



“The voice of SMEs in Europe”

Press Release

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Innovation: competition is a pre-condition for “smart” procurement

Brussels, 5 December 2006. “Smart” public procurement techniques, if properly applied, will foster market-driven innovation in Europe, according to UEAPME, the European SME employers’ organisation. Speaking at a round table meeting on “Innovation in a Global World” at the European Parliament today (Wednesday), UEAPME Director for Economic and Fiscal Policy **Gerhard Huemer** highlighted the potential benefits arising from new forms of public tendering for SMEs. He warned, however, that competition in the innovation arena is a key pre-condition: all EU enterprises, not just a few “national champions”, must be able to access and profit from the innovation market.

SMEs’ innovative processes are characterised more by ongoing permanent processes than by linear inventions. Small business innovate through a demand-driven, “learning-by-doing” method, by which requests to suppliers and from customers determine the improvements in goods and services provided. “Smart” public procurement takes this concept to the public level, by putting in place an innovation-oriented and performance-based tendering system, describing public authorities’ needs in their calls for tenders in a broad and non-prescriptive way and thereby encouraging contractors to propose innovative solutions.

“The use of ‘smart’ procurement by contracting authorities in the EU25 should be allowed and encouraged as much as possible”, said Mr Huemer. “Employing public awards as innovation drivers would create a win-win situation for both public authorities and public contractors, ensuring a good return on investment and the most efficient use for taxpayers’ money”, he continued.

Mr Huemer also stressed that “pre-commercial” procurement can be an important instrument as it targets needs for which no commercial solutions are present. It may therefore act as a catalyst for research activities for the pre-market phase of innovative products and services.

“Lead markets” should also be created by appropriately wording award requirements to persuade businesses to come up with innovative solutions. Europe-wide emission standards for cars are a clear example of how regulators succeeded in creating demand and fostering research for innovative solutions. According to Mr Huemer, energy efficiency standards for products and services could trigger the next “lead market” in Europe.

On the other hand, warned Mr Huemer, all businesses should be granted proper access to the above-mentioned forms of public procurement. If award requirements are too strict or badly defined, pre-commercial procurement and lead markets could become closed circles for a handful of selected contractors and hinder competition in the innovation market. The goal of smart public procurement should rather be to pave the way to a gradual improvement of the whole market sector involved.

“The use of ‘next-generation’ public procurement will bear positive effects only if competition is carefully ensured. Using public tenders to protect ‘industrial dinosaurs’ would go against innovation and nullify the opportunities provided by these new methods”, concluded Mr Huemer.

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EDITORS’ NOTE: UEAPME is the employers’ organisation representing crafts, trades and SMEs from the EU and accession countries at European level. UEAPME has 81 member organisations, which represent crafts and SMEs across Europe, covering over 11 million enterprises with 50 million employees. UEAPME is a European Social Partner.

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