



European  
Commission

# SCALE UP WITH THE PUBLIC SECTOR

A brochure for start-ups

Innovate **differently.**  
Innovate **better.**  
Innovate with the **public sector.**



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## Public procurement means more than just buying; it means **investing**

Public procurement rules no longer deal just with ‘how to buy’; they are also concerned with ‘what to buy’. Increasingly, it is recognised that making good use of taxpayers’ money is about more than merely satisfying the primary needs of public bodies. The public rightly want to know not just whether a solution procured with public money is formally compliant with the rules, but also whether it delivers the greatest added value in terms of quality, cost-efficiency, environmental and social impact and opportunities for suppliers.

## Public procurement as leverage for start-ups and start-ups as leverage for **a better world**

Public investment and innovation are both essential to meet the challenges of the post-pandemic recovery, the green and digital transitions and the creation of a more resilient economy in the EU. As standard-bearers of innovation, start-ups – and especially the most entrepreneurial and imaginative among them – can bring significant innovation into the public sector.

## SAIL THE PUBLIC MARKET

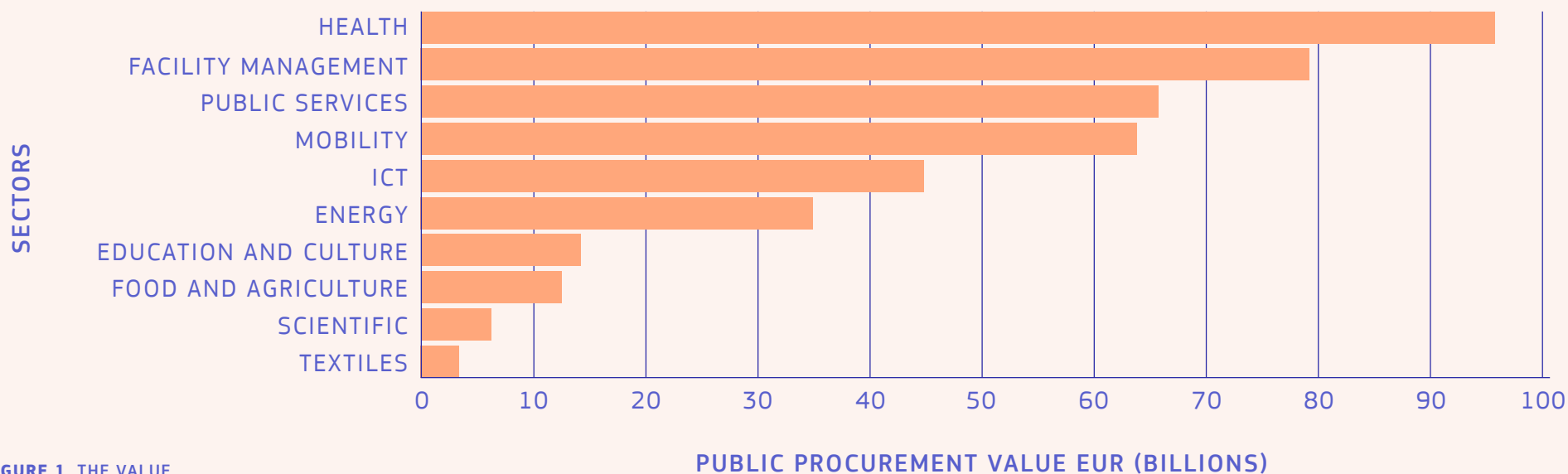
### An ocean of opportunities

EU public procurement rules have enabled public buyers to design procedures suited not just large companies but also to smaller innovative suppliers and start-ups. Accounting for over 14% of gross domestic product (GDP), EU public procurement is a huge market for innovative products and services, but its potential is underused. The European Commission

aims to improve public procurement practices, promote demand for innovative goods, services and works in Europe, and foster the uptake of innovation in the EU. This will enable public demand to be integrated into the innovation ecosystem and foster sustainable economic recovery.

