

Centralised Procurement Body & Professionalisation in Public Procurement



Federal Procurement
Agency (BBG), Austria
Andreas NEMEC
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Agenda



Federal Procurement Agency (BBG)

- E-Procurement: Why? Where?
- Our e-Procurement Solutions
- Conclusions



Federal Procurement Agency acts as Central Purchasing Body



- Established by law: Federal Procurement Agency Act 2001
- Portfolio assigned by Decree (Minister of Finance)
- Awards procedures based on Federal Procurement Act



Impact on Austrian Public Procurement Sector



- **Federal entities** are obliged by law to procure defined goods and services¹⁾ through the BBG
- **Other public entities²⁾** can use the services of the BBG but can also procure by themselves.
- When purchasing, **all public entities** are bound to the rules set in the Austrian Public Procurement Act.

1) procurement of non-military goods and services, (except construction)

2) Other public entities: Municipal or federal state authorities as well as entities financed by such authorities or being governed by or under the supervision of these authorities

Austria – Federal System

■ Federation: 3 levels of Government

- Federal Government
- 9 State Governments (Länder)
- 2,357 Municipalities



The legal system in the area of Public Procurement



- National legislation was adopted to transpose EU Dir. (Directives 2004/18 and 2004/17, Remedies Directives)
- There is **one law**, *the* Public Procurement Act , which deals with PP in general and the review **on federal level**
- There are **9 different laws**, which deal with **PP review on municipal and state level**
- There are several accompanying regulations



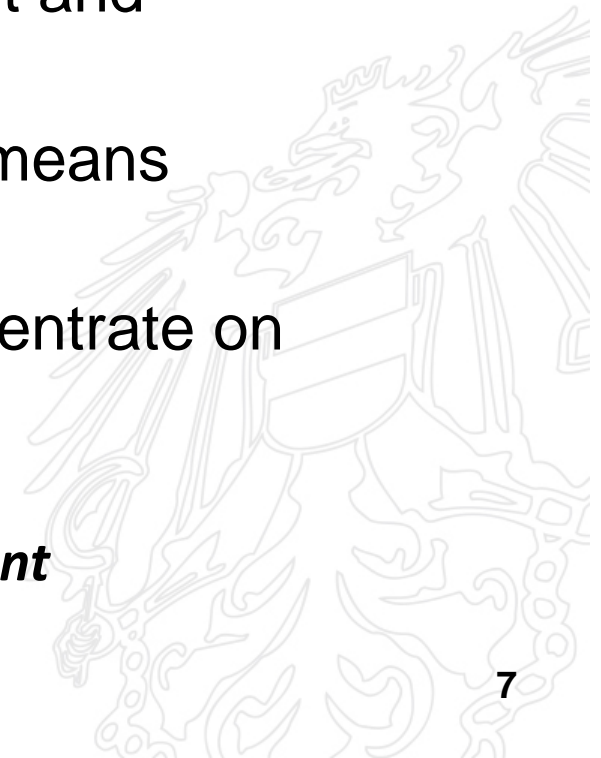
Our Objectives & Goals



- Optimizing purchasing conditions & getting best value
- Reducing legal risks
- Contributing to a effect-oriented, efficient and transparent administration
- Optimizing procurement processes by means advanced IT
- Allow Ministries and public CA's to concentrate on their core businesses



***Improve efficiency of public procurement
& reduce public expenditure***



Areas of Business



■ Procurement

Over 1.4 Mio. products are ready to be bought by all government authorities and cover 12 product-families – such as IT, office equipment or cleaning services etc.

■ Consulting

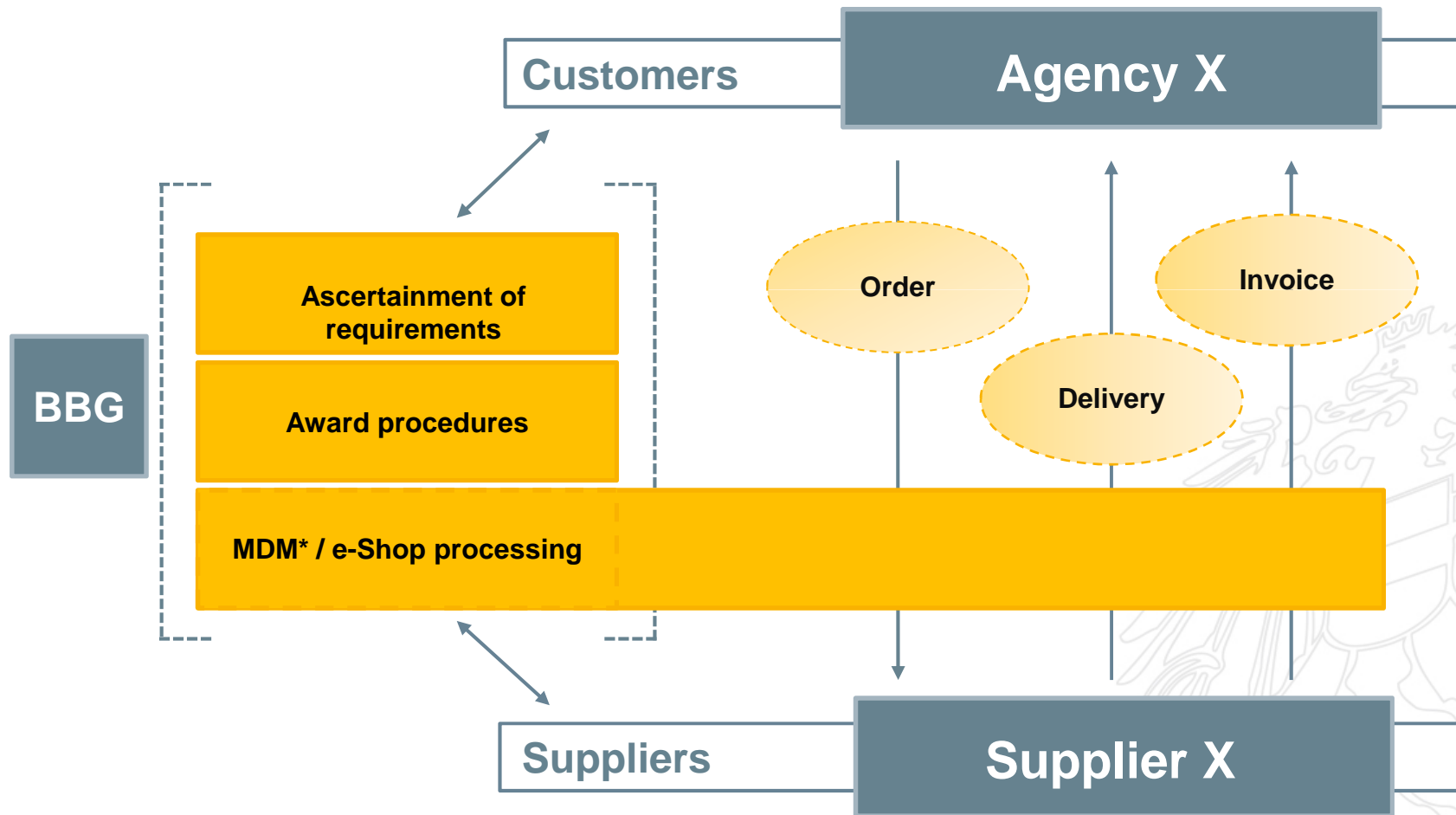
Projects on particular order by customers
Consulting services in the fields of public procurement, procurement-organisation and in special product-ranges



■ e-Procurement Solutions

Provision of comprehensive and integrated solutions covering the entire procurement processes („e-Shop“, „e-Reisen“ and e-Invoicing gateway)

How the System works



*MDM – Master Data Mgmt. / Contract Mgmt.

