New developments in public procurement

P7_TA(2010)0173

European Parliament resolution of 18 May 2010 on new developments in public procurement
(2009/2175(INI))

(2011/C 161 E/06)

The European Parliament,

— having regard to the Treaty establishing the European Community, with particular reference to the changes introduced by the Lisbon Treaty,

— having regard to Directives 2004/18/EC and 2004/17/EC on procedures for the award of public contracts and Directive 2007/66/EC on review procedures concerning the award of public contracts,

— having regard to the Commission communication of 19 November 2009 entitled ‘Mobilising private and public investment for recovery and long term structural change: developing Public Private Partnerships’ (COM(2009)0615),

— having regard to the Commission communication of 5 May 2009 entitled ‘Contributing to Sustainable Development: The role of Fair Trade and non-governmental trade-related sustainability assurance schemes’ (COM(2009)0215),

— having regard to the Commission communication of 16 July 2008 entitled ‘Public procurement for a better environment’ (COM(2008)0400),

— having regard to the Commission interpretative communication of 5 February 2008 on the application of Community law on Public Procurement and Concessions to Institutionalised Public-Private Partnerships (IPPP) (C(2007)6661),


— having regard to the Commission interpretative communication of 1 August 2006 on the Community law applicable to contract awards not or not fully subject to the provisions of the Public Procurement Directives (1),

— having regard to the following judgments of the Court of Justice of the European Union (CJEU):
  — of 19 April 2007 in Case C-295/05 Tragsa,
  — of 18 December 2007 in Case C-532/03 Commission v Ireland (Irish rescue services),
  — of 13 November 2008 in Case C-324/07 Coditel Brabant,
  — of 9 June 2009 in Case C-480/06 Commission v Germany (Stadtwerke Hamburg),
  — of 10 September 2009 in Case C-206/08 Eurawasser,
  — of 9 October 2009 in Case C-573/07 Sea s.r.l.,
  — of 15 October 2009 in Case C-196/08 Acoet,

— of 15 October 2009 in Case C-275/08 Commission v Germany (Datenzentrale Baden-Württemberg),

— of 25 March 2010 in Case C-451/08 Helmut Müller,

— having regard to the opinion of the Committee of the Regions of 10 February 2010 on ‘Contributing to Sustainable Development: The role of Fair Trade and non-governmental trade-related sustainability assurance schemes’ (RELEX-IV-026),

— having regard to the following studies:
  — The Institutional Impacts of EU Legislation on Local and Regional Governments: A Case Study of the 1999/31/EC Landfill Waste and 2004/18/EC Public Procurement Directives’, European Institute of Public Administration (EIPA), September 2009,

— having regard to its resolution of 3 February 2009 on pre-commercial procurement: driving innovation to secure sustainable high-quality public services in Europe (1),

— having regard to its resolution of 20 June 2007 on specific problems in the transposition and implementation of public procurement legislation and its relation to the Lisbon Agenda (2),

— having regard to its resolution of 26 October 2006 on public-private partnerships and Community law on public procurement and concessions (3),

— having regard to its resolution of 6 July 2006 on Fair Trade and development (4),

— having regard to Rule 48 of its Rules of Procedure,

— having regard to the report of the Committee on the Internal Market and Consumer Protection and the opinions of the Committee on International Trade and the Committee on Regional Development (A7-0151/2010),

A. whereas the economic and financial market crisis has highlighted the vital economic importance of public procurement, whereas the effects of the crisis on local authorities are already clearly evident, and whereas at the same time public authorities can perform their tasks properly in the public interest only if they can count on the requisite legal certainty in this area and if procurement procedures are not too complex,

B. whereas a well-functioning procurement market is essential for the internal market, in order to encourage cross-border competition, stimulate innovation, promote a low-carbon economy and achieve optimal value for public authorities,

C. whereas public procurement law serves to ensure that public funds are managed soundly and efficiently and to give interested companies the opportunity to be awarded public contracts in a context of fair competition,

D. whereas the 2004 revision of the public procurement directives was intended to simplify and modernise the relevant procedures, make them more flexible and establish greater legal certainty,

(1) OJ C 67 E, 18.3.2010, p. 10.
E. whereas the Lisbon Treaty has incorporated into European Union primary law the first acknowledgement of the right to regional and local self-government, consolidated the concept of subsidiarity and granted both the national parliaments and the Committee of the Regions the right to bring actions before the CJEU,

