

## European Commission's Call for Evidence on Public Procurement | Impact Europe's Response to the Public Consultation

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Public procurement represents approximately 14% of the EU's GDP, amounting to two trillion euros annually. However, social enterprises - including SMEs and start-ups – continue to face significant barriers in accessing these opportunities due to complex public financing structures, lack of public support and a weak lobby for social entrepreneurship.<sup>1</sup> For instance, SMEs only secure about 45% of the aggregate value of public contracts above EU thresholds, despite their substantial contribution to the economy.<sup>2</sup>

Public procurement has the potential to drive social impact by supporting social enterprises that generate societal benefits, which traditional market players benefiting from public tenders often do not. To unlock this potential, it is crucial that the EU:

- 1) encourages contracting authorities to use public procurement as a tool for achieving social goals and
- 2) strengthens the capacity of social economy enterprises to compete for public contracts and to access new markets.

Currently, public procurement is not being fully utilized as a strategic tool to drive social objectives, innovation, and sustainability, as **several challenges** continue to hinder its potential to create meaningful social and environmental impact.<sup>3 4</sup>

### **Challenges faced by Public Procurement**

The absence of mandatory legal obligations across EU Member States requiring the integration of environmental, social, and innovation criteria in public procurement procedures has resulted in inconsistent application, limiting the possible effectiveness of these criteria in practice. Insufficient data and tracking mechanisms to measure the social and environmental impact of procurement outcomes also makes it harder for public buyers to justify the adoption of sustainability-focused procurement strategies at the EU level. Additionally, a lack of national targets for socially responsible procurement limits accountability and political commitment to this agenda.

The absence of dedicated funding streams and high administrative burdens also make it challenging for public buyers to think innovatively, defaulting to traditional procurement methods and missing opportunities to invest in impact-driven initiatives. What is more, the limited engagement of public buyers with SMEs, social enterprises, and start-ups is preventing

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<sup>1</sup> Euclid Network. European Social Enterprise Monitor 2023-2024: Key Insights.

<sup>2</sup> European Commission. (2017). *Making Public Procurement work in and for Europe* (COM (2017) 572 final). Publications Office of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52017DC0572>.

<sup>3</sup> European Commission. (2021). *Implementation and best practices of national procurement policies in the Internal Market* (COM (2021) 245 final). Publications Office of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=celex:52021DC0245>.

<sup>4</sup> European Commission. (2021). *Buying Social – a guide to taking account of social considerations in public procurement (2<sup>nd</sup> edition)* (C (2021) 3573 final). Publications Office of the European Union. <https://ec.europa.eu/docsroom/documents/45767>.

the exploration of alternative, innovative solutions that could provide greater social and environmental value, hindering social businesses' access to public procurement opportunities.

A lack of expertise necessary for the effective implementation of social, environmental, and innovative considerations by contracting authorities, as well as a lack of clarity on how to properly connect these considerations to the subject matter of procurement contracts discourages their adoption in public procurement procedures. A low risk tolerance in public spending, coupled with the perception that integrating these criteria would reduce competition further discourages procurement officials from adopting innovative approaches over traditional, cost-driven methods.

### **Strengthening Social Procurement: Directive 2014/24/EU**

To address these challenges and unlock the full potential of public procurement, a more strategic and structured approach is essential. Directive 2014/24/EU lays the foundations on leveraging public procurement to support social and environmental impact, introducing measures that ensure fair competition, the improvement of SMEs access to procurement contracts, and more efficient public spending.<sup>5</sup>

The directive recognises the crucial role of social businesses in promoting equal opportunities, particularly for disadvantaged and marginalised groups. Under normal market conditions, social enterprises may struggle to compete for contracts, so reserving contracts for these businesses can help ensure fairer access to public tenders and foster a more inclusive economy.<sup>6</sup>