Distribution of responsibilities among the different parties

BBG

- Contracting authority in the name of its customers
- Responsible for correct award procedures
- Tendering documents and contracts have terms for e-catalogues / e-Shop and e-invoicing included
- Provides all contract information, is handling the contract lifecycle and catalogue mgmt. for its awarded contracts and agreements

Customers

- Are obliged to participate in demand and needs assessments
- Need to follow the defined e-Procurement processes (e.g. e-Shop Purchase Order etc.)
- Contractual obligations regarding delivery and payments are handled between the ordering CA and suppliers

Suppliers

- Suppliers are responsible for providing e-catalogue data and pictures;
- Download or electronic receiving of orders via e-Shop
- Providing e-invoices
- Contractual obligations regarding delivery and payments are between the ordering CA and suppliers

Our Solutions



- Bundling public demand & joint tenders
- Standardisation of goods and services
- Making agreements available to the entire public sector
- Optimizing public purchasing procedures by providing comprehensive e-Procurement solutions
- Establishing an organization with procurement professionals & consulting capabilities



The Federal Procurement Agency is set up as a shared service provider

Evolution of BBG

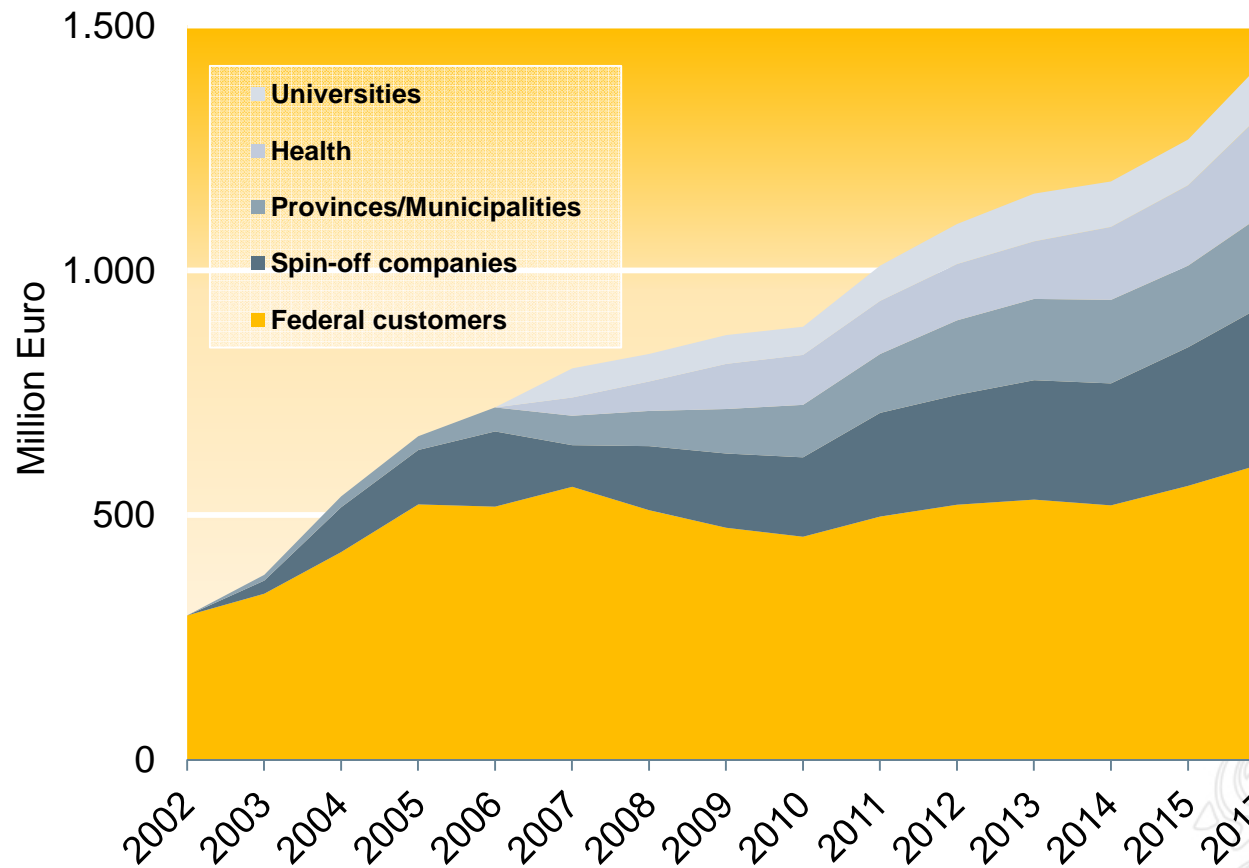


Stage of development	①	②	③
Years	2001 - 2006	2007 - 2012	2013 - 2017
Main topic	BBG as contract developer	BBG from the contract developer to a purchasing service provider	BBG as a purchasing service provider
Characteristics	<ul style="list-style-type: none"> • struggle for survival • offering contracts • mistrust of mandatory clients 	<ul style="list-style-type: none"> • new customer group non-mandatory clients • sales team • multi-quality-strategy • mandatory clients 50 % • development e-Shop 	<ul style="list-style-type: none"> • legal certainty • best price-performance ratio • focusing • availability • Non-mandatory clients > 50 %

