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Check Against Delivery

[Introduction]

I would like to thank the European Commission for the opportunity to speak at this important event, and I would like to thank the previous speakers for their contributions and views on public procurement in the EU.

Modernisation of the EU Public Procurement framework is a top priority, because it is essential to ensure efficient public procurement if we are to address the dual challenges of fostering growth and consolidating our pub-

lic finances. Therefore, we have to simplify the rules and processes and make public procurement easier for contracting authorities and companies.

I am here today as a representative of the upcoming Danish Presidency of the EU in the first half of 2012. Modernisation of the EU Public Procurement policy will be one of our top priorities – and I can ensure you all that we will do our utmost in taking negotiations as far as possible, together with the European Parliament and the Commission.

[The main challenges and the response from the EU]

With the economic challenges facing the European Union, we need a sustained and coordinated effort from all parties to deliver on our main challenge: creating jobs and growth in the EU.

It is crucial that the best conditions for growth are available to EU consumers and companies. This requires more cooperation, more competition and more trade – both across the European Union and with countries outside the EU.

The EU 2020-strategy sets out ambitious targets and goals to be met in order to create smart, sustainable, and inclusive growth in the EU. Moreover, the Single Market Act sets out specific actions to be taken in order to foster competition, innovation, and growth.

[The priorities of the Danish Presidency]

The challenge of how to create sustained and balanced growth will also set the tone for the upcoming Danish EU Presidency. We will focus on economic growth and revitalisation of our economies, and a successful revision of the Public Procurement Directives is one of our top priorities in achieving these goals.

[The role of Public Procurement in creating growth]

Public procurement can – and should – play a central role in creating growth, consolidating our public finances and getting our economies back on track. That is also why modernisation of the EU Public Procurement framework is one of the priorities in the Single Market Act. So let me now turn to the subject of the conference today.

Public procurement is important because public spending constitutes a large part – 18 percent – of the economy within the European Union. The public procurement market has the potential to make a significant impact on the revitalisation of the Single Market as a driver for economic growth and prosperity. Therefore, modernizing the EU Public Procurement Policy is a key priority.

Efficient public procurement also plays an important part in consolidating public finances. All Member States face the challenge of keeping public spending at bay, and public procurement is one of the tools we should use. This requires that we make it easier for contracting authorities to use public

procurement efficiently by reducing the administrative burdens and increasing the flexibility.

Faced with stagnant growth rates across the EU, we must make a dedicated effort to stimulate competition. Both nationally and across borders. The Single Market is not complete if cross border public procurement does not take place. We need it to get efficient public procurement with the best value for tax payers' money.

Unfortunately, only a small proportion of contracts are awarded to companies from another EU Member State. The figures are clear: Direct cross-border procurement accounts for only 1.6 percent of awards or roughly 3.5 percent of the total value of contract awarded between 2006 and 2009.

Let me share with you today where we, as upcoming EU Presidency, see a need for change. We should focus on four main objectives:

- Create a more simple procurement framework,
- Expand the possibilities for dialogue between the parties,
- Secure the flexibility in the pursuit of other policy objectives, and
- Create a strong link to the Digital Single Market.

[1. Simplification of the public procurement rules]

Our main objective must be public procurement rules that contain easily understandable and flexible procedures, which minimise transaction costs and maximise benefits for contracting authorities and companies.

First of all, we should focus on simplifying the rules. We must make it easier and significantly less costly to carry out and participate in a public procurement process.

When I meet representatives from both contracting authorities and private companies, they say that the current framework is too complex and administratively burdensome. Even a simple public purchase requires substantial administrative efforts and significant legal expertise. Reducing the adminis-

trative burdens for both public authorities and companies by smarter and better regulation is therefore essential.

Fewer and simpler rules also have the advantage of benefiting small and medium sized enterprises. SME's suffer the most from the costs of complex and time-consuming procurement procedures. They do not have the same resources as larger companies, and they often perceive the current procedures as barriers to entry on the public procurement market.

