Pre-commercial procurement (PcP)

Europe will only be able to face global competition if it responses effectively to the challenges and increases innovation. Pre-commercial procurement is an R&D&I procurement programme answering the challenges of public institutions. It is based on multi-stage competition, involves the private sector and offers cost-effective solutions. During the PcP process the financing institution and the contractor company shares both the profit and the risk. First, when a new need appears at a public institution (contracting authority) the first step is not to start a public procurement process, but to issue an open call for tenders in what companies compete to win a PCP framework contract. The contracting authority evaluates the received responses and defines winning suppliers who start designing and exploring the feasibility of their innovative ideas. In the second phase the suppliers of the best ideas and plans develop their prototype. The contracting authority chooses the best ones again and starts the third and last phase where the winning suppliers develop their small-batch production of products/services. After this the procurement process can be started. The pre-procurement process ensures that the developed solution will fit to the needs of the public institution. Using PcP the public services will have higher standard and will induce innovation processes of SMEs.

PcP is under a developing phase in the European Union and still lacks of clearly defined rules. Now the EU gives only recommendations according to the introduction of the process, highlighting that PcP financing can not be the subject of state aids. It lets all member states to develop own PcP process and fine-tune it to their characteristics and needs.

According to the future EU strategic documents, Brussels is going to facilitate the use of PcP in 2014-2020 and resources will be dedicated too. In these days it has a high priority in Hungary to get prepared for the upcoming EU funds, that’s why the National Innovation Office (at the request of the Ministry for National Economy) has started a pilot PcP programme in 2012.