Constant growth in 5 Groups of clients



**Procurement volume
2017: 1,43 Billion Euro**



Universities: 7%

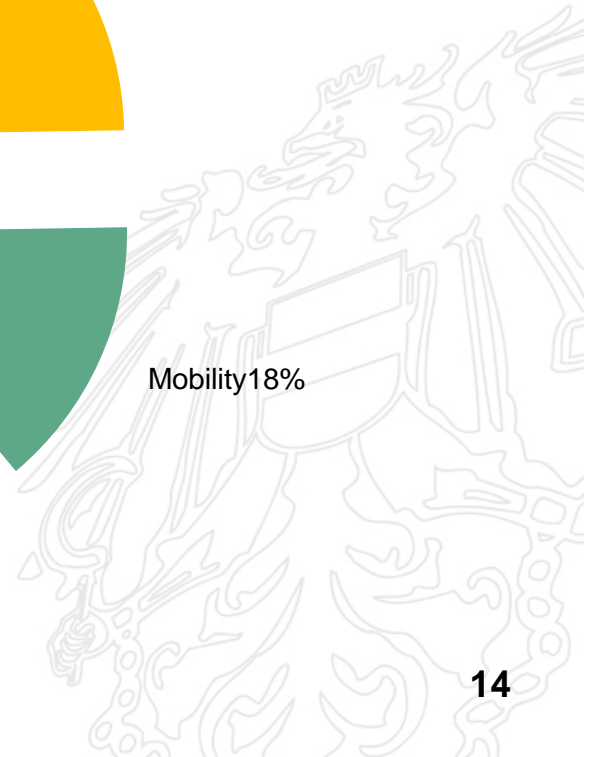
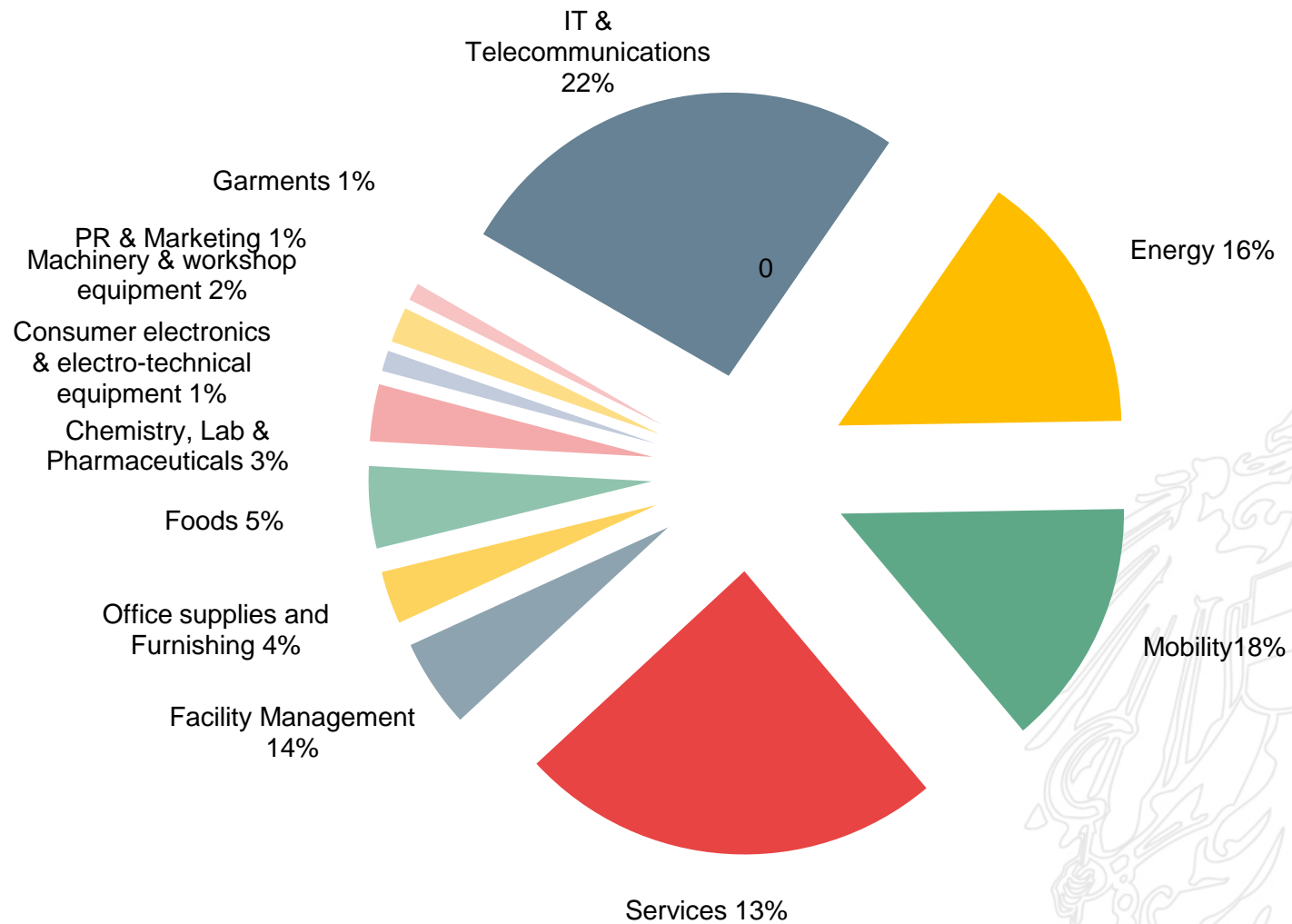
Health: 15%

