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POSITION PAPER

Strategic buying for Europe: A mission-oriented vision on public procurement

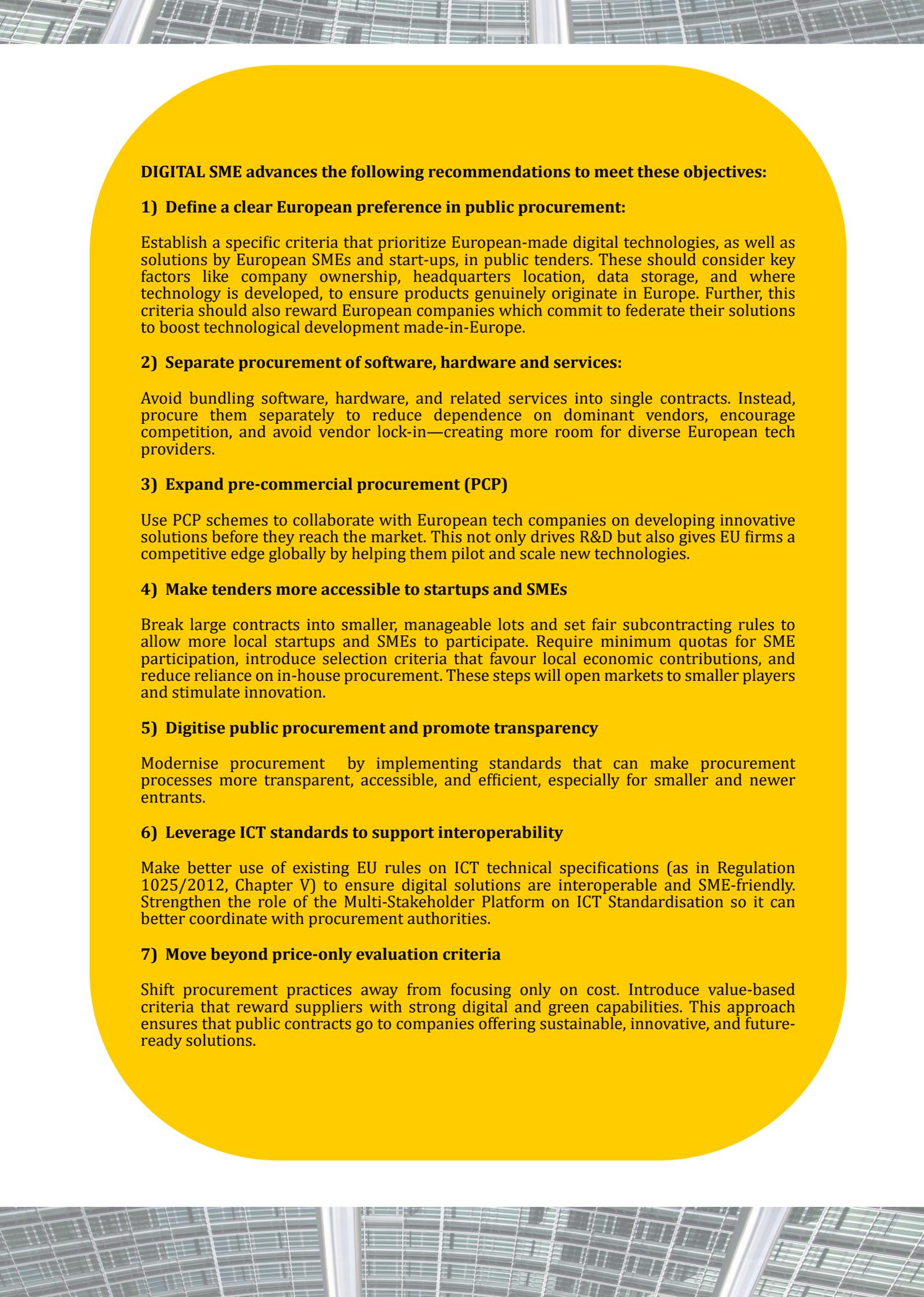
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EXECUTIVE SUMMARY