#### PUBLIC PROCUREMENT VALUE

by sectors with highest start-ups concentration



**FIGURE 1.** THE VALUE OF PUBLIC TENDERS BY SECTORS WITH THE HIGHEST CONCENTRATION OF START-UPS IN THE EU IN 2020.

# The new European innovation agenda

The Commission will support the formation of an advisory service for innovation procurement specialists. This service will act as an intermediary between public buyers and innovative suppliers. The Commission will also support the creation of living labs and incubators, for example, to connect innovators and public administrators and support innovative solutions to public needs.



## PUBLIC PROCUREMENT ~~IS NOT~~ FOR START-UPS

- 1** Public buyers can be early adopters. This is relevant for start-ups: it is a way to scale up the business.
- 2** The public sector is looking for innovation and wants public services to keep pace with future digital developments.
- 3** Public procurement requires competition. It provides a fair environment.
- 4** Public buyers always pay, and are obliged to do so within 30 days of receiving the invoice or accepting the service<sup>1</sup>.
- 5** Public procurement is transparent as all the information is public.
- 6** The public procurement process is online (electronic submission of tenders / documents available online) and requires less effort than you may think.
- 7** There are new procurement procedures (e.g. innovation partnerships) suited to the needs of innovative companies like start-ups.
- 8** Some public procurement calls may seem too big for a start-up. But there are options. You could tender for just one lot, for example. Or you could join a consortium or be a subcontractor.
- 9** Public buyers do not always go for the lowest price. Public buyers can award the contract on quality criteria.

<sup>1</sup> In some limited cases, payments can take up to 60 days.

## INNOVATION PARTNERSHIP: A PROCEDURE MADE FOR START-UPS

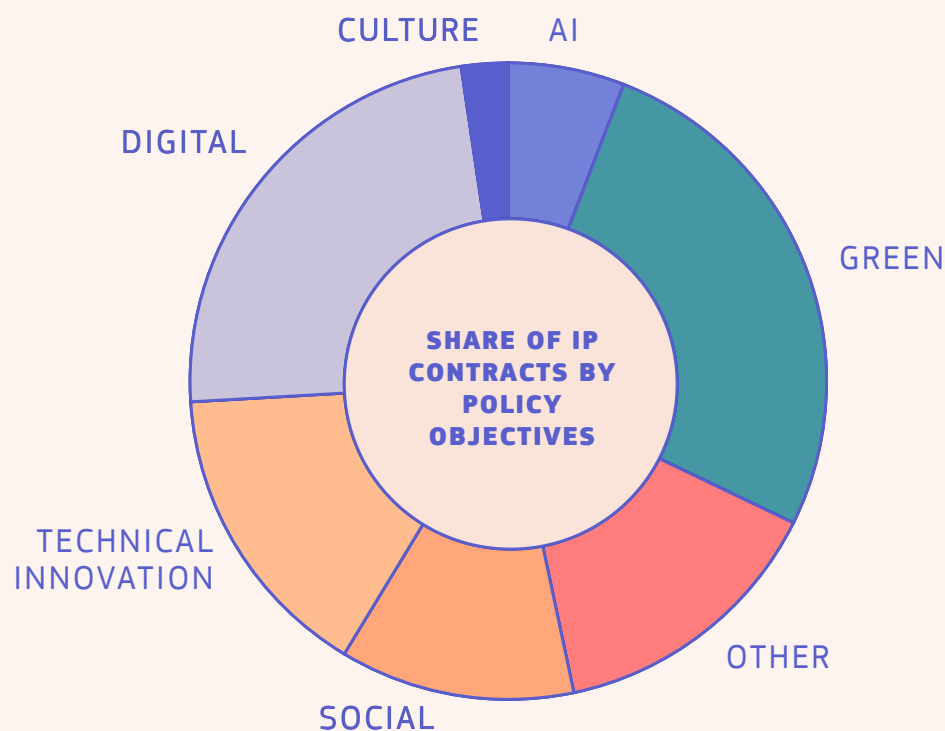
### What is the ‘innovation partnership’?

