



Agência Nacional de Compras Públicas, E.P.E.

## The Portuguese Public Procurement Case

### *Public Procurement as a global management solution*

**International Conference of the  
Public Procurement Council of Hungary**

Budapest, November 17<sup>th</sup>, 2011



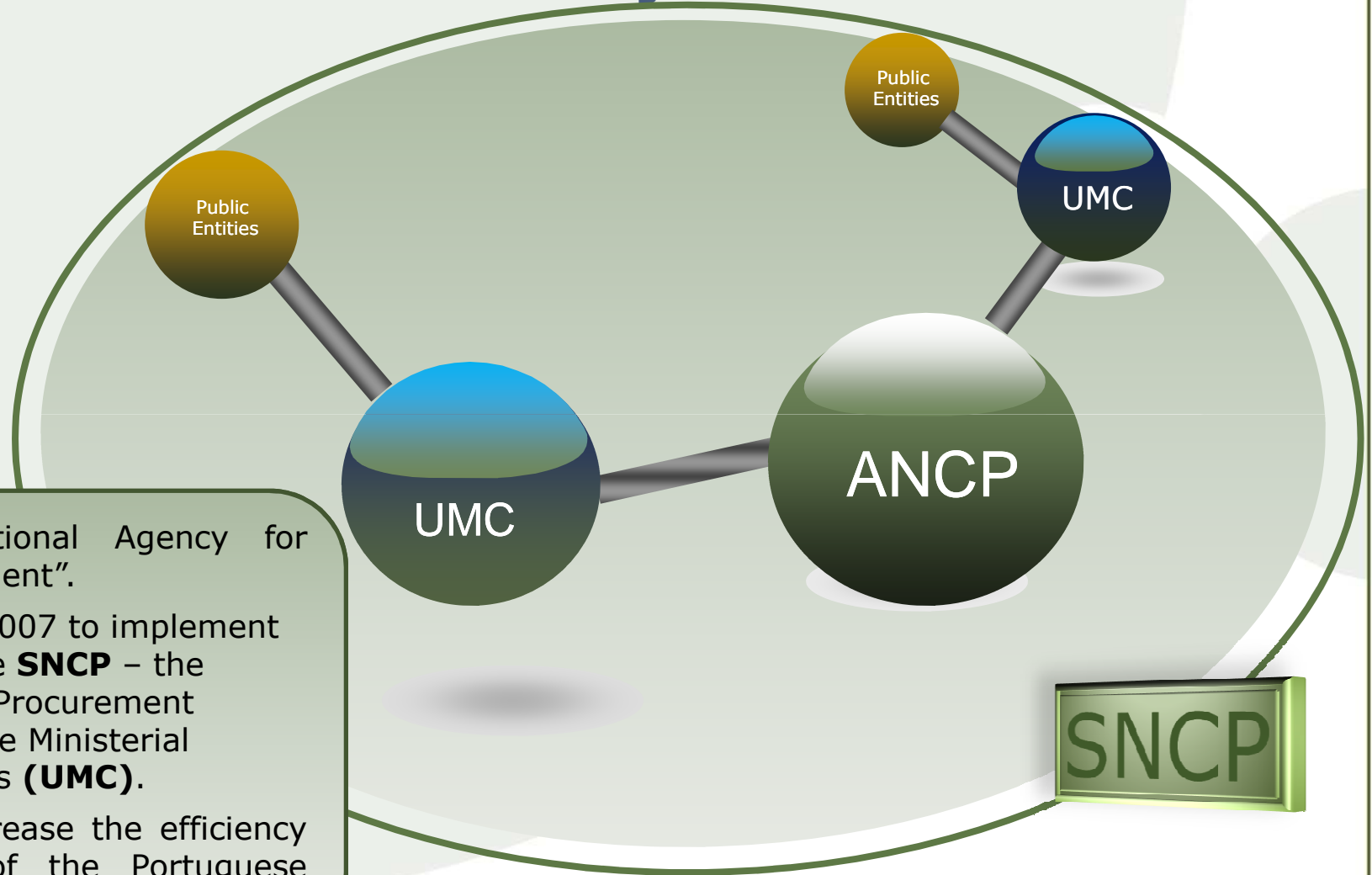
Reformar as Compras Públicas.

## Agenda

- 1. ANCP, the National Agency for Public Procurement - overview**
- 2. Overall Strategy for Public Procurement – review and results**
- 3. The e-procurement perspective**



## Reforming Public Procurement in Portugal – Towards a Sustainable Structure



**ANCP** – “National Agency for Public Procurement”.

Established in 2007 to implement and manage the **SNCP** – the National Public Procurement System, with the Ministerial Purchasing Units (**UMC**).

Mission: to increase the efficiency and savings of the Portuguese Public Administration

## The Agency's Top priorities (2008 – 2010)

- Public tenders with the aim of **awarding framework agreements** covering categories of goods and services that aim to fulfill common needs of the Public Administration (16 categories so far). This strategy aims at creating value, financial gains, savings and cost reductions through framework agreements, which in turn promote synergies and economies of scale as a result of a concentration process.
- Development and implementation of a **Technological Model** able to provide full support to framework agreement procedures and call-offs.
- **Enhanced statistical information and reports on public procurement** (goods and services). Setup of a comprehensive Public Procurement Information System, responding to both management control needs and EU requirements.

