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## PRE-COMMERCIAL PROCUREMENT: COST-EFFECTIVE INNOVATIONS



Pre-commercial procurement (PCP) is an instrument that can bring innovative solutions to the market and secure its deployment while saving a significant amount of public money. Introduced by the EU as a pilot initiative under the 7th Framework Programme, Pre-commercial procurement will cover all the areas of research and innovation under the Horizon 2020 programme. Despite its efficiency and capacity to deploy innovative products to the market, PCP is underutilised in the EU because of fragmentation of demand, lack of awareness and uncertainty of procurers. The EU desperately needs to increase investment in research and development in order to remain competitive vis-à-vis the rest of the world. The EU spends 20 times less on R&D procurements than the US. According to Lieve Bos from the European Commission, one of the main barriers to broader use of PCP is “fragmentation of the demand and lack of awareness of how to optimise risk-benefit balance for procurer and supplier”. Combining PCP and Public Procurement of Innovative Solutions (PPI), which practically ensures that the newly developed end product will find its customers can minimize the risk. In this matter, PCP ensures a win-win situation for stakeholders by deploying

better, high-quality products with lower costs. Nevertheless, PCP projects are currently running only in nine out of 27 EU countries, namely the UK and Nordic countries. Many EU member states are still going through the phase of raising awareness. During the pilot project, Technology Agency of the Czech Republic who wishes to approach PCP unfortunately found out that Czech legislation does not allow to use PCP instrument. The problem lies in so-called



‘Act on the support of research and development from public funds’ and it seems there is no political will to change it. These are the conclusions of the debate organised in Brussels at the end of November by CEBRE – Czech Business Representation to the EU together with CZELO – Czech Liaison Office for Research and Development and Czech Permanent Representation to the EU.

## SCHENGEN AREA REMAINS ONE OF EU GREATEST SUCCESS STORIES



Schengen Area is one of the most significant success stories of the European Union. Nevertheless, in the recent years, there is a raising number of cases in which member states implement protectionist measures in order to reinforce safety on borders. Such example could be Germany, where Czech drivers have to face unauthorised checks. Recently, Schengen Area has faced many challenges, probably the most significant one was an important inflow of nearly 30 000 refugees from Nord of Africa after the so-called “Arab Spring” to the EU. This fact has opened a debate about the basic principles of the Schengen Area. Apart from this, trust and solidarity among member states - being two cornerstones of the whole system - were profoundly tested during the first Eastern enlargement for example, when some of the former Schengen members were not very eager to welcome their Eastern colleagues in the club. Lack of trust and solidarity

is also the reason why Bulgaria and Romania are still not members of the Schengen Area. One of the effects of the inflow of immigrants and enlargement is increase of costs necessary for protection of outer borders of the Schengen Area. In the Czech Republic, the immigration policy has changed in the recent years and there are new initiatives focused on integration of immigrants in the society; which was not the case in the nineties. One of the big advantages of free movement of persons is the possibility to work abroad and more Czech workers are benefiting from this opportunity. Nevertheless, the barriers still exist, being it different legislative conditions or insufficient support frameworks for workers. However, despite these shortcomings, the Schengen Area still remains one of the most important elements of European integration. These are conclusions of CEBRE debate that took place on 13th Nov. 2012 in the European House in Prague.

CEBRE was founded in 2002 by the three most important Czech business organizations - Czech Chamber of Commerce, Confederation of Industry of the Czech Republic, Confederation of Employers' and Entrepreneurs' Associations of the Czech Republic with kind support of the Ministry of Industry and Trade via its Trade promotion agency CzechTrade.



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## News FLASH

### >ABSURDITY OF THE YEAR

Every year, Czech entrepreneurs elect the most burdensome legislation under the award called ‘Absurdity of the Year’. This year's winner is the legislation that obliges employers to pay a medical visit for their new temporary workers, even for workers employed for one single day. The goal of the award is to point out the need to revise or abolish burdensome legislative acts. Since the creation of this award, 14 acts has been already revised or abolished.

### >STRONG INDUSTRY

In the EU, the Czech Republic has the highest number of employees under 40 years of age working in sectors of industry and construction. The comparable situation is in the Slovak Republic. Industry in other neighbouring countries – Germany and Austria – employs 11 to 12 percent less people under 40 years of age than in the Czech Republic. On the other hand, proportion of Czechs working in services is the second lowest in the EU.

### >FIGHT AGAINST GOLD PLATING

According to the European Commission, new administrative requirements added during the transposition of EU directives into the Czech law represent 25-33%. For this reason, the Czech government lead an Analysis of gold plating aimed at creating an evaluation system of added administrative burden during the transposition of EU law.