- The European Commission announced an upcoming evaluation of the Public Procurement Directives (2014/23/EU, 2014/24/EU and 2014/25/EU) with the purpose of examining the performance of these laws and their impact across the EU Single Market.
- The Competitiveness Compass, published by European Commission in January 2025, acknowledged that public procurement is a powerful tool to boost Europe's competitiveness. To safeguard its own industrial capacities, the Commission will propose the introduction of a European preference in public procurement for strategic sectors and technologies.
- These are very timely initiatives, at times when Europe seeks to enhance its technological sovereignty, competitiveness and economic security.
- Accounting for more than 14% of the EU's GDP (1), public procurement plays a vital role in the economy. It is a key industrial policy tool and introducing a European preference is the right step in the direction of the realisation of a Buy European Tech Act, that should prompt EU authorities to prioritise tech products made in Europe and the strategic objectives of digital transformation and decarbonisation of the economy.
- At the same time, the current public procurement framework presents several challenges, especially in the tech sector. Dependence on non-European providers and complex regulatory hurdles have created an uneven playing field, restricting growth opportunities for European tech innovators.
- Therefore, in what follows, this paper argues that Europe should leverage public procurement to pursue a comprehensive European digital public industrial policy and boost the demand for European tech products.
- A European preference criteria shall apply to public procurement of digital technologies as they are critical and strategic assets for EU' security and competitiveness. This would be a decisive step to support European overarching objective of attaining technological sovereignty.
- Strategic digital technologies include cloud, AI, connectivity, where dependences needs to be reduced and demand boosted for European solutions. Such strategic digital technologies should include cybersecurity solutions, digital services and dual-use technologies as well. Further, a reform of Public Procurement Directives should promote measures aiming to realise its initial objectives, including: a) making the EU economy more sustainable, social and innovative b) fostering high competition in the single market, c) increasing SME participation into public procurement, d) simplifying and enhancing the flexibility of procurement processes, also via their digitalisation.

1. [European Commission \(2025\). Annual Single Market and Competitiveness Report](#)



DIGITAL SME advances the following recommendations to meet these objectives:

1) Define a clear European preference in public procurement:

Establish a specific criteria that prioritize European-made digital technologies, as well as solutions by European SMEs and start-ups, in public tenders. These should consider key factors like company ownership, headquarters location, data storage, and where technology is developed, to ensure products genuinely originate in Europe. Further, this criteria should also reward European companies which commit to federate their solutions to boost technological development made-in-Europe.

2) Separate procurement of software, hardware and services:

Avoid bundling software, hardware, and related services into single contracts. Instead, procure them separately to reduce dependence on dominant vendors, encourage competition, and avoid vendor lock-in—creating more room for diverse European tech providers.

3) Expand pre-commercial procurement (PCP)

Use PCP schemes to collaborate with European tech companies on developing innovative solutions before they reach the market. This not only drives R&D but also gives EU firms a competitive edge globally by helping them pilot and scale new technologies.

4) Make tenders more accessible to startups and SMEs

Break large contracts into smaller, manageable lots and set fair subcontracting rules to allow more local startups and SMEs to participate. Require minimum quotas for SME participation, introduce selection criteria that favour local economic contributions, and reduce reliance on in-house procurement. These steps will open markets to smaller players and stimulate innovation.

5) Digitise public procurement and promote transparency

Modernise procurement by implementing standards that can make procurement processes more transparent, accessible, and efficient, especially for smaller and newer entrants.

6) Leverage ICT standards to support interoperability

Make better use of existing EU rules on ICT technical specifications (as in Regulation 1025/2012, Chapter V) to ensure digital solutions are interoperable and SME-friendly. Strengthen the role of the Multi-Stakeholder Platform on ICT Standardisation so it can better coordinate with procurement authorities.