F. whereas the European Court of Justice has examined a disproportionate number of infringement cases in this area, indicating that many Member States have struggled to comply with the public procurement directives,

G. whereas, with a view to ensuring that European policies develop in such a way as to meet the aspirations of Europe’s citizens, the Treaty on the Functioning of the European Union incorporates the notion of a social market economy, a social clause and a protocol on services of general interest defining the shared values of the Union,

H. whereas ILO Convention 94 stipulates that general public contracts shall contain clauses ensuring equitable remuneration, and labour conditions which are not less favourable than those laid down in collective agreements, for example,

**General remarks and recommendations**

1. Deplores the fact that the aims of the 2004 revision of the public procurement directives have not yet been achieved, particularly with regard to the simplification of procurement rules and the creation of more legal certainty; expresses the hope, however, that the most recent judgments handed down by the CJEU will help to resolve the outstanding legal issues and that the number of appeal procedures will fall; calls on the Commission to have regard to, and actively to pursue, the aims of simplifying and streamlining the public procurement procedure in any review of the European rules;

2. Further deplores the fact that the existing regulations – in combination with incomplete implementation measures at national and regional level, the plethora of soft law proposals put forward by the Commission, and the interpretation of the relevant legal provisions by European and national courts – have given rise to a complicated and confusing set of rules which is creating, in particular for public bodies, private undertakings and providers of services of general interest, serious legal problems that can no longer be overcome without incurring substantial administrative costs or seeking external legal advice; urges the Commission to remedy this situation and, as part of the ‘Better Lawmaking’ initiative, to examine the impact of soft law proposals, to restrict such proposals to key aspects and to assess them in the light of the principles of subsidiarity and proportionality, taking into account the five principles set out in the 2001 White Paper on European Governance (openness, participation, accountability, effectiveness and coherence);

3. Points out that as a result of this development public procurers often have to prioritise legal certainty above policy needs and, given the pressure on public budgets, frequently have to award the contract or service in question to the cheapest offer rather than the most economically advantageous tender; is afraid that this will weaken the EU’s innovative base and global competitiveness; urges the Commission to remedy this situation and to develop strategic measures to encourage and empower public procurers to award contracts to the most economical, highest-quality offers;

4. Emphasises that European initiatives in the area of public procurement must be coordinated more effectively in order to avoid jeopardising consistency with the public procurement directives or creating legal problems for those applying the rules; calls, therefore, for compulsory coordination measures within the Commission, under the lead of the Internal Market and Services Directorate-General, which is in charge of public procurement, and with the participation of the other relevant Directorates-General; calls for a uniform internet presence and regular information for the contracting authorities, with a view to making the relevant legal provisions more transparent and user-friendly;

5. Criticises the lack of transparency with regard to the composition and work of the Commission’s internal advisory committee on public procurement (ACPP) and the role and competencies of the Advisory Committee on the Opening-Up of Public Procurement (CCO), and calls on the Commission to take steps to ensure that the composition of both this committee and the planned new advisory committee on public-private partnerships is balanced, including trade unionists and representatives of the business community, in particular SMEs, and that they work in a transparent manner; demands that the European Parliament be kept properly informed and receive all the available information at every stage and at the end of the process;
6. Takes the view that, since public contracts concern public funds, they should be transparent and open to public scrutiny; asks the Commission for clarification with a view to ensuring legal certainty for local and other public authorities and enabling them to inform citizens of their contractual obligations;

7. Stresses that public contracts must be awarded under transparent conditions whereby all interested parties are treated equally and the relationship between price and project performance is the ultimate criterion, so that they go to the best tender and not merely the cheapest tender;

8. Calls on the Commission to carry out an ex-post assessment of the public procurement directives, taking account of the opinions expressed in this report; expects that review to be carried out with the full involvement of all stakeholders and in close cooperation with the European Parliament; advocates that any revision take account of the whole framework and encompass the directive on review procedures concerning the award of public contracts as well as an analysis of the national laws transposing the directive on review procedures, in order to prevent any further fragmentation of public procurement law; takes the view that the practical impact of that directive cannot yet be assessed, as it has not been transposed in all the Member States;