## The Agency's Agenda: towards a sustainable and balanced system

### Key values:

- Transparency, equal treatment, fair competition
- Compliance with National and EU Legislation
- Sustainability (priority to economic and environmental elements)
- Encouragement of SME's access to public markets

### Main goals:

- **Economic:** Increase savings in public procurement (contributing to sound and better usage of tax payers' money);
- **Environmental** (green public procurement): gradually incorporate environmental requirements within the selection / qualification and award criteria in public tenders

## The Agency's Strategic Goals and Methodology

### Strategic goals:

- Public debt
- Expenditure control
- Savings
- Efficiency and modernization of Public Administration
- Promotion of economic competitiveness
- Environment / Green Public Procurement

### Methodology:

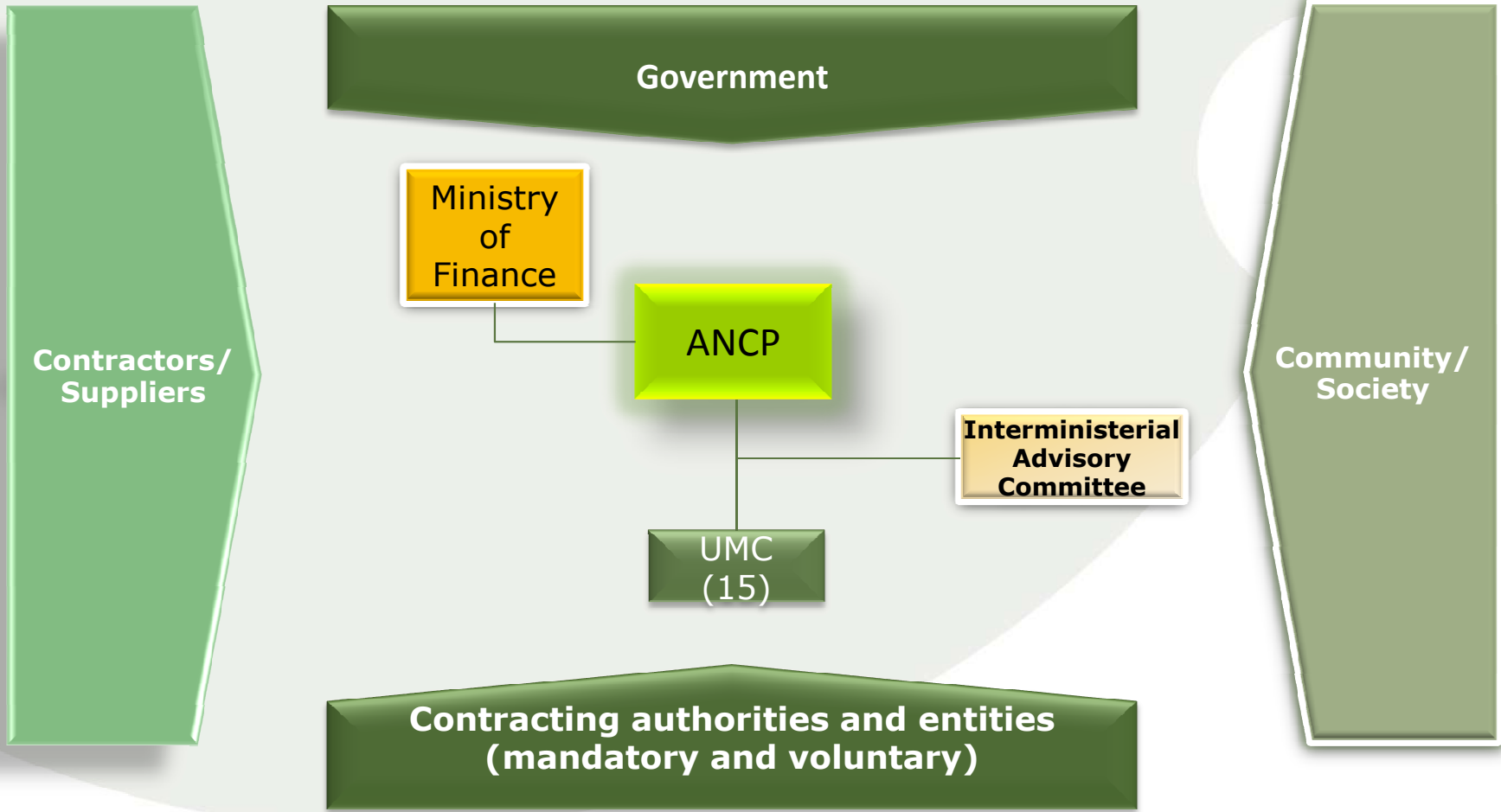
- Process optimization and normalization
- Public tender for framework agreement awarding
- Synergies and economic scale
- Setting of a strategic sourcing policy
- Adoption of legislative measures
- Development of information systems guidelines

## The Portuguese Public Procurement System (SNCP)

- The SNCP comprises, apart from ANCP and the UMC, the mandatory and the voluntary contracting authorities and entities
- The mandatory contracting authorities and entities are Direct Administration Services and Public Institutes
- The entities that can join SNCP on a volunteer basis are
  - Local Authorities (Municipalities);
  - Local Authorities' Owned Companies
  - Regional Authorities
  - State Owned Companies
  - Others (like public associations...)