7) Move beyond price-only evaluation criteria

Shift procurement practices away from focusing only on cost. Introduce value-based criteria that reward suppliers with strong digital and green capabilities. This approach ensures that public contracts go to companies offering sustainable, innovative, and future-ready solutions.



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1. Why it matters to digital SMEs

The public sector is the largest client in Europe for IT and software projects. To foster the creation of public-private partnerships that can drive European technological leadership and forge a genuine alliance between the public sector and the digital SMEs, it's important to include and mobilise national governments as well.

The revision of existing public procurement rules across EU Member States is an opportunity for change and a way to incentivise digital innovation made in Europe.

This would not only benefit digital SMEs but also the public administrations in regions and cities which would be able to complete their digital transition using local, trusted, and sovereign tools. This would mean that EU public sector could significantly reduce strategic dependencies on foreign vendors of digital technologies.

As such, public procurement can be a powerful tool to foster European technological leadership and independence. Procurement is the mechanism through which governments acquire the infrastructure and technology needed for this transformation. It is not just a participant in the digital revolution—it has the potential to be its foundation.

2. The untapped potential of public procurement

Using the procurement process to direct and steer innovation can have important effects on the social and economic structure of our societies, including when it comes to shaping markets, the adoption of technology, and the trajectory of societal advancement. Indeed, public procurement can direct public and private demand towards precise and pre-identified missions. It is a demand-side tool in the economy which can be used to crowd in private sector innovation and investment and foster the creation of new markets in the process of achieving specific missions.

Public procurement allows national and local governments to:

- **Promote innovation** by requiring cutting-edge solutions from suppliers.
- **Advance Europe's competitiveness** by favouring homegrown innovative technologies.
- **Support inclusivity** by reducing obstacles for small and medium-sized enterprises (SMEs) to participate in procurement processes.

In the realm of digital infrastructure, procurement involves more than just acquiring hardware and software. These decisions influence the development of sustainable systems, enabling governments to create interoperable, scalable, and forward-looking solutions, rather than isolated technologies that lack long-term value.



In this context, procurement can play a key role in fostering **tech sovereignty** and promoting **'Made-in-Europe' tech solutions** by leveraging its massive purchasing power strategically. This can be a first essential step for the continent to build its own **EuroStack**, a European digital infrastructure spanning different technological layers -spanning **hardware, software and digital services**. Furthermore procurement can also be an industrial tool to reward solutions coming from **innovative SMEs**.

This goes in the same direction of the auspices of the Competitiveness Compass (2), which mentions the review of the Public Procurement Directives (PPDs) as an opportunity to reinforce technological security and domestic supply chains, as well as simplifying and modernising rules for innovative SMEs and start-ups.

3. Principles for the Review of EU Public Procurement

Directives

Taking into consideration the potential of public procurement to steer innovation and provide a strategic dimension to purchases by public administrations in the EU, the upcoming evaluation of the PPDs can be a crucial moment of change to **use public procurement as a levy** to promote a **mission-oriented approach to digital and industrial policy**.

The revision of the PPDs is set to be based on the following criteria: Effectiveness, Efficiency, Relevance, Coherence and EU added value (3).

Accordingly, implementing a mission-oriented approach for each of these criteria, would require policymakers to take into account the following considerations:

3.1 Effectiveness

Promote competition and European SME participation in the market

To be effective in achieving their objectives, the PPDs should be able to produce more competition in public tenders, reduce in-house procurement (4) and higher participation of SMEs.

However, as highlighted by the European Court of Auditors (5), **over a range of 10 years** from 2011 to 2021, **there has been less competition in public procurement** procedures. The 2014 reform of the EU directives has shown no sign to reverse this trend. On average, the number of bidders for each contract notice has been reducing, and often only a single bidder participates into tenders. Further, in some countries, increased use of in-house procurement has reduced competition.

