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Strengthening the public procurement economic lever



Executive summary

Public procurement is one of Europe's most significant economic levers. The 2014 Public Procurement Directives established a strong framework, but inconsistent implementation across Member States has prevented their full potential from being realised, limiting cross-border participation and European competitiveness.¹

Many inefficiencies stem from national and sub-national barriers rather than flaws in the directives themselves. Fragmentation of tender requirements and compliance rules increases administrative burdens, particularly for SMEs and bidders from other Member States.

A targeted revision – focused on harmonisation, enforcement and better procurement tools – will be more effective than an overly complex overhaul. Overcomplicating procurement with excessive policy objectives would only introduce more bureaucracy and undermine European competitiveness.

Instead, the reform should prioritise simplification and scale:

- ▶▶ **Joint procurement** is a key mechanism for achieving economies of scale, yet remains underutilised outside crises. Expanding voluntary, strategic joint purchasing mechanisms would enhance Europe's industrial base whilst preserving national autonomy in procurement decisions.
- ▶▶ EU preference in procurement has become more pressing as global competitors increasingly favour domestic suppliers. However, blanket EU preference would inflate costs, limit innovation access and weaken Europe's position in critical technologies. Instead, the reform should refine 'most advantageous tender' selection to prioritise reciprocity, sustainability and resilience criteria in procurement.

¹ Directives 2014/23/EU, 2014/24/EU and 2014/25/EU.

- ▶▶ Enhancing public procurement requires better digital tools. Further standardising e-procurement tools is necessary to reduce administrative burdens and improve efficiency.
- ▶▶ Strengthening collaboration between public authorities and industry – including innovation procurement pilots – would further drive process improvements and joint procurement efficiency.

Europe has an opportunity to transform public procurement into a strategic driver of competitiveness, innovation and resilience. Procurement reform must be pragmatic and future-proof to ensure that European companies have the scale, access and tools they need to compete across the single market and on the global stage.



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A strong framework in need of more effective implementation

Public procurement is one of the EU's most significant economic levers, accounting for about 15 per cent of GDP.² The 2014 Public Procurement Directives set out to modernise and harmonise procurement processes across Member States, introducing principles of equal treatment, non-discrimination and transparency. Their procedural and agnostic content created a clear baseline for public buyers to ensure that markets remained open, competitive and fair.

A decade later, however, it is evident that full potential of the directives' solid foundation has not been realised. The inconsistent application of this fundamentally sound framework across Member States has perpetuated existing barriers to participation, especially cross-border. The European Court of Auditors has lamented declining competition in procurement markets, with fewer bidders per contract and a prevalence of single-bid procedures, accounting for more than 40 per cent of procurement procedures in some Member States.³ This undermines market efficiency and European scale, particularly in strategic sectors such as cloud services, cybersecurity and AI.

The solution to these challenges does not lie in a full-scale reinvention of the directives, but rather in enhancing their implementation so that contracting authorities use procurement tools effectively.



Addressing national-level fragmentation

The principles enshrined in the 2014 reforms remain a valid framework for public buyers. However, implementation has been inconsistent, and critical policy levers – particularly those designed to support SMEs, drive innovation and enable cross-border participation – have been underutilised.

Many inefficiencies in public procurement stem from national and sub-national practices rather than flaws in the directives themselves. **Excessive reliance on lowest-price criteria** remains a major issue, discouraging innovative and long-term value-driven solutions. Public buyers frequently overlook the broader economic and technological advantages of digital and emerging technologies simply because they do not fit into traditional cost assessment models. A shift towards value-based procurement models would enable administrations to make smarter investments that deliver greater long-term benefits.

Another major challenge is presented by **fragmented tender requirements** across Europe. There is a lack of standardisation between buyers at not only

² https://single-market-scoreboard.ec.europa.eu/business-framework-conditions/public-procurement_en.

³ See European Court of Auditors, *Special Report 28/2023*.

European, but also national level. Companies are forced to invest heavily in internal tracking and processing tools, for example, to respond to differently worded environmental criteria; in some cases, this requires a specific headcount just to manage such divergences. Public buyers and competing companies are also burdened by supplementary legal or administrative national requirements that limit access to non-domestic vendors and increase inefficiencies.⁴

Divergent national standards create unnecessary administrative complexity, limiting competition and making it difficult for businesses to participate in multiple tenders. Instead of adding further requirements, the reform should prioritise consistency in procurement criteria across jurisdictions. Likewise, additional national prequalification conditions and administrative hurdles should be eliminated, allowing for fair and competitive procurement.