Public-public cooperation

9. Points out that the Lisbon Treaty, which came into force on 1 December 2009, incorporates an acknowledgement of the right to regional and local self-government into European Union primary law for the first time (Article 4(2) of the Treaty on European Union); emphasises that in several judgments the CJEU has invoked the right to local self-government and made it clear that the ‘possibility for public authorities to use their own resources to perform the public-interest tasks conferred on them may be exercised in cooperation with other public authorities’ (judgment in Case C-324/07); draws attention, further, to the CJEU Grand Chamber judgment of 9 June 2009 in Case C-480/06, which found, further, that Community law does not require public authorities to use any particular legal form in order to carry out their public service tasks on a joint basis; accordingly, regards public-public partnerships, such as cooperation agreements between local authorities and forms of national cooperation, as falling outside the scope of the public procurement directives, provided that the following criteria are all met:

— the purpose of the partnership is the provision of a public-service task conferred on all the local authorities concerned,

— the task is carried out solely by the public authorities concerned, i.e. without the involvement of private individuals or undertakings, and

— the activity involved is essentially performed on behalf of the public authorities concerned;

10. Points out that the Commission has clarified that not every action taken by public authorities is subject to procurement law, and that as long as European law provisions do not require the creation of a market in a certain area, it remains up to the Member States to decide whether and to what extent they want to perform public functions themselves;

11. Points out that the CJEU’s conclusions in the aforementioned judgment not only apply directly to cooperation between local authorities but are generally valid, with the result that they can be applied to cooperation between other public contracting authorities;

12. Points out that, in its judgment of 10 September 2009 in Case C-573/07, the CJEU found that the mere possibility of opening up the capital of a previously publicly-owned company to private investors may not be taken into consideration as a factor making competitive tendering a requirement unless the character of the public capital company changes during the period for which the contract is valid, thereby altering the fundamental conditions of the contract and necessitating a new competitive tender; notes that there have been major developments in relation to the rules in the area of public-public cooperation as a result of the CJEU’s case-law, and welcomes the recent judgements handed down by the Court in this area; calls, therefore, on the Commission and the Member States to make information about the legal implications of these judgments widely available;
13. Points out that service concessions within the meaning of Article 1(3)(b) of Directive 2004/17/EC and Article 4 of Directive 2004/18/EC are contracts in connection with which ‘the consideration for the provision of services consists either solely in the right to exploit the work or in this right together with payment’; emphasises that service concessions were excluded from the scope of the public procurement directives in order to offer contracting authorities and contractors a greater degree of flexibility; points out that in several judgments the CJEU has confirmed that service concessions are not covered by those directives, but rather by the general principles laid down in the Treaty on the Functioning of the European Union (ban on discrimination, principle of equal treatment and transparency), and that it must remain open to public contracting authorities to ensure the provision of services by way of a concession if they consider that to be the best method of providing the public service in question, even if the risk associated with such an operation is limited, but this limited risk is transferred in full to the concession-holder (judgment in Case C-206/08 of 10 September 2009, points 72-75);

14. Notes the Commission communication of 19 November 2009 on the development of public-private partnerships and awaits the relevant impact assessment with great interest; expects the Commission to draw lessons from failing PPPs; emphasises that due account must be taken of both the complexity of the procedures and the differences between the Member States in terms of legal culture and practice with regard to service concessions; takes the view that the process of defining the term ‘service concession’ and establishing the legal framework governing such concessions has evolved as a result of the 2004 public procurement directives and the CJEU’s supplementary case-law; insists that any proposal for a legal act dealing with service concessions would be justified only with a view to remedying distortions in the functioning of the internal market; points out that such distortions have not hitherto been identified, and that a legal act on service concessions is therefore unnecessary as long as it is not geared to an identifiable improvement in the functioning of the internal market;

15. Welcomes the legal clarification of the conditions under which procurement law applies to institutionalised public-private partnerships, particularly given the great importance that the Commission, in its communication of 19 November 2009, attaches to such partnerships in connection with combating climate change and promoting renewable forms of energy and sustainable transport; points out that the public procurement directives always apply if a task is to be conferred on an undertaking which is privately owned, even to a very small extent; emphasises, however, that both the Commission, in its communication of 5 February 2008, and the CJEU, in its judgment of 15 October 2009 in Case C-196/08, have made it clear that a double competitive tendering procedure is not required in connection with the award of contracts to, or the conferral of certain tasks on, newly-established public-private partnerships, but that all the following criteria must be met before a concession can be awarded without competitive tendering to a mixed public-private undertaking specially established for that purpose:

— the private partner must be selected by means of a transparent procedure, with the contract published in advance following a review of the financial, technical, operational and administrative requirements and the characteristics of the tender in the light of the particular service to be provided;

— the mixed public-private undertaking must retain the same corporate purpose throughout the duration of the concession. According to the CJEU, any material change to that corporate purpose or to the task to be performed would necessitate the launching of a new competitive tendering procedure;

takes the view, therefore, that the matter of the application of procurement law to institutionalised public-private partnerships has been settled, and calls on the Commission and the Member States to issue statements to that effect;

16. Emphasises, however, that the recent financial crisis has shed new light on the ways in which public-private partnerships are often financed and the financial risks shared; asks the Commission to evaluate properly the financial risks associated with the creation of PPPs;
Town planning/urban development

17. Welcomes the CJEU judgment in Case C-451/08; takes the view that the directive's broad and ambitious aims must be borne in mind when interpreting it, but that it should not be assumed that its scope can be extended indefinitely by appealing to the purpose of the measure, since otherwise there would be a danger that all town planning activities would be subject to the directive, given that, by definition, provisions on the possible execution of building works substantially alter the value of the land in question; takes the view that in the last few years procurement law has permeated areas which are not inherently classified under public purchasing, and suggests, therefore, that the criterion of purchasing be emphasised still more strongly in the application of the rules of procurement law:

Procurement below the threshold

18. Points out that the European Parliament is a party to the Germany v. Commission case brought before the CJEU on 14 September 2006 against the Commission's interpretative communication of 1 August 2006 on the Community law applicable to contract awards not or not fully subject to the provisions of the public procurement directives, and expects a prompt ruling:

Micro, small and medium-sized enterprises

19. Asks the Commission to evaluate the impact of the public procurement directives on micro, small and medium-sized enterprises, especially in their role as sub-contractors, and to assess, with a view to a future review of the directives, whether we need further rules on the award of sub-contracts, specifically to avoid SMEs as subcontractors being subject to worse conditions than the main contractor awarded the public contract:

20. Calls on the Commission to simplify public procurement procedures in order to relieve both local governments and companies from spending a large amount of time and money on purely bureaucratic matters; emphasises that simplifying the procedures will facilitate SMEs' access to such contracts and enable them to participate on a more equal and fairer footing:

21. Takes the view that sub-contracting is a form of organisation of labour suited to the specialised aspects of the execution of works; emphasises that sub-contracting contracts must comply with all the obligations imposed on the main contractors, especially as regards labour law and safety; takes the view that, to this end, it would be advisable to establish a link between contractor and sub-contractor in terms of responsibility:

22. Supports the systematic admission of alternative bids (or variants); points out that tender conditions, in particular the admission of alternative bids, are crucial for promoting and disseminating innovative solutions; stresses that specifications referring to performance and functional requirements and the express admission of variants give tenderers the opportunity to propose innovative solutions:

23. Encourages the creation of a single web access portal for all information relating to public contracts, as an upstream network for all calls for tenders; notes that the aim should be to provide training and information, to direct undertakings towards contracts and to explain the applicable legislation, in particular for SMEs (which do not generally have extensive human and administrative resources with expertise in procurement-related terminology and procedures), and that specialist helpdesks could also assist them in evaluating whether they genuinely fulfil the conditions of the tender, and if so in completing their bids:

24. Notes that SMEs have struggled to gain access to public procurement markets and that more should be done to develop an 'SME strategy'; calls, therefore, as part of this strategy, on the Member States to work with contracting authorities to encourage sub-contracting opportunities where appropriate, to develop and disseminate best-practice techniques, to avoid overly prescriptive pre-qualifying processes, to use standards in tender documents to ensure that suppliers do not have to start from scratch, and to establish a centralised advertising portal for contracts; also calls on the Commission to take stock of Member States' initiatives in this area and to encourage wider dissemination of the Small Business Act's European Code of Best Practices;
25. Encourages Member States to promote a 'supplier development programme', as already developed in some countries; notes that such a tool can be used to encourage dialogue between suppliers and procurers, enabling actors to meet at an early stage of a purchasing process; stresses that such a mechanism is essential for stimulating innovation and improving SMEs' access to procurement markets;