# The Portuguese Public Procurement System (SNCP) Key Stakeholders



Mod.017.00

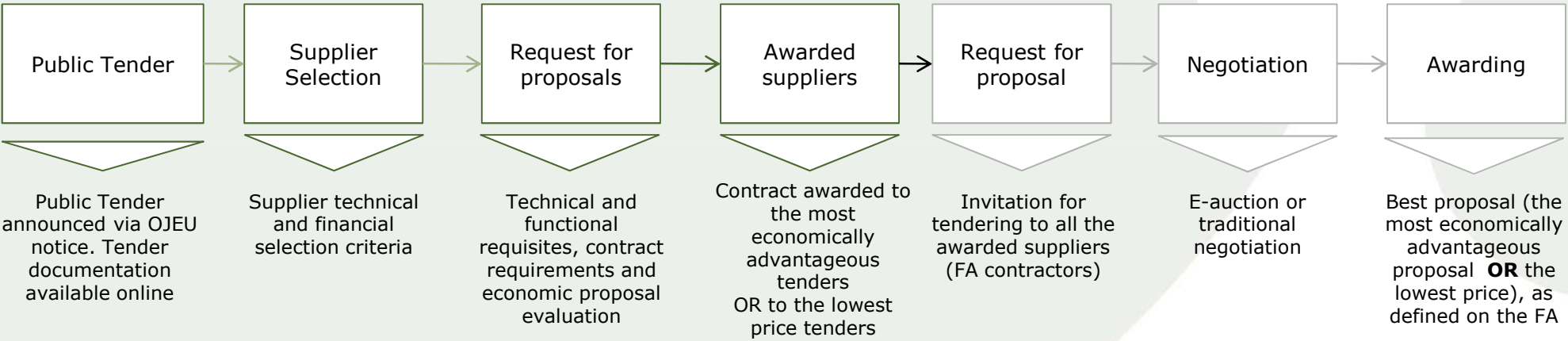
# Centralized Model - Framework Agreement (FA) for Contracts and Acquisitions

**ANCP**

**Ministry Purchasing Units (MPU)**

**Selecting suppliers and awarding the best proposals for each Framework Agreement (FA)**

**Acquisitions of goods and services categories available in the FAs  
Call Off Stage**



**Framework Agreement Centralization**

**Purchase of goods and services categories under the FAs are mandatory for the central public administration**

**Centralization of acquisitions of goods and services under the FAs**

**ANCP can opt to centralize the acquisitions of goods and services covered by the FA (example: Vehicles and Vehicle Insurance)**

## Framework agreements - DIRECTIVE 2004/18/EC

### With a single economic operator - Framework agreements not used by ANCP

When a framework agreement is **concluded with a single economic operator**, contracts based on that agreement shall be awarded within the limits of the terms laid down in the framework agreement. For the award of those contracts, contracting authorities may consult the operator party to the framework agreement in writing, requesting it to supplement its tender as necessary.

### With several economic operators

Contracts based on framework agreements concluded **with several economic operators** may be awarded either:

- a) by application of the terms laid down in the framework agreement without reopening competition, or
- b) where not all the terms are laid down in the framework agreement, when the parties are again in competition on the basis of the same and, if necessary, more precisely formulated terms, and, where appropriate, other terms referred to in the specifications of the framework agreement, in accordance with the following procedure:
  - (a) for every contract to be awarded, contracting authorities shall consult in writing the economic operators capable of performing the contract;
  - .....
  - (d) contracting authorities shall award each contract to the tenderer who has submitted the best tender on the basis of the award criteria set out in the specifications of the framework agreement.

## ANCP Framework Agreements

## **Agenda**

- 1. ANCP, the National Agency for Public Procurement – overview**
- 2. Overall strategy for public procurement – review and results**
- 3. The e-procurement perspective**