Provinces/Municipalities: 13%

Spin-off companies: 23 %

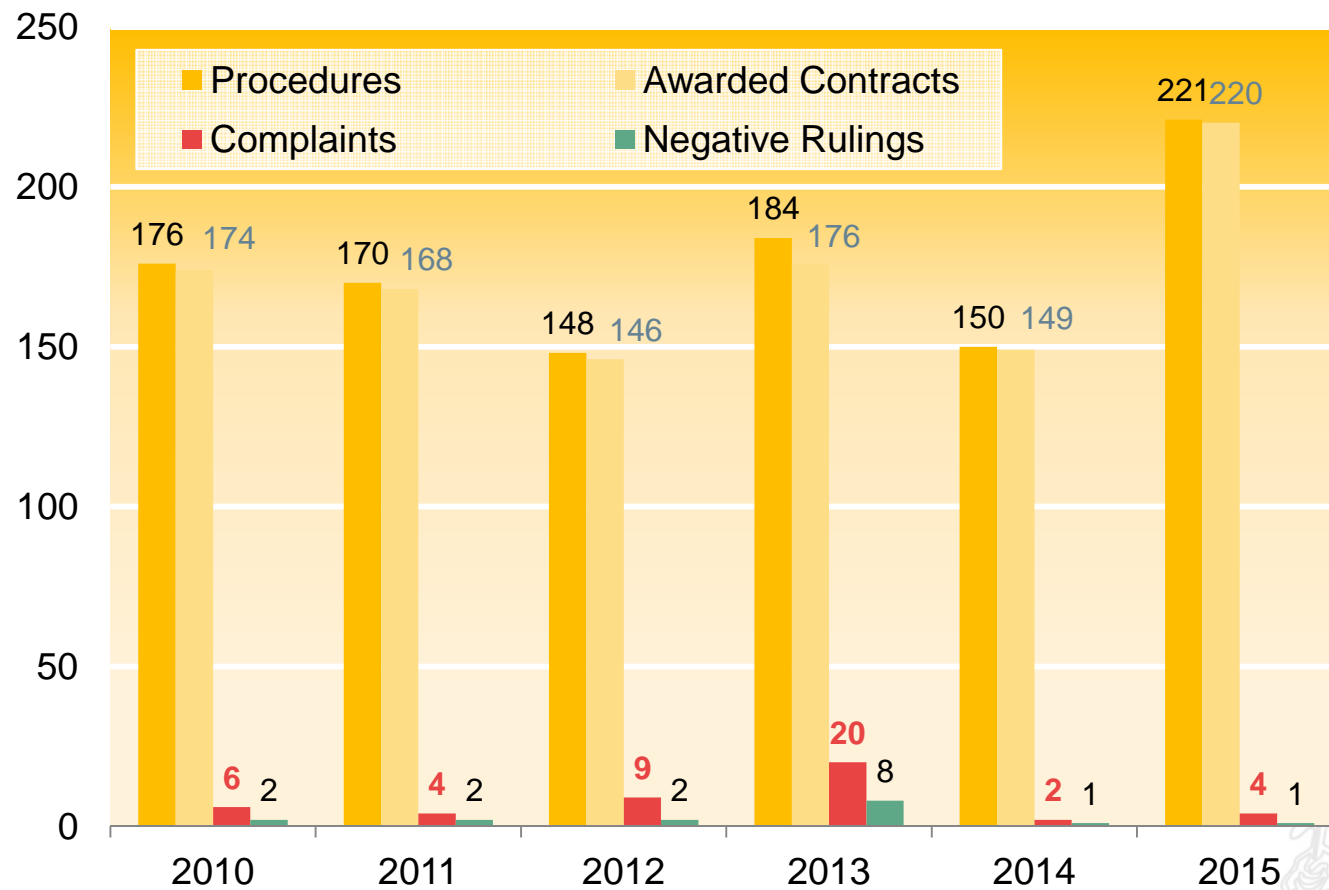
Federal customers: 42 %

Procurement Volume per Purchasing Area of BBG

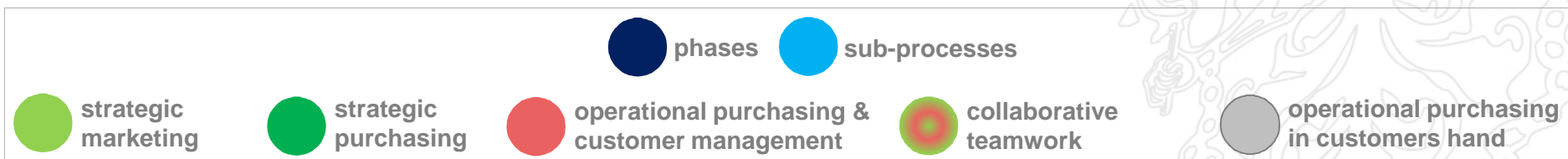