The innovation partnership is a procedure that combines research, innovation and procurement. The process is divided into phases. The tendering phase takes place at the very beginning of the procedure, when the most suitable partner or partners are selected on the basis of their capacity to execute the contract and their tenders. In the next phase, the partner(s) develop the new solution in collaboration with the buyer. This phase can be divided into several stages during which the number of partners may be gradually reduced, depending on whether they meet predetermined targets. In the final, commercial phase, the partner(s) produce the innovative solution, which will be purchased by the buyer.

### Procure innovation, procure the future

Innovation cuts across all sectors. Current societal challenges and transitions often require solutions which are interdisciplinary and are able to connect different sectors. Very often start-ups have the ability to make those connections.

The sectors in which there are a lot of start-ups involved in innovation partnership procedures tend to be the sectors with a high proportion of start-ups generally. By procuring from them, the public buyer invests in them and in the future much like a venture capitalist, with the difference that there is no shareholder asking for the investment to be repaid. The return on investment for public buyers is the societal impact which the procured innovation from start-ups can often provide.



**FIGURE 2.** THE PROPORTION OF INNOVATION PROCUREMENT PROCEDURES AWARDED TO SMES BY POLICY OBJECTIVE IN THE EU BETWEEN 2016 AND 2021.

## CONNECTING PUBLIC BUYERS WITH INNOVATION ECOSYSTEMS

The European Commission has launched a number of initiatives specifically designed to connect the public procurement world with innovation ecosystems. The figure below displays a new paradigm to be followed in public procurement which takes account of the expanded innovation ecosystem. Under this new paradigm, it is especially important for the

buyer to focus on the preparation of the call and on contract execution. The call should be prepared in close connection with the innovation ecosystems, which include small and medium-sized enterprises (SMEs) and start-ups, innovation agencies, living labs, universities, research centres, etc.

