

Pre-Commercial Procurement

The European Commission is supporting pre-commercial procurement to help public procurers and suppliers develop innovative solutions to societal challenges.



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Pre-Commercial Procurement (PCP) challenges industry from the demand side to develop innovative solutions for public sector needs and provides a first customer reference that enables companies to create competitive advantage on the market. PCP enables public procurers to compare alternative potential solution approaches and filter out the best possible solutions that the market can deliver to address the public need.

Public procurers can drive innovation from the demand side by acting as technologically demanding customers that buy the development and testing of new solutions. This enables European public authorities to modernize public services faster and to create opportunities for companies in Europe to take international leadership in new markets. Creating a strong European market for innovative products and services is an important step towards creating growth and jobs in quickly evolving markets such as ICT.

What is Pre-Commercial Procurement?

Pre-commercial procurement (PCP) is an approach to public procurement of research and development (R&D) services that is outlined in the PCP communication and associated staff working document. It is an important tool to stimulate innovation as it enables the public sector to steer the

development of new solutions directly towards its needs.

Have a look at showcase examples of successful PCPs.

How does PCP work?

Competitive development in phases:

In PCP, public procurers buy R&D from several competing suppliers in parallel to compare alternative solution approaches and identify the best value for money solutions that the market can deliver to address their needs. R&D is split into phases (solution design, prototyping, original development and validation/testing of a limited set of first products) with the number of competing R&D providers being reduced after each R&D phase.

Risk-benefit sharing under market conditions:

In PCP, public procurers share the benefits and risks related to the IPRs resulting from the research and development (R&D) with suppliers at market price. Suppliers retain IPR ownership rights, while procurers keep some usage and licensing rights.

Separation from the deployment of commercial volumes of end-products / services:

PCP can go up to the development and the purchase of a limited volume of first products or services developed in the PCP ('limited' because in a services contract like PCP the total value of supplies purchased needs to remain below 50% of the total PCP contract value). As R&D cannot include quantity production (large scale production to produce commercial volumes of end-products), PCP does not cover large scale commercialisation. The deployment of commercial volumes of end-products is the remit of PPI. PCP is thus complementary to Public Procurement of Innovative Solutions (PPI).

Encouraging the creation of growth and jobs in Europe:

PCP falls outside of international public procurement agreements alike the WTO Government Procurement Agreement. Therefore PCPs can use place of performance conditions that require (for example, as done in Horizon 2020) participating contractors to locate the majority of the activities performed for the PCP contract, including in particular the principal staff working for the PCP contract, in the EU Member States or associated countries. For PCPs in the field of security, there may be additional stricter requirements.

Why we are supporting PCP?

The Commission supports PCP because it enables public procurers and suppliers to:

- Develop breakthrough innovative solutions for the societal challenges of the future (e.g. in healthcare and well-being, security, clean & efficient energy, climate change)
- Provide a first customer references for innovative companies
- Facilitate the access of new innovative players (e.g. startups, SMEs) to the public procurement market
- Share the risks and benefits of designing, prototyping, and testing new products and services between procurers and suppliers

- Create optimum conditions for wider commercialisation and take-up of R&D results
- Reduce market fragmentation, reducing costs for procurers and creating wider markets for companies
- Create highly qualified R&D jobs in Europe
- Act as a "seal of approval" for innovative companies confirming the market potential of new emerging technological developments, thereby attracting new investors

Have a look at the impacts of completed EU funded PCPs. Check out testimonies from procurers and companies that have implemented PCPs.

How are we supporting procurers and suppliers for PCP?

Since 2009, the Commission's research and innovation programmes co-financed the establishment of networks of public procurers to prepare the ground for launching PCPs and to undertake together PCPs on topics of common interest. As public procurement of R&D remains underused in Europe compared to other parts of the world, the EU has increased the support to Pre-Commercial Procurements through Horizon Europe.

The European Structural and Investment Funds (ESIF) are financially supporting individual procurers to prepare and undertake PCPs.

The Horizon 2020 Access to Risk Finance work programme provides, in cooperation with EIB and EIF, loans for individual or groups of public procurers to start PCPs (Innovfin large projects) and helps companies that are involved in PCPs to gain easier access to loans, guarantees, counter-guarantees, hybrid, mezzanine and equity finance to grow their business in view of wider commercialisation of solutions (Innovfin for innovators).

The European Assistance For Innovation Procurement Initiative provides free of charge technical and legal assistance to individual procurers to implement PCPs and PPIs.

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