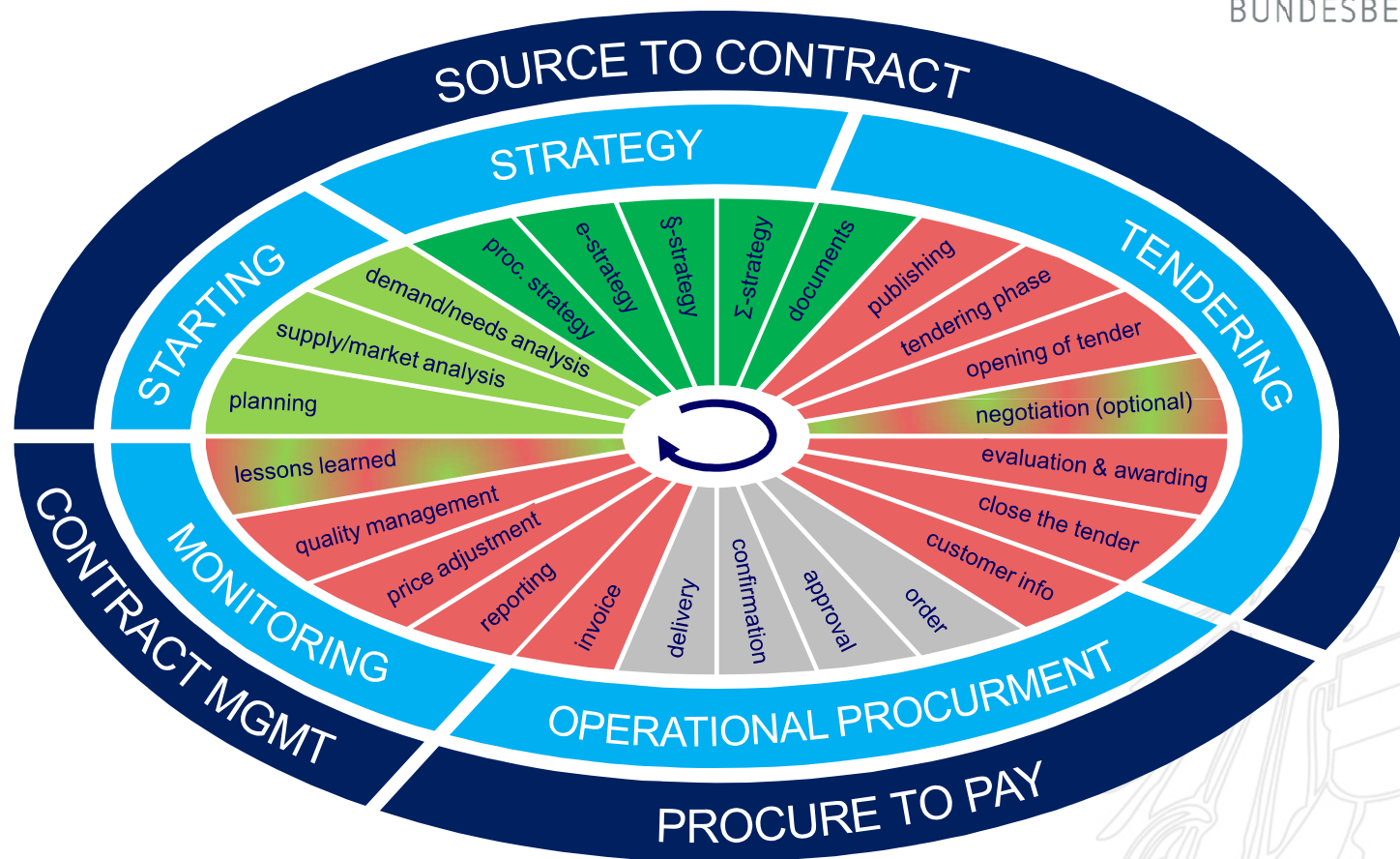


Legal certainty – source of trust

Only 5 % of tenders have been appealed



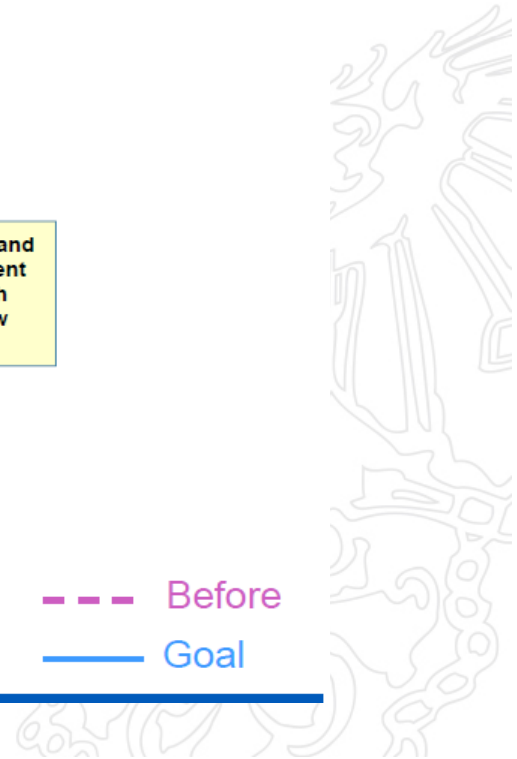
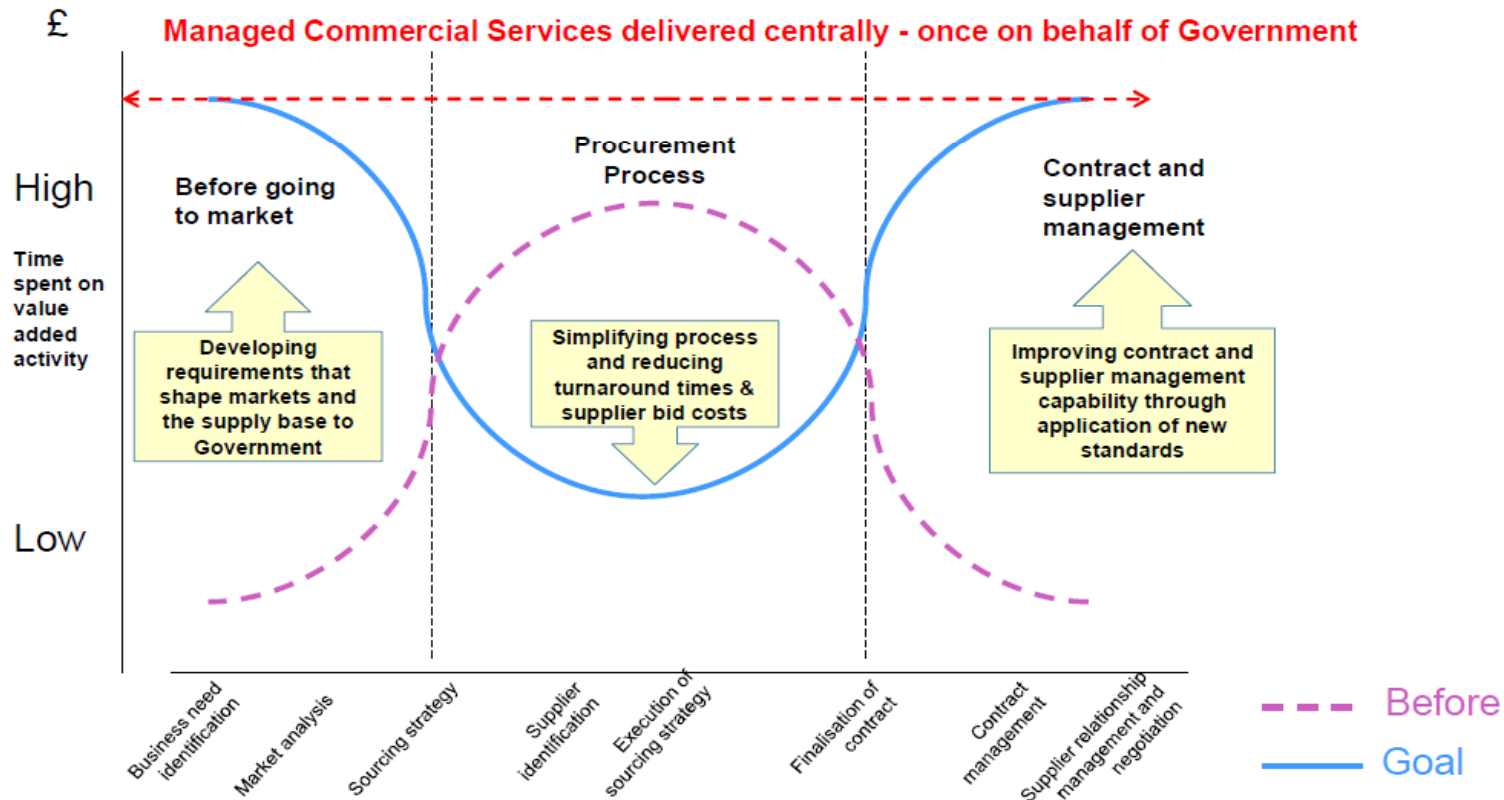
BBG purchasing process



