

# **Speech by the Minister for Business and Growth, Ole Sohn, at Public Procurement Days, Conference on the Modernisation of EU Public Procurement Rules 09.02.2012**

## **[THE SPOKEN WORD ONLY]**

*[Introduction]*

Ladies and Gentlemen,

First of all, I would like to thank you for the opportunity to speak here today. I think it is a great opportunity to highlight the importance of creating better and more modern public procurement rules in Europe.

I am pleased to see so many here today. It shows that there is a great interest in how we can improve the way we procure in the public sector.

The modernisation of the procurement rules is a top priority for the Danish Presidency. And I can ensure you that we will work hard to take the negotiations as far as possible.

Every year the public sector in Europe buys goods and services for more than 400 billion euros.

I think the amount of money being spent shows how large the potential is if we can improve the legal framework.

It also shows that it is crucial to be more efficient in this area if we want to increase growth while consolidating our public finances.

By making the rules and procedures simpler, public authorities and companies can save money. Simpler rules and procedures would also free up resources so that we all can focus more on the actual content of the purchase.

However public procurement should not only be reduced to a question of following rules and procedures. The centre of attention should be creating the best possible solutions for the citizens.

The amount of money spent also shows how great the potential is if public authorities use the purchases more strategically.

By doing so we could generate new innovations, create greener solutions and facilitate a better and more inclusive approach to public services.

*[Modernisation of public procurement]*

Starting the work of modernizing the procurement rules, I see three main topics which are important to focus on:

- Firstly: We need to simplify the rules,
- Secondly: We must secure the right tools so that governments can use public procurement to support general policy objectives, and
- Thirdly: We need to make a strong link to the Digital Single Market and prepare the rules for the twenty-first century.

*[1. We need simple procurement rules]*

The first topic I think most of us agree upon. We need rules that are simpler.

It is essential that it is easy to understand and use the rules. The procedures must be flexible so that we use our energy on things that gives added value.

If we succeed in doing this, I believe we will minimise transaction costs and maximise benefits for both contracting authorities and companies.

When I meet authorities and private companies, they all say the same: “The rules are too complex”. I don’t know about you, but I cannot justify that

even a simple public purchase requires hours and hours of administrative efforts and legal expertise.

We need to remember that the benefits of procurement processes should always be greater than the costs.

Better and smarter rules will save public money and lead to much more competition on public contracts. This will benefit both the authorities, the private companies and society as a whole.

What is sometime overlooked is the fact that fewer and simpler rules will especially benefit small and medium sized enterprises. They do not have

the same resources as larger companies, and they often see the procurement procedures as a barrier.

*[2. How can we pursue general policy objectives?]*

Besides simpler rules, we also need rules with greater flexibility. The aim is to ensure that we can also pursue general policy objectives.

The public sector should be better at using public procurement to encourage companies to develop innovative solutions. And where appropriate include elements such as social inclusion and energy efficiency in procurements. An example could be that public authorities refer to standardised eco-labels and thus achieve solutions that are better for the environment.

I see great potential in using procurement to create more innovation and a strong focus on resource efficiency and green solutions.

However, we must not forget that the system still needs to be efficient.

Not all purchases are alike and whether it is appropriate to include green or social considerations is a decision that must be made on a case-to-case basis. If we make it mandatory to include green or social considerations, it will be both expensive and administratively burdensome.

Similarly, we must also bear in mind that we need competition and transparent markets that are open for everybody.



The use of public procurement to support other policy objectives must not be a way of putting our local producers before producers from other countries. It must not be protectionism in disguise.

International competition is a key driver for growth and prosperity. It benefits all of us. So we need to strike the right balance here.

*[3. We need a strong link to the Digital Single Market]*

Last, but not least, we need to acknowledge that this is the twenty-first century. In the future public procurement must be a part of the Digital Single Market. Here, E-procurement plays an important role.

Making the procurement process fully electronic means more simple processes, lower transaction costs and efficient procurement. This again benefits authorities and companies, and especially small and medium sized enterprises.

The other day I talked to a Danish company that wanted to bid on a tender in another EU country.

However, he could not get access to the tender unless he appeared in person.

This is not the way to increase cross-border competition. This is not the way we inspire businesses to come up with innovative solutions. This is not the way we want to conduct our procurements in Europe.

*[A change of culture and old habits]*

There is no doubt that simplifying the rules will be a step in the right direction, but that is not all. We also need to look at the way we think about public procurement. We need a cultural change.

In many public authorities, there is a tendency to “play it safe”, to do as you have always done because it is the easiest solution. We need to change that mindset and instead strengthen the dialogue between public authorities and the market.

We must allow the market to compete and come up with new 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 this modernisation, we cannot do it alone. We need everybody – the Commission, the Parliament, the Member States, all stakeholders and you – to work together and seek common solutions.

*[Conclusion]*

I once again want to thank the organizers and to thank all of you for coming here today.

I have pointed out some key issues we need to handle during the course of negotiations. It is our common duty to strike the right balances and deliver a reform that can promote growth and employment going forward.

I hope that the discussions today and tomorrow will give us much valuable input and new ideas on how to create a modern procurement framework.

I can promise you that the Danish Presidency will be up for the task.

Thank you.