Transparency is another critical factor. Procurement decisions often lack objective, quantifiable metrics, making it especially challenging for SMEs and high-growth tech firms to compete on an equal footing. Too often, public procurement is treated as a transactional process rather than a strategic collaboration. The underutilisation of pre-market dialogue prevents procurers from gaining a comprehensive understanding of emerging technological solutions and market dynamics.



A procedural approach

Maintaining a procedural approach in the framework's revision – focusing on 'how to buy' – is not at odds with leveraging public procurement as a strategic instrument to reinforce Europe's technological leadership. The EU must strike a careful balance, preserving competition and value for money whilst ensuring that procurement actively supports European industry in a way that remains credible, effective and legally sound.

If procurement reform becomes all-encompassing, prioritising other policy objectives such as sustainability or resilience across a diverse range of sectors, the complexity of procurement rules will increase significantly. Such an outcome would undermine the Commission's simplification agenda, and ultimately hurt Europe's competitiveness.

A targeted revision, focused on harmonisation, better enforcement and improved use of procurement instruments, will be faster and more effective than a complex overhaul.

⁴ These requirements may include overriding general administrative clauses in public procurement, mandating specific labels or certifications – for example, some public authorities currently require ISO certification, others accept self-declarations and some mandate national labels regarding environmental requirements – or even requiring companies to submit bids as part of a consortium with a national operator. Additionally, rigid prequalification criteria that classify expenditures as either OPEX or CAPEX create exclusionary barriers, preventing certain goods and services from being fairly considered.

The **shift from directives to a regulation** would be a significant step forward. Harmonisation, however, must not come at the expense of increased complexity. Transitioning to a regulation should serve as a means of ensuring consistent implementation and enforcement, and at the same time avoiding additional bureaucracy.



More scale without undermining competition

Joint procurement

The recent Clean Industrial Deal communication emphasises the need for coordinated industrial strategies, and joint procurement is emerging as a crucial mechanism for achieving economies of scale.⁵ There have been several successful examples of EU-coordinated joint procurement, including gas contracts and defence procurement for Ukraine.⁶ These cases demonstrate that aggregated purchasing power can lower costs, ensure supply security and prevent downward price competition between Member States.

Despite its effectiveness, joint procurement remains underutilised outside crisis situations. The EU should expand joint purchasing mechanisms in sectors with significant economies of scale, such as semiconductors, cloud infrastructure and cybersecurity solutions. Pooling demand at the EU level would reduce costs, increase procurement efficiency and strengthen Europe's industrial base.

Coordination amongst national agencies in public procurement would encourage bulk buying, creating economies of scale for both companies and national agencies. The directives' reform should aim to integrate joint procurement into Member States' practices, whilst also reflecting on lessons learned from recent experience. One such example is the case of joint procurements during the COVID-19 pandemic, where the outcomes of joint procurements did not always meet the expectations of companies participating in those tenders.

Joint procurement should not replace national autonomy in public spending, but where economies of scale and strategic coherence justify collective action, it should be actively encouraged.

EU preference

EU procurement policies have been based on non-discrimination and market openness, principles that remain crucial for ensuring competition and avoiding protectionist distortions.

⁵ COM(2025) 85 final.

⁶ See Francesco Nicoli and Roel Beetsma, 'Joint public procurement as a tool for European Union industrial policy,' Bruegel policy brief.

Against this backdrop, discussions on EU preference have gained new urgency, as key trading partners adopt industrial policies favouring domestic suppliers, raising legitimate concerns about reciprocity and fairness in global procurement markets.

DIGITALEUROPE is not in favour of blanket EU preference policies. Whilst procurement should support European industrial capacity, imposing EU preference policies would raise costs and limit choice for European users, particularly where access to cutting-edge innovations is essential for competitiveness. A DIGITALEUROPE study has found that Europe lags global competitors in seven of eight critical technologies, leading only in advanced connectivity.⁷ Policies that restrict procurement options risk widening this gap, making it harder for European industries to face a global tech race.⁸

Instead, we should adopt a balanced approach that strengthens reciprocity, sustainability and resilience criteria in procurement, strengthening our technological leadership whilst maintaining fair market access.