Refocus the Procurement Process



Developing a new DNA for commercial activities



Agenda



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E-Procurement: Why? Where?

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EU regulations impacting e-Procurement in public sector



■ e-Tendering - Directive 2014/24/EU

- **18. Apr 2016:** Incorporation into national law
- **18. Apr 2017:** Central Purchasing Bodies will move to full electronic means of communication including electronic bid submission
- **18. Oct 2018:** e-submission should be made mandatory for all Public Contracting Authorities and all procurement procedures

■ e-Invoicing - Directive 2014/55/EU

- **27. Nov 2018:** Public Contracting Authorities need to accept e-Invoices from suppliers

Why e-Procurement?



**Efficiency in public administration
& savings of taxpayers money**



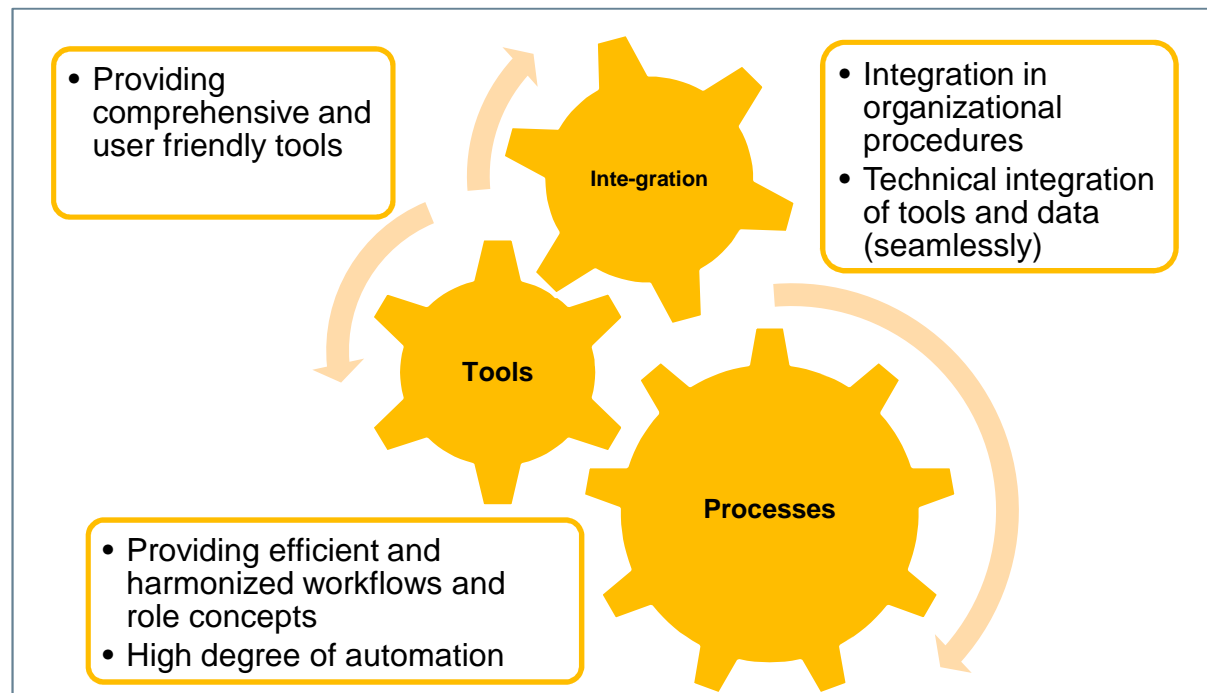
Efficiency



Costs



e-Procurement Value Driver

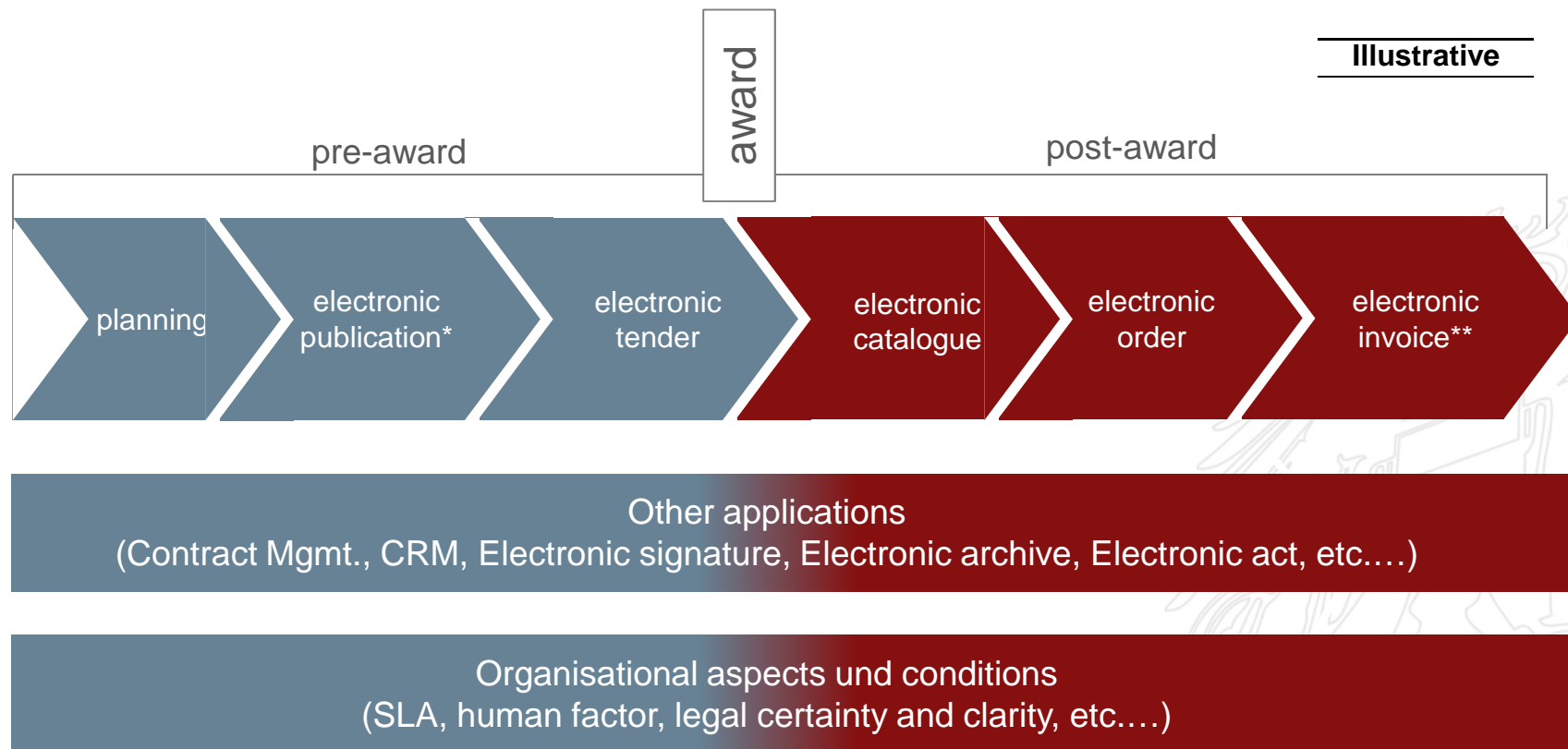


- **Ensure Compliance & Transparency**
- **Maximize automation**
- **Maximize self service**
- **Maximize savings**

e-Procurement Process Landscape



e-Procurement covers all electronic means within the entire procurement process: from demand generation up to the invoice processing and contract management



*electronic notification obligatory since 2006

** since Jan 2014 Federal entities except e-invoices only

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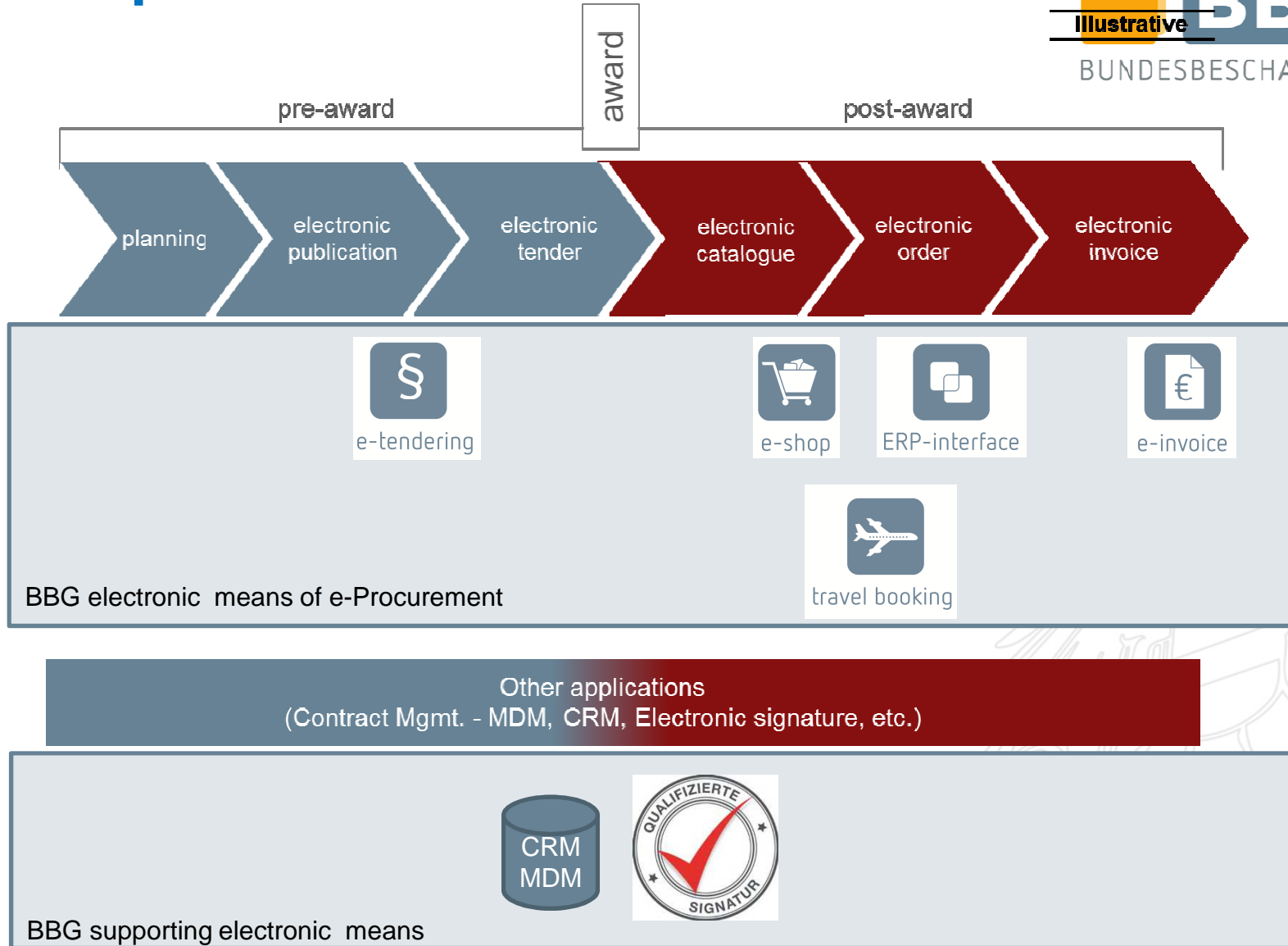
In BBG e-Procurement stands for



- business-enabler to meet our strategic targets
- provider for integrated and highly efficient e-procurement solutions (processes/tools/systems)
- service provider and partner for customers in the implementation of optimized procurement processes
- an element of differentiation from „competitors“ in the field of process optimization and integration of all relevant procurement procedures.