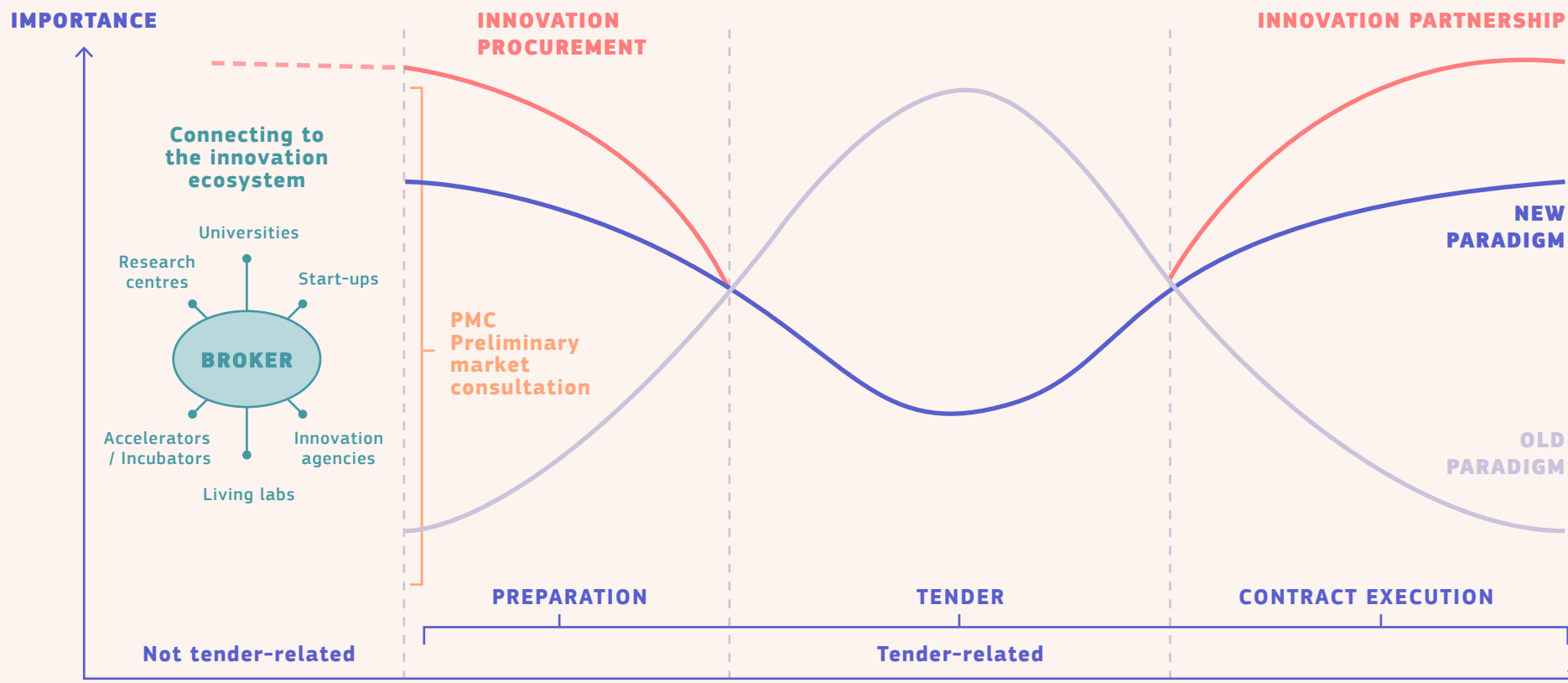
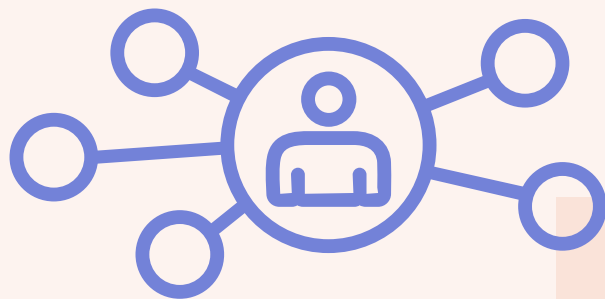


FIGURE 3. THE PHASES OF INNOVATION PROCUREMENT AND THE ROLE OF INNOVATION PROCUREMENT BROKERS.

## Sustainable hubs

As indicated in the [new European innovation agenda](#), the European Commission will support the creation of living labs and incubators, for instance, to connect innovators and public administrators and support innovative solutions in areas of public need. The European Commission has launched a call for projects to create laboratories (living labs and incubators) in which the challenges and needs of public bodies can be addressed and overcome with innovative solutions from start-ups and entrepreneurs. The objective is to forge a strong link between innovators and public administration in areas like mobility, green and digital transitions, health, education, etc. It will also help to develop purchasing practices that are conducive to the creation of new markets for innovative firms.



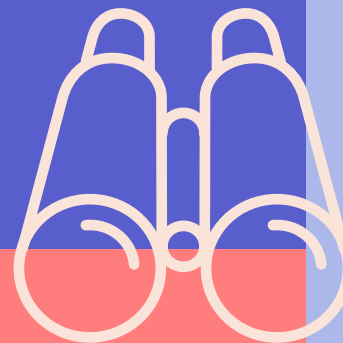
## What is Innobroker?

The [innovation procurement brokers project](#) has worked to facilitate the procurement of innovative goods and services by strengthening the links between public buyers and innovative companies. Public buyers were supported in identifying their needs by intermediate bodies or parties, the 'broker'; then, when they were ready, the buyers were put in touch with SMEs and start-ups able to develop innovative solutions responding to their requirements.