Additionally, the directive highlights the importance of prioritising suppliers that deliver positive societal impact. Many procurement procedures still rely on lowest-price criteria, overlooking social, environmental, and innovative factors. Shifting from cost-driven selection to best-value approaches – such as incorporating award criteria and contract performance conditions - would enable public authorities to prioritise suppliers that uphold social and environmental responsibility, creating fairer opportunities for social businesses to compete for public contracts based on their added value rather than price alone. Evaluating contracts through qualitative criteria such as quality, efficiency, ethical sourcing, and social impact would lead to better value for money, enhanced societal outcomes, and a procurement system that fosters both competition and sustainability.<sup>7</sup>

Finally, the directive emphasises how procurement can promote employment, social integration, and training opportunities for disadvantaged groups through award criteria and contract performance conditions. **By promoting employment opportunities, inclusive business models, and the engagement of local suppliers, procurement becomes a mechanism for building stronger communities, stimulating investment, and reducing dependency on external providers.** This not only allows contracting authorities to support social enterprises in public tenders, but also encourages mainstream

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<sup>5</sup> European Parliament and Council. (2014). Directive 2014/24/EU on public procurement and repealing Directive 2004/18/EC. Official Journal of the European Union. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0024>.

<sup>6</sup> *Ibid*, 71.

<sup>7</sup> *Ibid*, 84.

businesses to adopt socially responsible practices and shift away from purely price-based decision-making to remain competitive.<sup>8</sup>

### **Impact Europe's Recommendations for Advancing Social and Environmentally Responsible Public Procurement**

The directive provides a solid foundation for tackling many of the barriers outlined above and ensuring that public procurement delivers greater social and environmental impact, as well as long-term sustainability. Still, there remains room for improvement to ensure the prompt integration of social and environmental considerations into procurement decision-making processes across Member States.<sup>9 10</sup>

As Impact Europe represents a community of investors committed to both environmental and social impact, we emphasise the critical role of social impact, social innovation, and social enterprises in strengthening Europe's competitiveness and addressing social and environmental challenges. To ensure public procurement fulfils its potential on delivering greater social and environmental impact, Impact Europe brings forward the **following additional recommendations**:

#### 1) Political Commitment

- a. We support the increase in **political ownership** at all levels of government to ensure public procurement becomes one of the key drivers for achieving Europe's policy objectives, including innovation, decarbonisation, competitive local economy, and sustainable and social development.

#### 2) Legal & Policy Frameworks

- a. We promote the establishment of precise **criteria** for incorporating social and environmental considerations into procurement processes at the national level – proportional to the market size in each Member State's jurisdiction –, followed by the standardisation of such criteria at the EU-level. The latter would allow social enterprises to navigate diversified markets for further tender opportunities. Such criteria could be **award criteria** - with the bidder having to demonstrate their service, work or product contributes by 5%-10% to social impact, social entrepreneurship and/or social innovation for a higher chance to win the tender - or/and **contract performance criteria** - with the bidder having to ensure that 5%-10% of the contract won be allocated towards social impact, social entrepreneurship and/or social innovation. These criteria would create fairer opportunities for social businesses, rewarding their social impact while contributing to maintaining competitiveness in the market.
- b. We promote the introduction of **mandatory targets** at the national level on social and environmental procurement practices, that are proportionate to the market size of the Member State's jurisdiction in question (e.g., the market of social enterprises in the CEE region is smaller). Once these targets create a

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<sup>8</sup> *Ibid.*

<sup>9</sup> European Commission. (2021). *Buying Social – a guide to taking account of social considerations in public procurement (2<sup>nd</sup> edition)* (C (2021) 3573 final). Publications Office of the European Union. <https://ec.europa.eu/docsroom/documents/45767>.

<sup>10</sup> European Commission. (2021). *Guidance on Innovation Procurement* (C (2021) 4320 final). Publications Office of the European Union. <https://ec.europa.eu/docsroom/documents/45975>.

stable enough space for social enterprises, gradually move to an EU-level application. An example of such could be to ensure a certain percentage - between 1% and 10% - of public funding at the national level is being awarded to social enterprises annually.