A concrete example of how the rules could be simplified could be to oblige only the winner of the bidding contest to submit the required documentation. This would especially benefit SME's and facilitate their participation in public procurement process.

Simplifying the rules also means that we must seek to strike the right balance between the costs and benefits of generating competition. Specifically, it is necessary to consider when it is appropriate to use the procedural rules established by the EU, and when national measures are better suited.

For this purpose, I believe we need to look at the level of the current thresholds for application of the EU procurement directives. We must set an adequate threshold level so the benefits of applying the public procurement rules are not eaten up by the costs connected herewith.

[2. Flexibility and the importance of avoiding unnecessary bureaucracy]

In close connection with the need to simplify the rules, we should also focus on the flexibility of the rules, for instance regarding the pursuit of pol-

icy objectives such as innovation, environmental protection, and social inclusion. This flexibility should be secured, and we should consider whether we can improve the framework conditions for innovative, resource efficient and green public procurement.

This could be done by clarifying the legal basis for contracting authorities to require that desired goods be produced in accordance with recognized production methods concerning sustainability. It could also be done by letting contracting authorities refer to standardised eco-labels.

However, we must not forget the importance of efficiency in the pursuit of our common goals. Mandatory requirements at EU level to include green or

social considerations in all procurements poses a risk of making procurements more expensive and administratively burdensome.

It is important that we do not block out SME's from public procurement by imposing too many criteria. And we should maintain the flexibility of the contracting authorities to find the solutions that best meet their requirements by letting them decide for their own whether they will pursue 'value for money' as well as other policy objectives.

We must also bear in mind that we need open and transparent markets with clear and non-discriminatory rules. International competition is a key driver for growth and prosperity that benefits all of us. So we need to strike the right balance here.

[3. The importance of dialogue and smarter procurement]

Another important aspect is to increase the possibilities for dialogue in public procurement. The most efficient purchases are where the contracting authority understands its needs and can convey this to the market. This requires a knowledge of the goods and services on the market that contracting authorities often do not possess. Therefore, you need a constructive dialogue between the contracting authority and the companies on the market.

However, such dialogue is often hampered by fear of breaching the principle of equal treatment. We need to reverse this trend and promote a culture of dialogue between public authorities and suppliers.

Again, simplification of the rules is needed. A first step could be to expand the existing opportunities for dialogue in EU rules, for instance the competitive dialogue procedure and the negotiated procedure with prior publication of a contract notice.

Increased dialogue can also lead to public procurement that is more smart and intelligent. This could be by improving the possibility of using functional requirements, where the public authority define what it need without detailed specifications and thereby allow suppliers to propose the best possible and innovative solutions on the market.

Last, but not least, we need to use digitalisation to minimise transaction costs and as a way towards a real Digital Single Market. E-procurement is one of the means by which we can achieve a Digital Single Market. Conducting public procurement electronically in all phases can simplify the processes, lower transaction costs and create efficient procurement.

To sum up our view as upcoming EU Presidency, we should:

- Simplify the procurement framework and strike the right balance on adequate thresholds,
- Increase the opportunities for dialogue between the parties,
- Secure flexibility in the pursuit of other policy objectives, and
- Promote digital solutions and electronic procurement procedures.

[A change of culture and old habits]

But that is not all. Simplifying the rules will get us a long way, but we also need to look at the way we think about public procurement. We need a regulatory change – but we also need a cultural change.

In many public authorities, there is a tendency to “play it safe” and refrain from change, because it is often easier to do as you have always done. We need to get past that frame of mind and introduce a culture of change, where we allow the market to compete and come up with innovative and cost effective solutions to the problems we face. We must demonstrate that we *want* growth, also if it means shedding old habits.

If we are to succeed in modernising the EU Public Procurement framework, we need everybody – the Commission, the Parliament, and all the Member States and stakeholders – to work together and seek common solutions in creating the best possible framework conditions for public spending in the European Union.

Thank you.