## Framework Agreements (FAs)

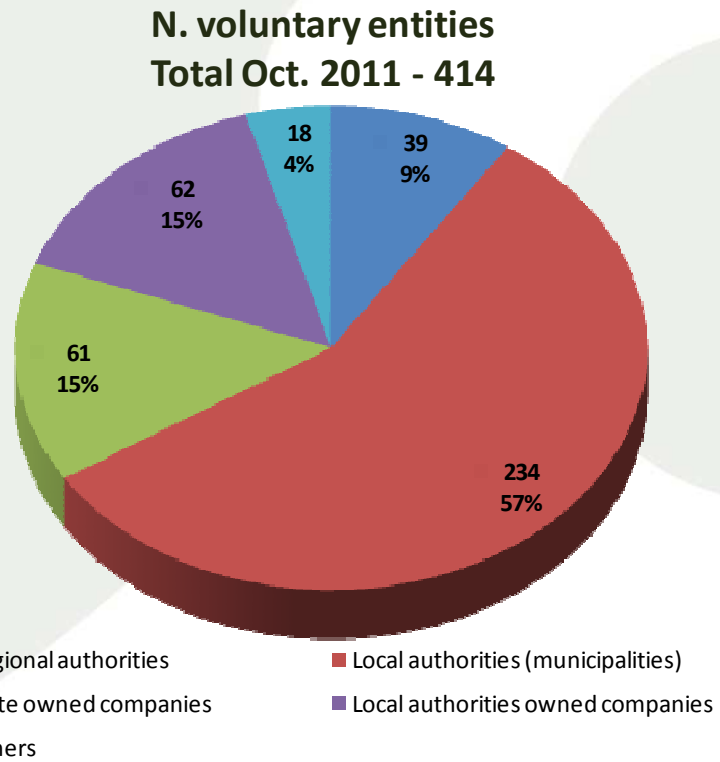
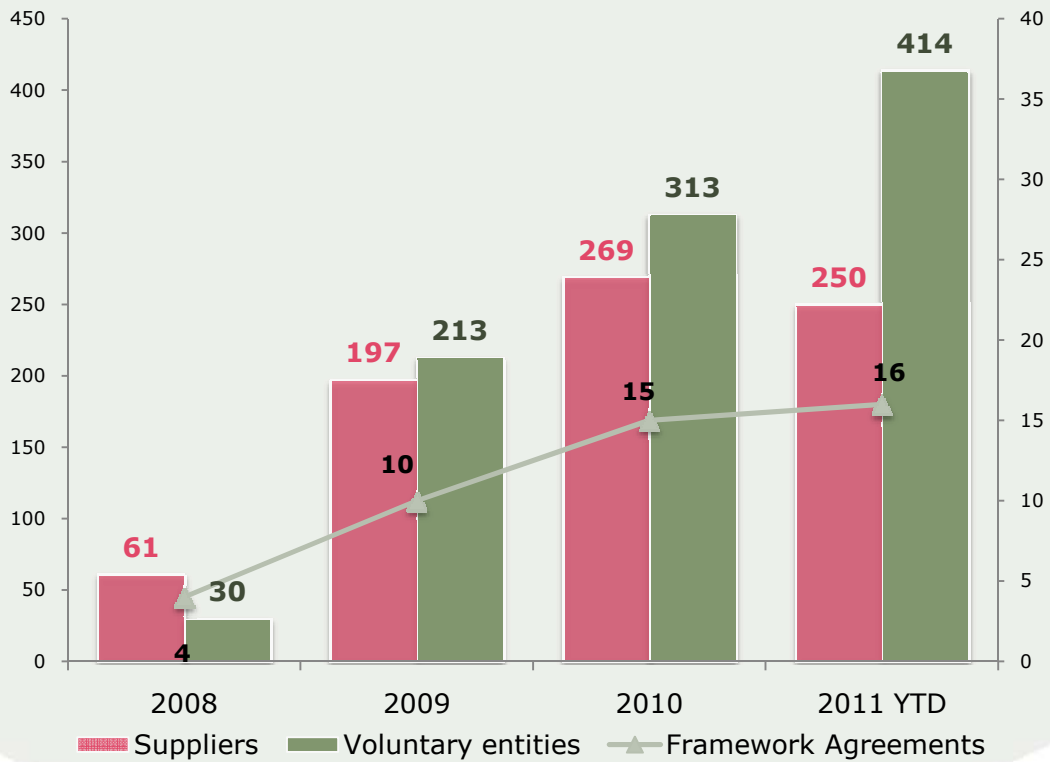
Objectives	Measures	Benefits
<b>Public expenditure</b>	<ul style="list-style-type: none"> <li>• FAs for the major spending categories</li> <li>• Goods and services standardization</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction and rationalization of public expenditure and consumption.</li> <li>• Controlling Public Debt</li> </ul>
<b>Savings</b>	<ul style="list-style-type: none"> <li>• Awarding mainly based on the lowest price criteria</li> <li>• Definition of maximum price and minimum technical specifications, assuring quality and SLA patterns</li> </ul>	<ul style="list-style-type: none"> <li>• Reduction of public debt balance</li> </ul>
<b>Efficiency</b>	<ul style="list-style-type: none"> <li>• Purchasing process simplification</li> <li>• IT innovation through e-procurement</li> <li>• Suppliers selection</li> </ul>	<ul style="list-style-type: none"> <li>• Dematerialization of the business process</li> <li>• Allowing Public Administration modernization and increasing e-Government</li> </ul>
<b>Competitiveness and quality</b>	<ul style="list-style-type: none"> <li>• Supplier selection based on economic, financial, technical, environmental, quality and SLA related criteria</li> <li>• Possibility of grouping and subcontracting</li> <li>• Subdivision in lots – regional and by goods or services</li> </ul>	<ul style="list-style-type: none"> <li>• Markets competitiveness development</li> <li>• Suppliers diversity and SME basis assured</li> <li>• Best market conditions for Public Administration</li> <li>• Green Public Procurement goals</li> </ul>
<b>Management information system</b>	<ul style="list-style-type: none"> <li>• Management information through suppliers to ANCP, MPU and contracting authorities (mandatory)</li> </ul>	<ul style="list-style-type: none"> <li>• FAs performance monitoring</li> <li>• Ongoing improvement of purchasing process</li> </ul>

## Public tenders run by the Agency – 2008/2011

Spending categories	Valid as of	# suppliers
Car and Motorcycle Insurance	Feb 2011	2
Cleaning Services and Products	Aug 2010	15
Electric Vehicles	Sep 2011	10
Energy (incl. Electricity)	Nov 2011	3
E-procurement Tools	Jun 2009	5
Fuel and LGP	Sep 2008	3
Hardware	Aug 2011	18
Landline Communications (voice and data)	Jun 2010	5
Meals	Jul 2010	4
Mobile Communications	Sep 2008	3
Office Furniture	Mar 2010	6
Paper and Stationery	Apr 2011	30
Printing and Copying	Apr 2011	21
Security and Surveillance Services	Apr 2010	8
Software Licensing	Sep 2009	77
Travel and Accommodation	Sep 2011	13
Vehicles and Motorcycles	Under renovation	27

- 250 qualified and selected Suppliers (70%+ are SME)
- Annual Public Expenditure addressed via the Agency's framework agreements:
  - 1.000 MEUR (about 80% of total expenditure transverse to SNCP entities)
- Savings 2009-2010:
  - Estimated: 150 MEUR
  - Achieved: 168 MEUR (+12%)
- 16 Framework Agreements
- 1 Framework Agreement under renovation