2. A Competitiveness Compass for the EU: https://commission.europa.eu/document/download/10017eb1-4722-4333-add2-e0ed18105a34_en

3. https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/14427-Public-procurement-directives-evaluation_en

4. In-house procurement is defined as the practice by a public authority to assign a task or service directly by another public entity, without opening a public tender. From: https://www.sigmaweb.org/en/publications/serials/sigma-public-procurement-briefs_q1727124.html

5. <https://www.eca.europa.eu/en/publications/sr-2023-28>



In addition, despite new SME-friendly provisions introduced by the PPDs in 2014, **SME participation** in public procurement is **still limited** compared to their role in national economies.

To increase the participation of SMEs in public procurement contracts, dedicated instruments could be implemented. **Limiting the use of single-source procurement** and **fostering preference programmes** in tendering process would help taking into account some SME-specific challenges in public procurement markets and/or market failures. Example of preference programmes include the option for public authorities to procure in lots and define qualifications and award criteria in a way that gives SMEs a higher chance to win public competitions. In addition, public authorities may include a minimum threshold of public goods and services which shall be purchased via SMEs.

3.2 Efficiency

Simplify and digitise procurement procedures

Public procurement procedures should be more efficient and simpler for economic operators, for instance by deployment of **digital tools in tendering processes**.

A simplification of tendering processes (with the implementation of eIDAS for SMEs or the lowering of requirements for SMEs in terms of consortia), and a homogenisation among procurement processes, rules, and platforms could simplify access to tendering for SMEs. In some local contexts, procurement processes differ from one region to another, making those SMEs situated at regional borders less competitive compared to SMEs that have access to simplified processes in neighbouring regions.

Further, promoting **bidding by consortia** of bidders, might reduce costs of participation by economic operators and at the same time the risks of lack of delivery by single bidders. This would also, as a result, boost participation of SMEs in public tenders.

Lastly, it is also essential to nurture **capacity building** within public administrations, to create the right skills among public procurers. This means building knowledge about the PPDs and the potential of public procurement to steer innovation.

3.3 Relevance

Introduce a clear definition of European preference criteria to boost innovation and strategic autonomy

One of the goals of the public procurement directives is to make the EU economy more innovative. The potential of the Public Procurement Directives has been largely untapped in this respect. In light of Draghi's report (6), underscoring digital technologies as the key factor explaining the innovation and productivity gap between the EU and the US, public procurement should be used to strategically support overarching public policy goals such as a technologically sovereign and building an innovative, digital economy.

Procurement must also address current **geopolitical risks**, data protection, and implication for Europe's **economic security**, when it comes to the overreliance on non-European providers of technological solutions and vulnerabilities of European critical infrastructures. Therefore, it should develop a concept of solutions "**Made-in-Europe**", via the introduction of a European preference criteria in public procurement.

6. https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en



This concept should be developed with a crystal-clear **definition of European preference**. Such definition should take into consideration dimensions such as European companies' ownership, headquarters, data localisation and location of technological development activities. It should also consider a preference for EU SMEs and start-ups over bigger companies, to avoid boosting demand in favour of only a few, bigger players.

Given Europe's current state of almost complete dependency on foreign supply, **digital technologies** and specifically cloud, connectivity, AI and platforms are to be considered critical technologies that should be covered by the European preference criteria.

Besides, public procurers should strive to create the right environment for local **innovative ecosystem** to thrive. This means that public tenders should become an instrument to reward innovation coming from local companies and communities, including SMEs. Current limitations in the procurement framework, including in Article 19 and 58 in Directive 24/2014/EU, defining economic operators and selection criteria in public tenders, prevent rewarding local companies, especially SMEs and start-ups, for their innovative and sustainable practices.

To boost innovation in the digital economy, DIGITAL SME recommends that the '**service switching**' and '**cloud portability**' mandatory principles derived from Data Act and Digital Markets Act (DMA) be embedded in all public sector tenders as way to avoid the large US lock-in effects. These lock-in effects impact severely the ability of smaller players to bid in public sector tenders once the tender is a continuation of an existing 'contract' with a previous ICT supplier.