26. Urges the Commission to do more to secure a greater role for European SMEs in international public procurement and to intensify efforts to prevent discrimination against European SMEs by matching the specific provisions applied by some parties to the GPA (such as Canada and the USA); notes that measures to improve both transparency and access to national procurement markets would help SMEs to gain access to such markets;

27. Calls on the Commission to secure the inclusion, in the renegotiated WTO Government Procurement Agreement (GPA), of a clause enabling the European Union to give preference to SMEs when awarding public contracts, along the lines of those already applied by other States Parties to this agreement;

Green procurement

28. Draws attention to the great importance of public procurement for climate and environmental protection, energy efficiency, innovation and stimulating competition, and reiterates that public authorities should be encouraged and empowered to base public procurement on environmental, social and other criteria; welcomes the practical assistance given to public authorities and other public bodies in connection with sustainable procurement; calls on the Commission to explore the possibility of using green public contracts as a tool to promote sustainable development;

29. Reiterates its previous call, in its report of February 2009, for the Commission to produce a handbook on pre-commercial procurement, which should illustrate practical examples of risk-benefit sharing according to market conditions; takes the view, in addition, that intellectual property rights must be vested in the companies participating in pre-commercial procurement, which would foster understanding amongst public authorities and encourage suppliers to become involved in pre-commercial procurement procedures;

30. Welcomes the establishment of the European Commission's EMAS helpdesk, which provides practical information and support to help companies and other organisations evaluate, report on and improve their environmental performance in the context of public procurement; calls on the Commission to consider developing a more generic online portal which could offer practical advice and support for those using the public procurement process, particularly the actors involved in complex and collaborative procurement procedures;

Socially responsible procurement

31. Emphasises the lack of clarity in the area of socially responsible public procurement, and calls on the Commission to provide assistance in the form of manuals; draws attention, in this connection, to the changes in the legal framework brought about by the Lisbon Treaty and the Charter of Fundamental Rights, and looks to the Commission to implement the relevant provisions in an appropriate manner; emphasises the underlying problem that social criteria relate to the manufacturing process, so that their impact is generally indiscernible in the final product, and that globalised production systems and complex supply chains make compliance with the criteria difficult to monitor; expects, therefore, precise, verifiable criteria and a database containing product-specific criteria to be developed for the area of socially responsible public procurement as well; draws attention to the problems faced by contracting authorities, and the costs they incur, in verifying compliance with such criteria, and calls on the Commission to offer suitable assistance and to promote instruments which can be used to certify the reliability of supply chains;

32. Calls on the Commission to make it clear that public authorities may base public procurement on social criteria such as the payment of relevant standard wages and other requirements; calls on the Commission to devise guidelines or other practical assistance for public authorities and other public bodies in connection with sustainable procurement, and urges the Commission and the Member States to organise frequent training courses and campaigns to raise awareness of this issue; supports the idea of a transparent process, involving the Member States and local authorities, with a view to developing the relevant criteria further; points out that, in the area of social criteria in particular, such a process offers good prospects for improvements;
33. Calls on the Commission to encourage public authorities to use fair trade criteria in their public
tenders and purchasing policies on the basis of the definition of fair trade set out in the European
Parliament resolution of 6 July 2006 on fair trade and development and the recent Commission communi-
cation of 5 May 2009; reiterates its earlier call for the Commission to promote the use of such criteria by,
for example, producing constructive guidelines on fair trade procurement; welcomes the unanimous
adoption of the opinion of the Committee of the Regions of 11 February 2010 calling for a common
European fair trade strategy for local and regional authorities;

Practical help: database and training courses

34. Calls for the development of a frequently updated database of standards, especially those relating to
environmental and social criteria, to be made available to public authorities, in order to ensure that
procurers have access to appropriate guidance and a clear set of rules when drawing up tenders, so that
they can easily verify their compliance with the relevant standard; expects the Member States and all
stakeholders to be fully involved in this process; notes that this bottom-up process should take into
account the valuable experience and knowledge that often exists at local, regional and national level;
draws attention, furthermore, to the negative impact which a market fragmented by the existence of
numerous different regional, national, European and international labels has on innovation and research;