→ ***Leading Practice in the EU***

BBG e-procurement solutions



Our relevant solution portfolio for e-procurement



- BBG e-tendering solution covering the legal requirements according to the relevant regulations of the European Union and Austrian Federal Procurement Law 2018
- Process support for BBG tender procedure with the integration into the BBG system landscape



- Intended standard workflow (e-tendering) as part of the BBG e-procurement portfolio for our customers
- This standard workflow will cover the relevant the regulations of the European Union and Austrian Federal Procurement Law 2018



- Central, web-based information and procurement portal for all BBG tender results and contracts
- Extensive functions and workflows for the operative order processing
- Integration options into the customer's own ERP system and purchasing tools
- Catalogue-Hosting options (Management of the customer's own contracts and catalogues)



- Electronic booking of business trips
- Illustration of organisation specific travel policies
- Control of all bookings as well as additional information for travellers & travel arrangers



- Provision of an e-invoicing gateway for central delivery of e-invoices by suppliers
- Forwarding to the customers in different available formats (xml, PDF, mailing route)

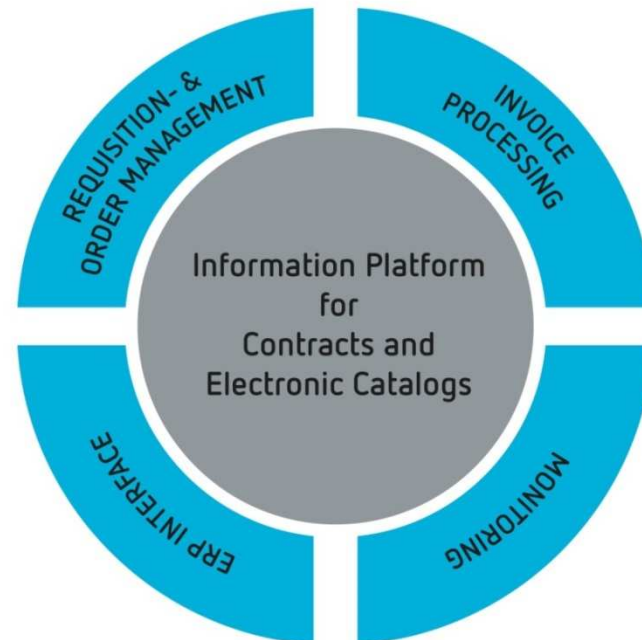


e-shop

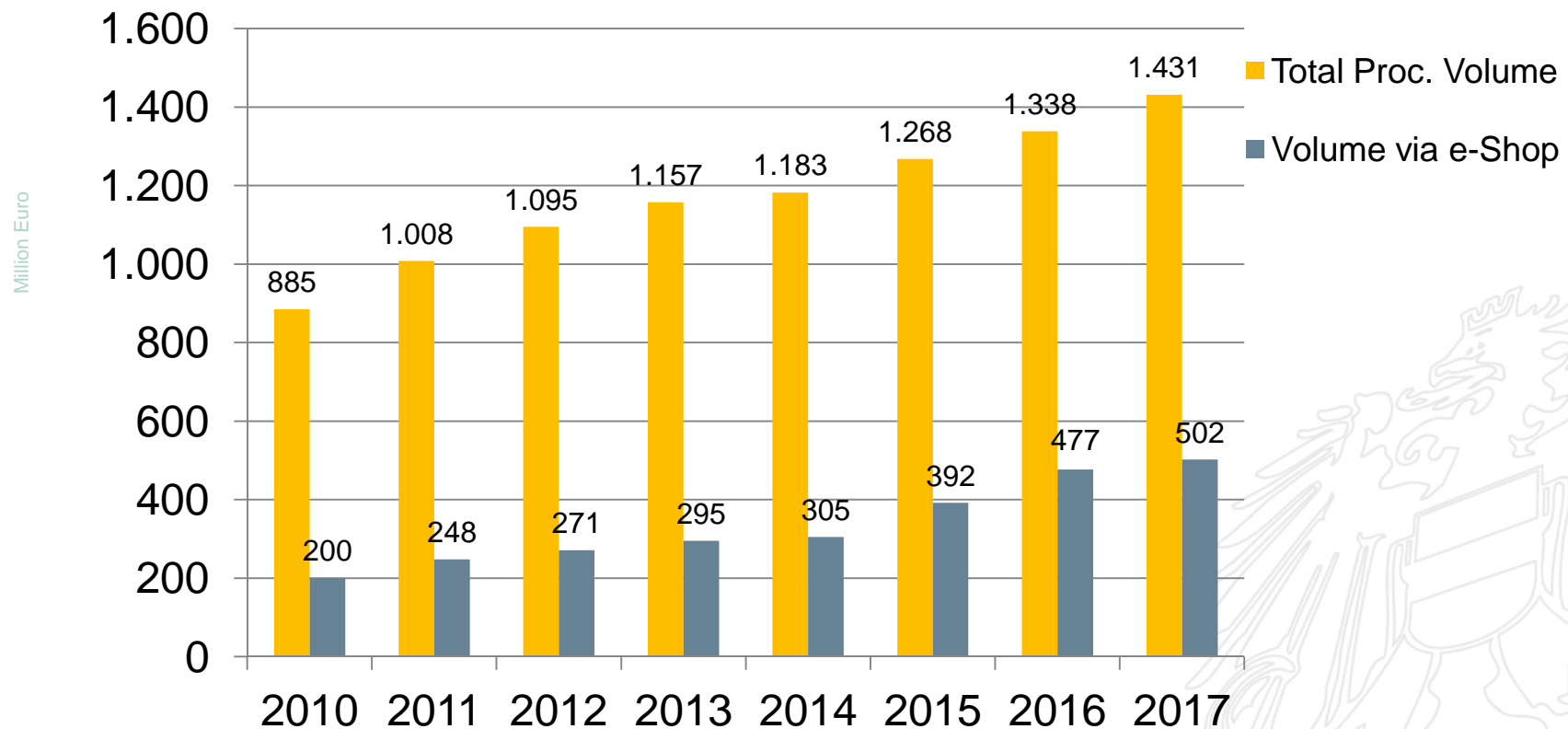
BBG e-Shop as Central Purchasing Portal



The BBG e-Shop offers a **central web based information and purchasing portal**. It can be used as the **single point of entry** for all buying related activities and offers a **full range of self-service functionalities** for purchase order processing. Additionally it enables the management of customers **own contracts and catalogues (catalogue hosting)**.



e-Procurement Volume via e-Shop



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■ Advantage/Challenge in Centralized Procurement

ADVANTAGES OF CPBs



1. Savings up to 20% as a result of bundling and standardization.

- **Through the volumes purchased**, CPBs have **greater bargaining power** than individual CAs (also important to strengthen buyer bargaining power to match oligopolistic markets)
- Contracts awarded using aggregation techniques show a **higher degree of competition**.

5.4 Study on TED data: **the number of bidders per tender is more than double** (12 bidders per tender in 2012 for CPBs, against for a typical CA).

Savings in transaction costs:

the cost for a CPB to run a tender is estimated at about one fifth of that of a CA due to reduced input in terms of staff.

Staff training costs are also lower.



ADVANTAGES OF CPBs



2. Transparency reduces the risk of corruption

due to easier control by enforcement authorities compared to monitoring thousands of small CAs located across the territory of an entire country.

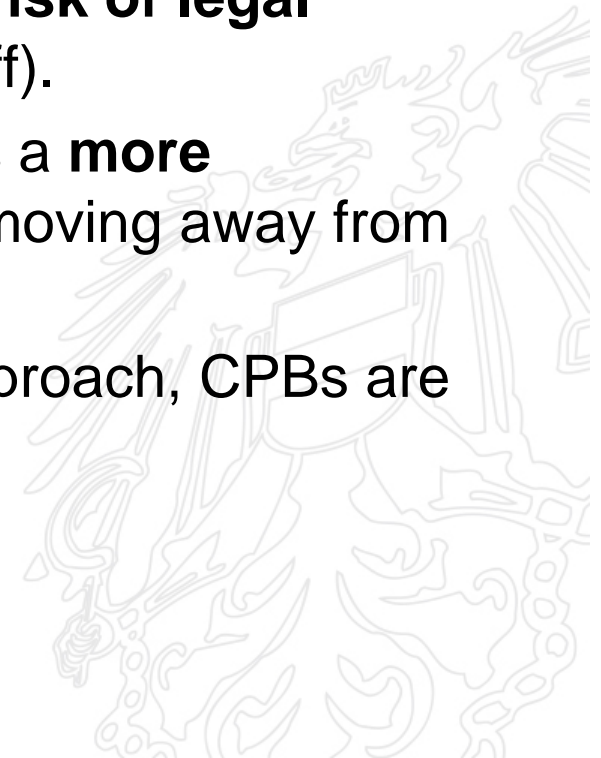


ADVANTAGES OF CPBs



3. Professionalization

- Professionalization leads to **higher legal and contractual certainty** (and consequently **mitigates the risk of legal challenges** for CAs lacking qualified PP staff).
- CPBs detailed knowledge of the rules allows a **more managerial or strategic approach to PP**, moving away from a compliance focus.
- Through specialization and a managerial approach, CPBs are taking a quasi-commercial approach to PP.