To operationalise these principles and promote visibility for trusted European digital solutions, DIGITAL SME proposes the mandatory use of the **Tech Sovereignty Catalogue** in public procurement processes. This catalogue allows European software vendors, particularly SMEs, to register their sovereign products, accompanied by assessments conducted by independent experts. Contracting authorities should be required to consult the catalogue at the start of any procurement involving digital services, thereby ensuring a wider pool of competitive, sovereign, and vetted European providers.

Introducing a **proximity criteria** in the selection of bidders could be a desirable measure to valorise local and innovative entrepreneurship. **Use of in-hose procurement should be reduced**, introducing harder criteria for authorities to reduce public tendering, excluding private competitors from the procurement process.

3.4 Coherence

Promote EU tech sovereignty and competitiveness

Procurement is often treated as a purely administrative, legal or financial tasks without reference to public policy objectives such as fostering innovation, as well as economic, social and environmental goals.

Instead, procurement practices should align with overarching EU political objectives, including in the area of innovation, industrial policy and tech sovereignty. They should reward and prompt the development of digital solutions made in Europe and foster the participation of European SMEs and start-ups into tenders.



Updating the current procurement framework with law passed over the last years, such as the **NZIA**, to boost clean-tech solutions, as well as the **Data Act**, the **Digital Markets Act (DMA)** and the **EU regulation on standards**, and with other proposals currently on the table, such as the **Clean Industrial Deal**.

The inclusion of sustainability and energy-efficiency objectives in public procurement—already encouraged under the European Recovery and Resilience Facility (RRF) – should be also taken into consideration when reviewing the current public procurement framework. In addition, integrate competence-based criteria that reward bidders demonstrating advanced digital and green skills. This approach ensures that publicly procured solutions are not only environmentally sustainable but also technologically forward-looking.

3.5 EU added value

Harmonise public procurement processes

A harmonised framework introducing a European preference criteria for critical technologies and sector would reduce fragmentation and legal uncertainty, while fostering participation of European companies, including SMEs, in procurement processes. Further, using the revision of EU Directives to foster the digitalisation of procurement processes, would enable European companies to have more streamlined procedures and reduce useless paperwork.

4. Additional measures to unleash innovation by SMEs in public procurement

According to the Performance Indicators of the EU' Single Market and Competitiveness Board on access to public procurement, the **SME's weight in** above threshold procurement is still low when compared to their contribution to GDP (**only 45% compared to 58%**). In addition, the percentage of SME bids is still below 80% in most member states, although SMEs represent more than 90% of enterprises in the majority of European countries. Furthermore, on average in the EU, division into lots of the procurement procedures is at 20% of the total of procurement procedures. This is still a very low percentage if Europe truly wants to foster SME participation into EU public procurement.

Several barriers make it difficult for SMEs to participate in and win tenders, thus hindering the innovation and transformation opportunities for businesses, citizens, and public bodies.

Dividing tendering contracts into lots has been proven to facilitate SMEs access, both quantitatively and qualitatively. From a quantitative point of view, the reduced size of lots may better meet the capacity of the SMEs to deliver the good or service, and from a qualitative point of view, the content of the tender assigned to the lot may be more likely to correspond to the specialised sector and services offered by an SME. Dividing public tenders into lots may also facilitate the access to these by a specialised group of firms and **foster competition in the markets**, avoiding that the public sector is dependent on single suppliers, while mitigating the risks associated to the delivery of the public tender objective.



Innovative SMEs could find additional challenges in accessing public procurement market, due, for instance, to the risk-averse nature of public procurement calls. Governments may use various form of support for innovative SMEs to participate in public procurement frameworks. They may employ an indirect measure such as an **SME participation quote**, administrative assistance, free training offers for SMEs or other means to facilitate access to public tenders. Further tools to attract innovative SMEs to run public procurements bids include sharing of best practices examples and use of open contracting, particularly via implementing **Open Contracting Data Standard** (7) , to allow interested SMEs to easily access data on the public tender, enabling higher transparency and wider competition.