35. Notes the importance of standards for public procurement in that they can help public procurers
meet their targets, allowing them to use tried and tested processes to procure products and services,
delivering a more cost-effective tender procedure and ensuring that procurement meets other policy
objectives such as sustainability or buying from small businesses;

36. Recognises that training and exchanges of experience between public authorities and the Commission
are essential in order to overcome some of the complexities of the public procurement market; is concerned,
however, that as public budgets tighten, such initiatives may be undermined; calls, therefore, on the Member
States and the Commission to use the existing resources and mechanisms at their disposal, such as the peer
reviews envisaged in the Services Directive, to encourage small teams of procurement experts from one
region to review the activities of another EU region, which may help to build confidence and establish best
practices across different Member States;

37. Urges the Commission and the Member States to organise training courses and campaigns to raise
awareness among local authorities and policy-makers, and to include other stakeholders, in particular
providers of social services;

Regional development

38. Stresses that the Court of Auditors regularly indicates in its annual reports on the implementation of
the EU budget, as well as in its latest annual report on the 2008 financial year, that failure to comply with
EU procurement rules is one of the two most common causes of errors and irregularities in the imple-
mentation of European projects co-financed by the Structural Funds and the Cohesion Fund; emphasises, in
this context, that irregularities are often caused by improper transposition of EU rules and by differences in
the rules applied by Member States; calls on the Commission and the Member States to revise, in coop-
eration with regional and local authorities, the various sets of rules applicable to public procurement in
order to unify them and simplify the whole legal framework for public procurement, in particular with a
view to reducing the risk of errors and ensuring more efficient use of the Structural Funds;

39. Takes the view that it is not only costs and complexity which can be prohibitive, but also the time
needed to complete the public procurement process, along with the threat of legal action in the form of
lengthy appeal procedures that are often obstructed by various actors, and hence welcomes the fact that the
recovery plan makes it possible to apply accelerated versions of the procedures outlined in the public
procurement directives to major public projects specifically in 2009 and 2010; calls on the Member States
to make use of the procedure and to assist local and regional authorities in implementing and using these
procedures, in each case in compliance with the standard public procurement rules and regulations;
40. Calls on the Commission to consider the possibility of continuing to use accelerated procedures in connection with the Structural Funds, even beyond 2010, and extending the temporary threshold increase, with the specific aim of speeding up investment;

**International trade**

41. Points out that the internal market and international markets are increasingly interlinked; takes the view, in this context, that the EU internal market legislators and EU negotiators in the field of international trade should be mindful of the possible consequences for one another when conducting their activities, and that they should adopt a coherent policy that is always directed to the promotion of EU values in procurement policies, including transparency, a principled stance against corruption and the advancement of social and human rights; invites the Committee on the Internal Market and Consumer Protection and the Committee on International Trade to hold joint briefing sessions in order to foster synergies;

42. Stresses that a sound government procurement framework is a precondition for a fair and free competition-oriented market, and helps to fight corruption;

43. Further points out, in the context of the European Union’s commitments in the field of international public procurement, the importance of strengthening anti-corruption mechanisms in this area, and draws attention to the need to focus efforts on ensuring transparency and fairness in the use of public funds;

44. Urges the 22 observer states on the GPA committee to speed up the process of acceding to the GPA;

45. Calls on the Commission to evaluate the possibility of incorporating into public procurement agreements with international partners provisions requiring compliance with the fundamental human rights obligations laid down in conventions and international agreements;

46. While arguing strongly against protectionist measures in the field of public procurement at global level, firmly believes in the principle of reciprocity and proportionality in that area; calls on the Commission to consider imposing proportional targeted restrictions on access to parts of the EU’s procurement markets for those trading partners which benefit from the openness of the EU market, but have not shown any intention of opening up their own markets to EU companies, in order to encourage our partners to offer reciprocal and proportional market access arrangements for European companies;

47. Draws attention to the provisions of Articles 58 and 59 of Directive 2004/17/EC; calls on the Member States to make full use of the possibility of informing the Commission of problems relating to access by their undertakings to third-country markets, and calls on the Commission to take effective measures to ensure that EU undertakings enjoy genuine access to third-country markets;

* * *

48. Instructs its President to forward this resolution to the Council and the Commission.