement has to follow rules of competition**

The process by which public R&D resources are reallocated can have a remarkable impact upon market innovation. If public resources are spent on best available technologies, without bias, the incentive for market innovation is reinforced. Therefore, governments should adopt a public procurement practice throughout the whole procurement value chain (pre-commercial and innovative procurement) that encompasses competitive goals, and adheres to technological neutral and unbiased procedures.

Governments are best served when they can select innovative solutions from a broad range of products or services developed and offered by “innovative companies” based on such considerations as value, total cost of ownership, functionality, feature set, performance and security. Therefore governments should let the marketplace develop innovative solutions and should generally avoid “positive discrimination” or other forms of bias or preferences for procurement requirements that would discriminate in favour of one solution over another.

---