## Evolution of Voluntary Entities and Other Key Figures



Around 1.800 public entities use the system on a mandatory basis

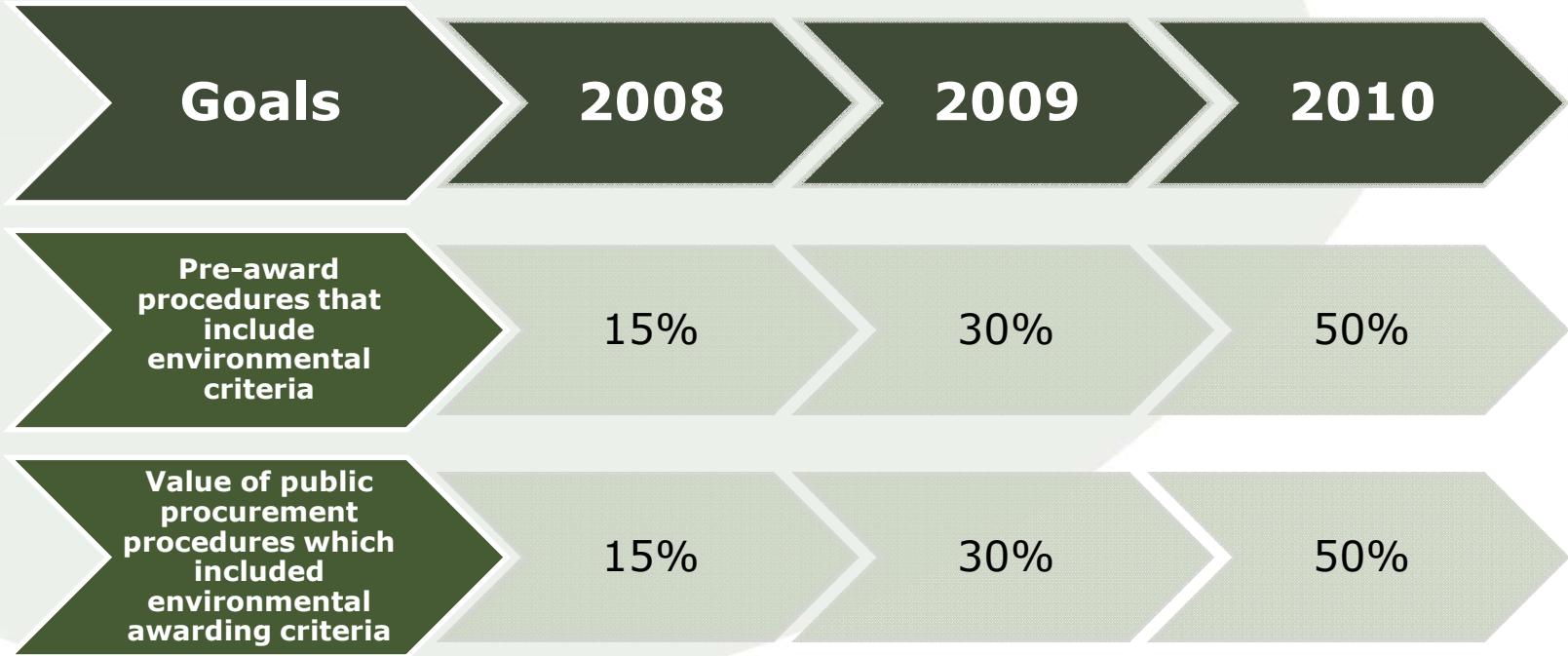
## Facts & Figures

Annual Public Expenditure in goods and services categories covered by Framework Agreements (FAs)	1.000 MEUR (80% of Total)
Savings	168 MEUR (2009 – 2010)
Tenderers in tendering procedures YTD	293
Percentage of qualified/awarded tenderers YTD	85% (250)
Weight of SMEs within awarded tenderers	76%
Litigation rate 8,3%. High Success rate in Litigation - % won	86%
Commission Fee	0,5% – 3%
Total Agency Headcount	40



# Green Public Procurement

## Goals for the National Strategy on Green Public Procurement



## Green Public Procurement

Framework Agreement	# of call offs	
	2009	2010
Printing and Copying	10	46
Hardware	57	171
Energy	1	1
Cleaning Services and Products	0	21
Software Licensing	12	172
Office Furniture	1	36
Paper and Stationery	102	176
Landline Communications (Voice and Data)	1	3
Vehicles and Motorcycles	46	79
<b>Total of call offs with ecological criteria</b>	<b>230</b>	<b>705</b>
<b>Total of call offs under ANCP's framework agreements</b>	<b>350</b>	<b>956</b>
<b>% of call offs with ecological criteria</b>	<b>65,7%</b>	<b>73,7%</b>

## Public Procurement in Portugal – Major Challenges

- Increase centralization in ANCP: by centralizing purchases under FA
- Increase the number of entities in the System
- New wave of Framework Agreements (version 2.0): create new categories and further improve the renewal of existing FA
- Implement new Strategy for Ecological Public Procurement and Green Criteria revision 2011-2013
- Conducting training and awareness sessions, skills development and use of electronic means to support public procurement
- Monitoring of results and performance of the framework agreements.
- Developing the Technological Model, Source to Pay

Maintaining sustainability and delivering value

## Agenda

- 1. ANCP, the National Agency for Public Procurement – overview**
- 2. Overall strategy for public procurement – review and results**
- 3. The e-procurement perspective**