A more inclusive procurement system benefits both SMEs and the public sector, fostering competition, resilience, and innovation.

In addition, the use of **pre-commercial procurement (PCP)** should be further encouraged. PCP can be used as the first step in innovation procurement: it comes in the picture when the solution is almost on the market or on the market already but in small scale so that the public buyers obtains innovative solutions that are not yet available on the market. The use of PCP can be advantageous to also boost the participation of innovative companies, including start-ups and SMEs, to the procurement processes, by establishing testing and experimenting setting, such as **sandboxes**. In such setting, if the experimentation goes well, the innovative company could get 'qualification points' that could increase the likelihood of participating in the tender.

Further, public procurement policies should try to address the issue of large corporations winning public tenders and subsequently subcontracting services to SMEs at significantly lower values (10-20% of the contract's total value), a fair and balanced solution should be implemented to ensure SMEs have genuine opportunities for growth and fair compensation. This could entail introducing a **Fair Subcontracting Framework within EU public procurement** rules to ensure equitable participation and fair value distribution for SMEs. Examples of quotas which could ensure SMEs participation include: a) minimum value retention for SMEs as subcontractors b) direct SME participation requirements c) limitation on subcontracting margins. A transparent cost allocation structure to be disclosed by tender applicants and a promotion of SME consortia in application could also be approaches to be explored to improve participation of SMEs and fairer competition into public procurement procedures.

7. <https://blogs.worldbank.org/governance/open-contracting-data-standard-better-data-better-decisions>

5. Key Recommendations:

Public Procurement to drive Europe's technological leadership

Tech SMEs recommendations aims at encouraging the EU to use the levy of public procurement and unleash its potential to realise European tech sovereignty and leadership, by:



Clearly defining the scope of a European preference criteria in public procurement, that applies to digital technologies as critical assets for Europe. The definition should take into account critical aspects to ensure a product is 'Made-in-Europe', including a company's ownership, location of headquarters, data localisation, and location of tech development activities.



Unbundling the procurement of software, hardware, and services to prevent the tying of these components into single-vendor solutions. This separation would use public procurement strategically to counter vendor lock-in, reduce dependency on dominant providers, and foster greater competition and diversity in digital markets.



Boosting pre-commercial procurement (PCP): These mechanisms enable public authorities to work with EU tech companies in fostering **innovation partnerships** and developing **cutting-edge solutions** before they hit the market. Public authorities can use **procurement as an R&D driver**, giving European tech firms a competitive edge globally.



Dividing tenders into smaller, accessible lots and promoting fair subcontracting rules to allow **European startups and SMEs** to compete, reducing market concentration in favour of local innovators. **Setting SME participation quotas** ensures a fair share of public contracts goes to European tech providers. Introduce **proximity** as selection criteria of tenders, rewarding economic operators which contribute to local economies, such as SMEs. Reduce **in-house procurement by public authorities**, to increase SME participation, while boosting competition and innovation.



Digitalising public procurement processes, adopting Open Contracting Data Standards to enhance transparency and accessibility of tendering processes.



Acknowledging the **important role of ICT technical specifications into public procurement**, as laid down in Chapter V of EU Regulation 1025/2012, should be leveraged to ensure effective interoperability for SMEs. The Multi-Stakeholder Platform on ICT standardisation needs to be empowered to better align its work with public procurement authorities.



Shift the focus of public procurement away from solely cost-saving and lowest-price criteria, integrating competence-based criteria that reward bidders demonstrating advanced digital and green skills. This approach ensures that publicly procured solutions are not only environmentally sustainable but also technologically forward-looking.

ABOUT DIGITAL SME

The European DIGITAL SME Alliance (DIGITAL SME) is the largest network of small and medium sized enterprises (SMEs) in the ICT sector in Europe, connecting more than 45,000 digital SMEs. The Alliance is the joint effort of 30 national and regional SME associations from EU member states and neighbouring countries to put digital SMEs at the centre of the EU agenda.