## BEFORE YOU BID, DO THE GROUNDWORK



Estimate the **time needed and your chances of winning** before preparing a bid

**Create new contacts and partnerships** with others (bigger and/or more experienced suppliers) to bid for a public contract in a consortium

Familiarise yourself with **e-procurements tools**

You can try participating in **market consultations, hackathons** and other events as a way of becoming more familiar with public buyers and other innovation suppliers

**Identify opportunities** by consulting the public procurement platforms<sup>2</sup>

**Invest in public procurement** by following some training on public procurement or allocating responsibility for public tenders to a specific person in the business

If you have doubts, **ask questions** to the public buyer to clarify any unclear aspects of the call

<sup>2</sup> In tenders electronic daily (TED) you will find public procurement calls and their results. The digital public buyers platform provides information on events, training courses, and other initiatives relating to public procurement funded by the EU.

# Glossary: public procurement words

## AWARD CRITERIA

Award criteria are the criteria used by the public buyers to award the contract. The most economically advantageous tender (MEAT) is the only award criterion mentioned in the public procurement Directives. It covers the price of supplies, services or works, their life-cycle costs and their quality. Quality criteria may include qualitative, environmental, social or innovative aspects<sup>3</sup>.

## CONTRACTING AUTHORITY

The contracting authority is the public buyer – a government authority or agency, at national or subnational level, or any other public entity seeking to purchase products, services or works from the private sector through public procurement.

## CONTRACT PERFORMANCE CLAUSES

Contract performance clauses ensure that the services, works or goods are procured according to the contract. They are necessary to hold contractors and subcontractors accountable for any failure to perform<sup>4</sup>.

## EXCLUSION CRITERIA

Buyers are legally required to exclude bidders who have been convicted of various offences with a final judgement. The conviction could be for corruption, money laundering or terrorism financing, terrorism, non-payment of tax or social security contributions, fraud, etc.

## INNOVATION PARTNERSHIP

See the main text.

## MARKET CONSULTATION

A market consultation allows public buyers to check the state of play before launching a procurement procedure, communicate with potential suppliers and gather information on price structure and market capabilities<sup>5</sup>.

## OPEN PROCEDURE

An open procedure means that any organisation or individual can respond to the advertised contract notice, download the procurement documents and submit a tender. All tenders must be evaluated in line with the requirements and criteria set out in the procurement documents. Other procedures are also possible such as those allowing negotiation, under certain conditions, between the buyer and the supplier<sup>6</sup>.

## SELECTION CRITERIA

Selection criteria are the minimum requirements that bidders must meet to progress further in the procurement process. Bidders unable to demonstrate that they meet the selection criteria must be excluded from the competition.

## TECHNICAL SPECIFICATIONS

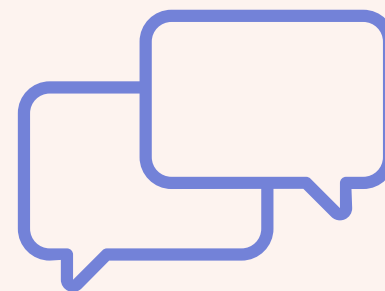
Technical specifications set out the client's (public buyer's) needs and requirements. They tell potential suppliers about the supply requirements. Finally, they set the quality standard against which bid evaluation, inspection, tests and quality checks are made.

<sup>3</sup> [European Commission \(2021\), 'Guidance on Innovation Procurement' p. 45-46.](#)

<sup>4</sup> [European Commission \(2021\), 'Buying Social – a guide to taking account of social considerations in public procurement'](#)

<sup>5</sup> [ibid. p. 37](#)

<sup>6</sup> [ibid. p. 53.](#)



## NEED HELP?

Advisers from the **Enterprise Europe Network** (EEN) – the world’s largest support network for SMEs and start-ups – are on hand in your region to offer free tailor-made advice on how to scale up, take advantage of public procurement opportunities and grow your business in the EU single market and beyond.

### [Find an EEN advisor](#)

## Contact details

**Any questions?** Contact us: [GROW-INNOVATIONPROCUREMENT@ec.europa.eu](mailto:GROW-INNOVATIONPROCUREMENT@ec.europa.eu)

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