# Procurement Process

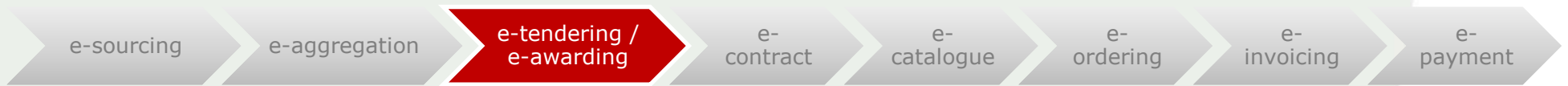


## eProcurement components

Mandatory electronic use since November 2009



*Within the scope of the current technological model put in place by ANCP*



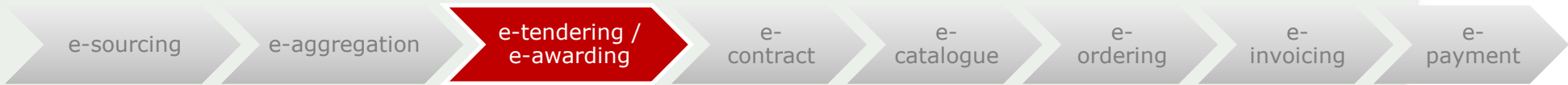
## 2010 | First full year of mandatory e-Public Procurement

The success of the adoption of e-Public Procurement in Portugal was based on the commitment of all stakeholders, namely the **already established Public eTendering platform operators** with several years of experience in the market. All platforms are required to be **certified according specific legislation**.

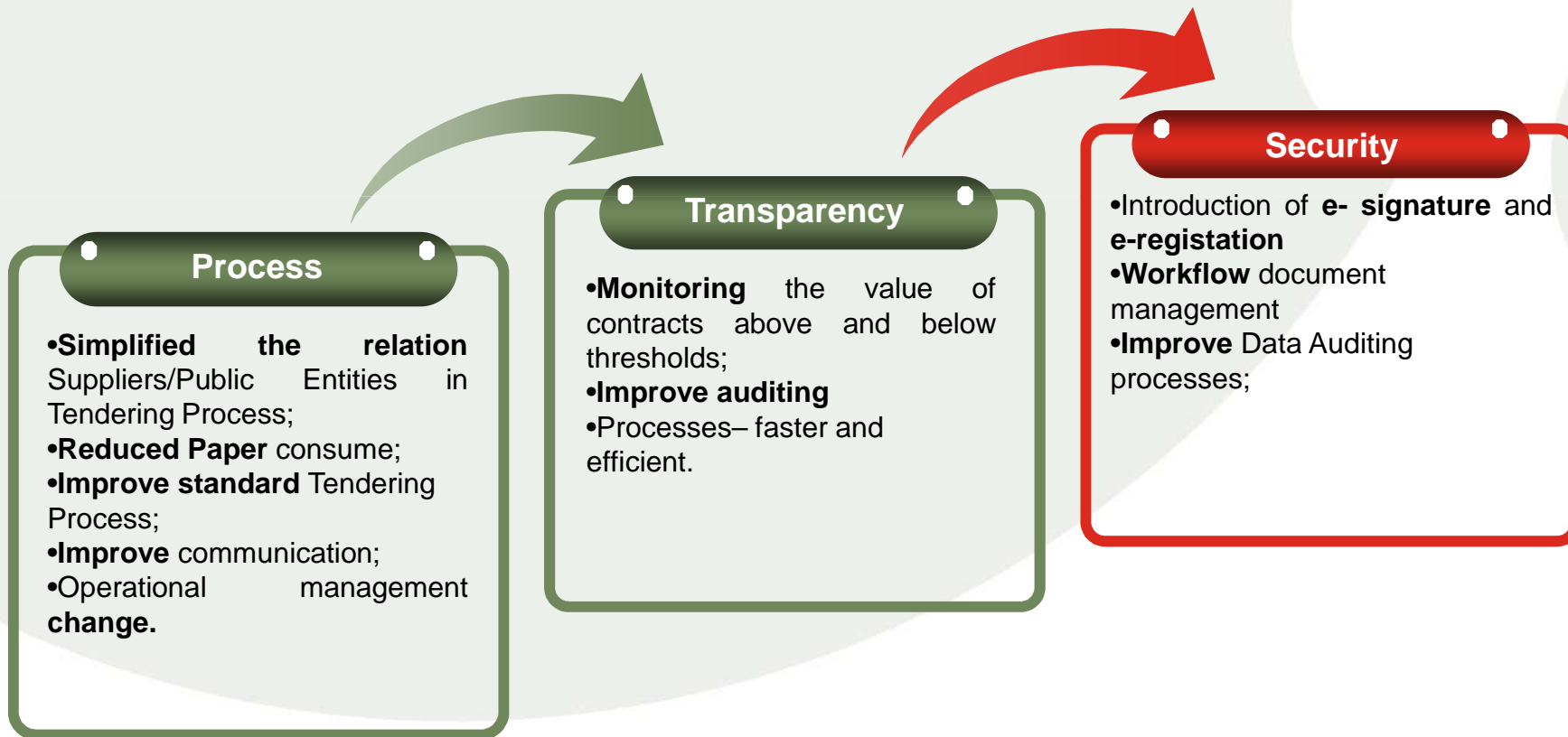
### Players involved:

- Contracting Entities
- Economic Operators
- Public eTendering Platform Operators
- External Auditors for Platform's compliance auditing
- National Certification Office of e-tendering Platforms – CEGER
- National Agency for Public Procurement - ANCP
- National Portal for Public Contracts – InCI ([www.base.gov.pt](http://www.base.gov.pt))
- Universities / Training Faculties