# EU ETS: Back-loading could jeopardize competitiveness of European companies



In order to fight the climate change, the European Union introduced in 2005 the EU Emissions Trading System (EU ETS). The idea behind was to push industry to invest in innovative solutions able to reduce greenhouse gas production and increase energy efficiency. Due to several reasons, mainly the economic slowdown in Europe, the market became flooded by allowances. As a result, their price dropped below the level that would stimulate eco-friendly investment. Today, the price of one emission credit (equal to 1 ton) is around 7 euro, while the initial plan of the Commission counted with more than a quadruple. Connie Hedegaard, Commissioner

responsible for climate action, says that there is approximately a surplus of 1 billion allowances on the market and the number can soon go up to 2 billion. In other words, everyone has enough emission credits and the system itself does not work the way it was intended. Therefore, in summer 2012, the European Commission presented its proposal to backload allowances from the beginning of the upcoming trading period (2013-2020) to its end in order to increase their price. In addition, it is being discussed that these allowances could be even "set aside", which means that they would not even be put for trading. However, this proposal hasn't been

well accepted by the business community. To be precise, the associations representing entrepreneurs and employers strictly refuse any market intervention, i.e. manipulate with allowances' prices. Such an action would put European businesses at risk of losing competitiveness compared to other parts of the world. Furthermore, artificial interventions to the market seriously diminish the possibility to estimate future market trends and develop investment and business plans, and as business representatives point out, uncertainty is something they don't really need right now. More systematic approach is required to deal with the reasons why the ETS is not fully playing the role it was expected. Czech business associations also worry about possible loss of competitiveness, because the increased price of allowances would be very probably reflected in energies prices, especially in case that allowances would be set aside. That would particularly influence industrial production companies, which have only limited possibility to project costs of allowances into the price of their final products and therefore their profits decrease. EU is on the right track to fulfil, and probably even exceed, its commitments in the field of greenhouse gases reduction and therefore it is not necessary to increase the burden put on European companies by increasing the price of allowances.

## EESC CORNER: E-PROCUREMENTS

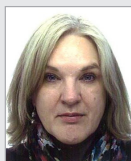
*E-procurement can significantly simplify the way procurement is conducted, reduce waste and deliver better procurement outcomes (lower price, better quality) by stimulating greater competition across the Single Market. It can also contribute to addressing two of the main challenges the European economy is facing today: the need to maximise the efficiency of public expenditure in a context of fiscal constraints and the need to find new sources of economic growth. In order to promote steady progress towards the objective of full e-procurement in the EU, the Commission intends to closely monitor both the take-up of e-procurement and its economic impact and will publish a report on e-procurement by mid-2013. The Commission intends to complete the transition towards a full e-procurement system, including both pre-award and post-award phases, by the end of June 2015 – delivering on its commitments in the Digital Agenda for Europe and e-Government Action Plan.*

*The EESC underlines the importance of e-procurement due to the potential benefits stemming from:*

- transparency, anti-fraud measures,
- market efficiency,
- extension of the public procurement market to SMEs,

- overall savings for public administrations,
- integration and development of the internal market,
- modernisation of public administrations and development of the European digital agenda,
- new opportunities for businesses offering technological services,
- career development for public administration and company employees.

*Publication of all procurement procedures in electronic form would make setting a threshold for European-type procedures pointless and harmful, and is something SMEs in particular are calling for. The EESC considers that maintaining thresholds hampers the development of the internal market and jeopardises competition on a level playing field. Committee supports the proposed objectives, but points out that the percentage of e-procurement remains very low. Some Member States are resisting change and do not want to open up the public procurement market to competition, wishing to protect national companies and avoid giving up considerable economic and political power.*



Marie Zvolská,  
EESC Member  
– Employers Group



## CEBRE CALENDAR:

- Meeting of CEBRE founders with Czech MEPs – 7<sup>th</sup> January 2013 (Prague)
- Debate on European Year of Citizens – 8<sup>th</sup> January 2013 (Prague)
- CEBRE meets Czech companies – 11-15<sup>th</sup> February 2013 (Prague)

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CEBRE – Czech Business Representation, protects the interests of the Czech business community in relation to EU institutions, informs Czech businesses about EU legislation affecting them, trains Czech entrepreneurs in Brussels and represents Czech business associations at European business federations. Contact: Czech House, 60 Rue du Trône, 1050 Brussels, Tel: +32 2 502 0766/+32 2 502 8091, e-mail: brussels@cebre.cz, www.cebre.cz