- c. We ask that Member States be required to create a **public national database** on the work, services and products that can be procured from social enterprises and impact driven companies. From our experience with members engaged in social procurement, navigating the local ecosystem, and identifying which social enterprises can deliver specific products or services is often time-consuming, resource-intensive, and costly. To streamline this process, it is unrealistic to expect local authorities to independently map and potential social enterprises. Therefore, a centralised database would provide public buyers with easy access to verified social enterprises, fostering greater participation in procurement while ensuring efficiency and transparency in the tendering process.
- d. We reiterate the necessity to ensure that social and environmental criteria remain linked to the **subject matter of the contract**. This way, transparency and fair competition are preserved, by allowing social businesses to compete with a comparative advantage based on their mission-driven impact.

### 3) Market Access and Engagement for Social Businesses

- a. As voiced by the European Commission, we promote more **joint procurement** among contracting authorities from the same or different countries through Central Purchasing Bodies (CPBs), as well as more **cross-border procurement**.<sup>11</sup>
- b. We promote lower administrative barriers through the **simplification of requirements** for small businesses to compete for public contracts, contributing to the visibility of social enterprises in the market and further attracting investment.
- c. We encourage the **divide of large procurement contracts** into smaller lots, allowing social enterprises to benefit from smaller portions of public funding. This would prevent larger companies from monopolising public contracts and allow local SMEs and social businesses to contribute to both social, environmental goals and procurement practices, while promoting fairer competition.
- d. We support the **shift from a price-only approach** to tender awarding into the Most Economically Advantageous Tender (MEAT), enlarging the pool of opportunities for social enterprises while encouraging public buyers to take risks on less profitable tenders that consider positive societal and environmental outcomes.
- e. We promote the creation of **dedicated public funding** for greener, social, and innovative procurement, allowing for social enterprises to be favoured in the delivery of certain work, services, or/and products.
- f. We support the **creation of lead markets** fostering the adoption and commercialisation of green and social products, works and services in both

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<sup>11</sup> *Ibid.*

emerging and traditional industries. These lead markets would benefit innovative and social enterprises, ensuring more opportunities for benefiting from public funding and contributing to the social businesses' jobs and skills market.

4) Monitoring & Data Collection

- a. We promote the requirement for **public buyers to report annually** on the proportion of procurement that includes social and environmental criteria, this way exercising public scrutiny and holding public bodies accountable.
- b. We promote the **development of impact assessment mechanisms, KPIs and milestones** to measure the performance and evaluate the progress and benefits of more social and environmentally responsible procurement practices.
- c. We support the **adoption of initiatives against collusion** in procurement practices, ensuring the market remains fair and competitive.

5) Capacity Building for Public Buyers and Social Businesses

- a. We support the **development of contracting authorities' procurement skills** through capacity-building programs. This would allow them to learn how to evaluate and implement social and environmental considerations, as well as move away from risk averse behaviour and acknowledge the role of procurement in delivering on social and environmental objectives.
- b. We encourage **peer-learning and sharing networks between Member States**, leading to the adoption of better practices across industries through the standardisation of more social and environmentally conscious procurement practices.

Through these strategic shifts, **public procurement** would no longer be just a financial tool, but a **catalyst for social and environmental progress** across the European Union. By embedding stronger social and environmental considerations into procurement policies and practices, public authorities can drive inclusive economic growth, promote sustainability, and support the development of social enterprises that deliver meaningful societal benefits.

Impact Europe welcomes the European Commission's ongoing efforts to revise public procurement directives. We remain available and committed to engage in dialogue, share expertise, and collaborate with policymakers, stakeholders, and civil society to develop a more socially and environmentally responsible procurement framework that supports social impact, innovation, and sustainability, benefiting both social businesses and society at large.

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