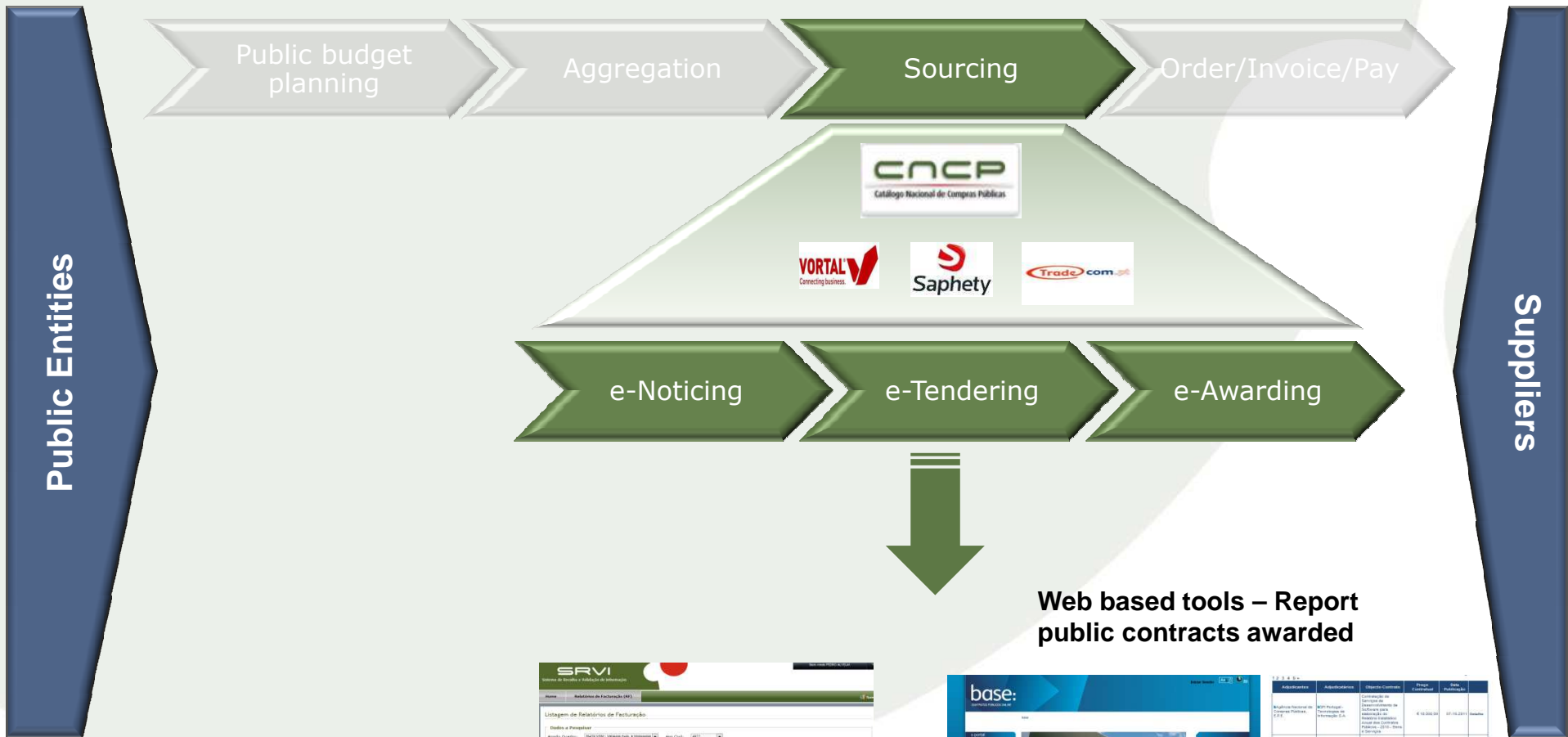
Contracting authorities belonging to the Central Administration and Public Institutes must use the **Framework Agreement** awarded by ANCP to contract a public e-tendering platform.



## 2010 | First full year of mandatory e-Public Procurement



# Reforming Public Procurement in Portugal – Focus on E-Tender



- Public Procurement Savings
- Management Fees

ID	Assunto	Descrição	Data Emissão	Data de Pagamento	Valor	Estado	Operador
1743	Valores Adm. e Retenções	Parcela de Retenções em Avulso	09-05-2011	14-05-2011	1,00	Setado	SRVI
4538	Valores Adm. e Retenções	Validado	09-05-2011	20-05-2011	13.344.628,00	Pendente	SRVI
4500	Valores Adm. e Retenções	Em validação	04-04-2011	19-07-2011	3.035,00	Pendente	SRVI
4614	Valores Adm. e Retenções	Por Processar	04-04-2011	-	-	Pendente	SRVI

The 'base' interface displays a dashboard with the following sections:

- base:** (Logo)
- base:** (Main header)
- base:** (Navigation menu)
- base:** (Main content area with charts and data)
- base:** (Footer)

Adjudicatário	Adjudicatária	Objeto	Valor	Data	Estado
Agência Nacional de Compras Públicas	Agência Nacional de Compras Públicas	Objeto do Contrato	€ 10.000,00	01-08-2011	Finalizado
Agência Nacional de Compras Públicas	Agência Nacional de Compras Públicas	Objeto do Contrato	€ 100.000,00	06-10-2011	Finalizado
Agência Nacional de Compras Públicas	Agência Nacional de Compras Públicas	Objeto do Contrato	€ 2.000,00	01-08-2011	Finalizado
Agência Nacional de Compras Públicas	Agência Nacional de Compras Públicas	Objeto do Contrato	€ 20.000,00	07-08-2011	Finalizado