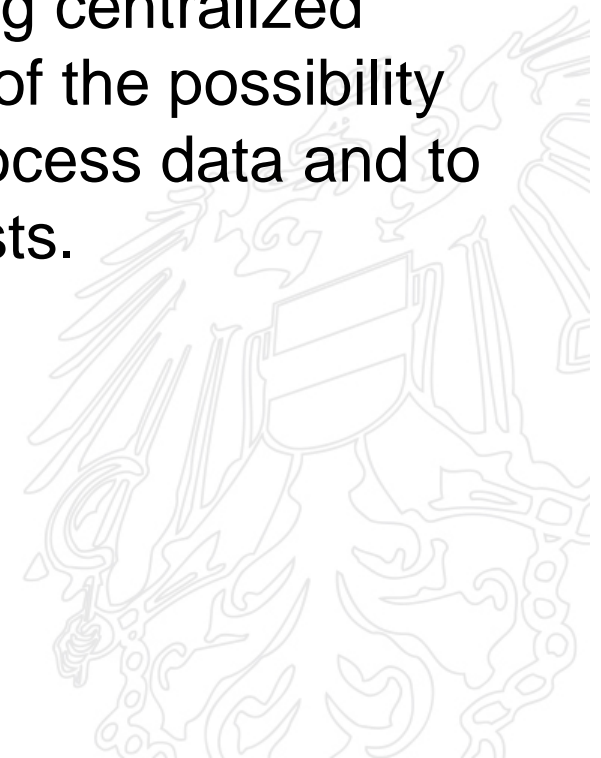


ADVANTAGES OF CPBs



4. Introduction of e-procurement tools through a CPB

- E-procurement is well suited in supporting centralized purchasing practices and tools because of the possibility they offer to re-use and automatically process data and to minimize information and transaction costs.

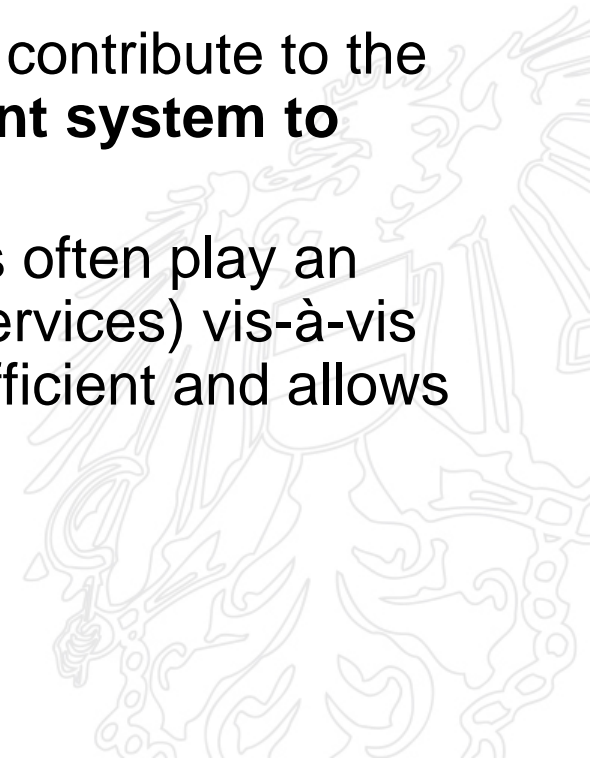


Advantages of CPBs



Other advantages:

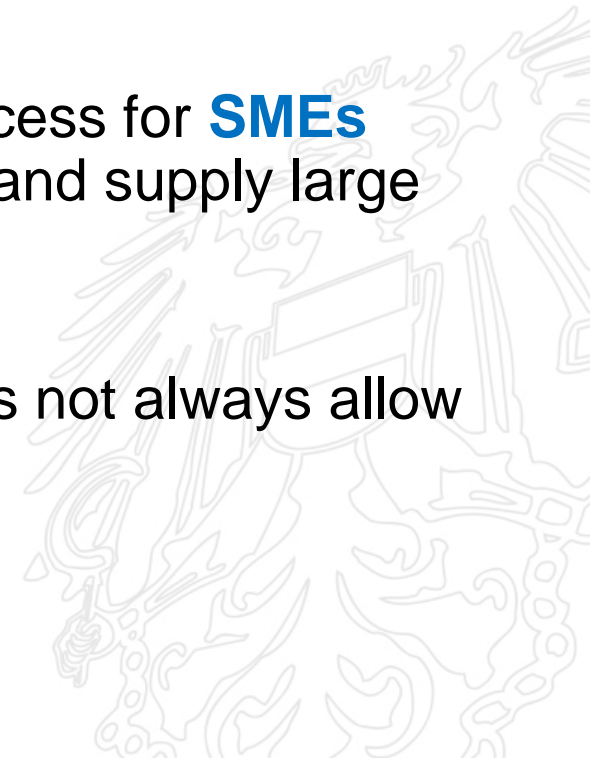
- The use of a CPB contributes to **simplifying budget control** by the administration (be it at national or regional level). Aggregation allows collecting comparable data on expenditure/orders by individual CAs.
- **CPBs gather market intelligence**, and can contribute to the development of an **information management system to analyze demand and supply**.
- When not being the direct purchasers, CPBs often play an **advisory role** (or even provide consulting services) vis-à-vis smaller and less experienced CAs. This is efficient and allows sharing best practices.



Some Remarks on Challenges of CPBs



1. **Impact on the structure of supply markets**, especially in terms of longer-term dynamics of reduced competition and lock-in of suppliers . Also, CPBs' contracts have a strong influence in setting the market price (in some MS, CAs have to meet-and-beat the CPB quality ratio).
2. It potentially decreases the chances of success for **SMEs** which have to face higher barriers to entry and supply large volumes, potentially beyond their capacity.
3. Standardization of goods and services does not always allow **tailoring PP** to the specific needs of CAs



Challenges for BBG as CPB



- We are part of a complex public procurement landscape
- We are Shared Service provider
 - for heterogenic customer and supplier structure
 - without direct impact / influence on customer's organizational procurement procedures, guidelines and governance
- Our Customers have typically their own procurement workflow, some times e-Procurement tools, which needs to be integrated or adapted
- We had to create awareness of our clients and suppliers, that e-Procurement is an important driver for optimizing the procurement in both areas – price and process. Today there is a common understanding – but there is a lot to be implemented.

Our future prospects



- Enhance usability and function scale of e-Procurement
- Boost e-Shop integration in ERP applications
- Optimize contract management & SRM (supplier relationship mgmt.) applications
- Standardize / optimize tendering by electronic means
- Push standardisation in the field of e-tendering



- *Improved governance and steering*
- *Enhanced procurement planning and monitoring*
- *Improved Contract and Supplier Management*
- *Increase professionalization*