The public procurement reform should refine criteria for ‘most advantageous tender’ selection – shifting away from excessive reliance on lowest price inherent in the ‘most economically advantageous tender’ model – ensuring that considerations of supply chain security, sustainability and technological resilience are given greater weight in procurement decisions.

The Clean Industrial Deal explicitly supports the use of non-price criteria in public procurement to promote sustainability, resilience and European supply chain security. The upcoming Industrial Decarbonisation Accelerator Act is set to propose new procurement rules favouring low-carbon, cyber-secure and circular products. DIGITALEUROPE supports this evolution as long as it remains aligned with single market and simplification principles, and does not impose disproportionate compliance burdens on businesses.



Tools, not rules

Several practical steps can enhance the effectiveness of public procurement. One key area for improvement is the adoption of digital tools, which remains inconsistent across national administrations. Whilst some progress has been made, a broader digital transformation of public procurement, including better data collection and reuse, is needed in the context of the revision.

⁷ See DIGITALEUROPE, *The EU's critical tech gap: Rethinking economic security to put Europe back on the map*, available at https://cdn.digitaleurope.org/uploads/2024/07/DIGITALEUROPE-CRITICAL-TECHNOLOGIES-REPORT-FINAL_JULY_WEB.pdf.

⁸ Already today, despite the principle of equal treatment for non-EU suppliers enshrined in the directives, national contracting authorities sometimes introduce requirements and contract terms that effectively exclude non-EU vendors under the pretext of national security. The broad application of such clauses, which bypass the directives, reduces competition and restricts access to best-in-class solutions.

Digital tools and standardised documentation requirements

Since the adoption of the 2014 directives, the implementation of digital processes has been slow, with existing e-procurement tools still requiring significant improvements. Upcoming initiatives, such as the Public Procurement Data Space, hold promise but have yet to make their full impact felt.⁹

The reform should recognise the growing potential of digital tools to improve efficiency, whilst also acknowledging they are still evolving. Standardised tools would both streamline processes for suppliers and reduce administrative burden on procurement authorities. The ‘digital by default’ and ‘once only’ principles are crucial, particularly in linking and integrating tools to eliminate redundant document submissions for multiple requirements.

IT tools for public buyers

Whilst the procedural aspects of public procurement directives are well understood by public buyers – particularly local governments – intricate regulatory requirements for specific products present significant challenges for them as well as companies. We estimate that in 2023, public buyers had to navigate 14 existing EU regulations, with an additional 22 under adoption across sectors like environmental policy, energy and transportation.

Providing better digital tools and legal guidance can ease this burden. Continuous education and upskilling for public buyers are also particularly valuable in areas such as value-based procurement, sustainability and emerging digital technologies.

More broadly, however, this growing regulatory complexity can be properly alleviated only by simplifying the existing web of regulations themselves.¹⁰

Strengthening collaboration

Establishing structured partnerships between different types of public buyers – including central and local administrations, health sector stakeholders, and defence and security agencies, including ENISA – and the private sector would foster process innovation and encourage best practices.

This includes innovation procurement pilots to bridge evidence gap and ensure more access to innovations. It would also support, through constant exchanges and best practices, better implementation of joint procurements.

⁹ 2023/C 98 I/01.

¹⁰ See DIGITALEUROPE, *Winning the tech race. Cut-simplify-incentivise: Our three-step gameplan*, available at <https://cdn.digitaleurope.org/uploads/2024/11/DIGITALEUROPE-TECH-RACE-REPORT-FINAL-WEB-1.pdf>.

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About DIGITALEUROPE

DIGITALEUROPE is the leading trade association representing digitally transforming industries in Europe. We stand for a regulatory environment that enables European businesses and citizens to prosper from digital technologies. We wish Europe to grow, attract and sustain the world's best digital talents and technology companies. Together with our members, we shape the industry policy positions on all relevant legislative matters and contribute to the development and implementation of relevant EU policies. Our membership represents over 45,000 businesses that operate and invest in Europe. It includes 108 corporations that are global leaders in their field of activity, as well as 41 national trade associations from across Europe.