## eProcurement – Lessons learned and major challenges

- **Key issue:** lack of integration of information along the procurement process making it impossible to control and monitor
- **Solution:** develop an end-to-end technological model to ensure not only transparent and cost effective procurement processes, but also the construction of the knowledge base that is needed to support strategic decisions towards public expenditure reduction and optimization:



- The Agency believes that implementation of this model will allow it to pursue its mission along **three key strategic dimensions:**
  - **Financial** – obtaining much needed savings and public expenditure reduction both in the short and the long term;
  - **Political** – through completely transparent, rigorous and efficient procurement processes;
  - **Social** – providing a better service for all stakeholders, achieving their buy-in and contribution, alongside a fundamental cultural change in the Public Administration towards the effective use of taxpayers’ funds.

## Eprocurement – Set a New Trend of Public Management

**Eprocurement**  
 The Next Step

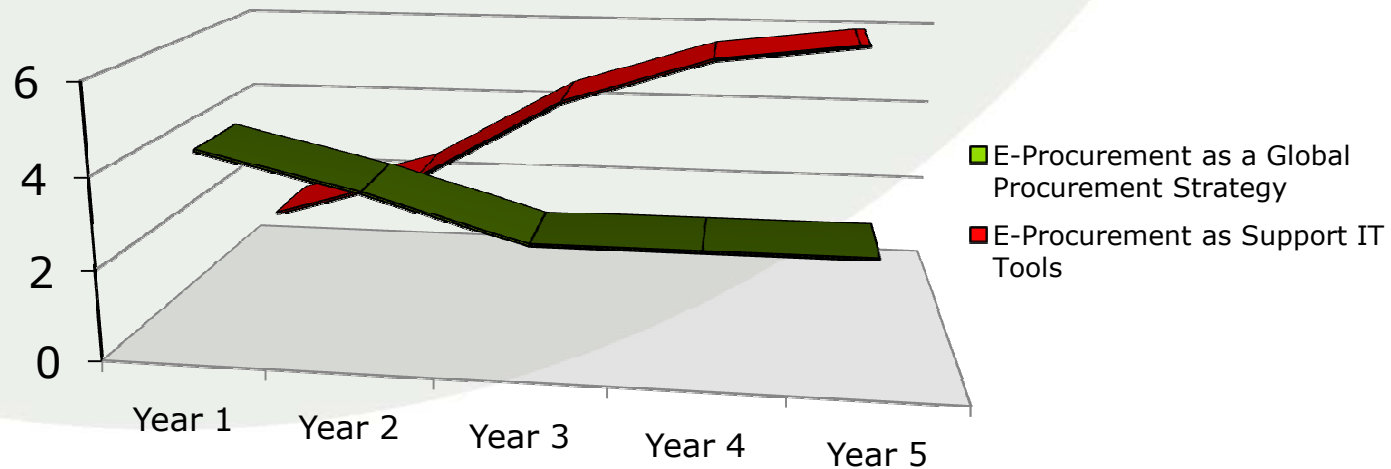
### Eprocurement as support IT Tool to procurement management

- ✓ Each public entity invests in technology, processes and control;
- ✓ Investment in IT integration instead of Process Optimization;
- ✓ Be reactive in data management instead of pro-active;
- ✓ Each public entity invests in their own human and functional skills.

### Eprocurement as part of public procurement strategy

- ✓ Build common processes based on functional design, business process & supplier interfaces
- ✓ Create a shared value sustainable solution reducing investments for the Government;
- ✓ Manage Procurement as a strategy area of Government
- ✓ Promote corporate Governance in electronic Public Procurement.

Global E-Procurement Investment needs (M€)



## EProcurement Interoperability Platform



### Interoperability: From a Problem to a Solution

- Identify the key interoperability data from Procurement Process that needs to be exchanged (e.g. Consulting a contract, receive a order buy, update a e-catalogue...);
- Define Standard base solutions for IT Providers;
- Integrating effective systems.



**Service Oriented Architecture** – Provide a Set of Services related with Public Procurement Business – **Innovation Market Value.**



## eProcurement development strategy Major goals

- **One Platform:** Offering all components of the public procurement chain in one single web based tool
- **Single Sign On:** One access point and data management for the different stakeholders
- **Real Time Solution:** Real time data monitoring and control for the entire procurement process



## Conclusions from our eprocurement knowledge

### Key factors to E-Procurement

E-Procurement as a new approach to define Public Procurement Strategy and not an "IT Tools support to public procurement" investment.

Investing in a Global Shared E-Procurement model optimizes management and decreases waste and redundancy costs.

E-Procurement success depends firstly on simplicity, transparency, trustable Processes and People skills, and only then on Technology issues.

E-Procurement is not just "Savings", it is also "Profits."

### Critical Success Factors and Dimensions

Governmental Top-Down Project, transforming procurement from tactical to strategic.

#### Political

Create a Corporate Governance model to E-procurement and adapt Legislation to the new global trend.

#### Financial

Improve a change management plan focused on Implementation.

#### Social

Deliver value and service (full visibility into cost, risk, performance) to the Stakeholders and get economic and business compliance.

# ANCP

Agência Nacional de Compras Públicas, E.P.E.

Thank you  
paulo.magina@ancp.gov.pt

[www.ancp.gov.pt](http://www.ancp.gov.pt)



Reformar as Compras Públicas.