

Opportunities in Public Sector Procurement

*The National Procurement Service Annual Survey
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Executive Summary

The contribution that public procurement can make to expenditure reduction and the stimulation of economic growth is the focus of increasing policy attention. Driven by budgetary pressures the State has set about reducing its public procurement bill through more astute purchasing. Not just in cost cutting, however, has public procurement a role to play in Ireland's economic recovery. By making itself more sensitive to the needs of micro and small enterprises, public procurement can inject demand into the market for goods and services at local, regional and national level and even encourage the commercialisation of innovative products and services that can be used in the delivery of public services. This has the potential to create employment and sustain local economies.

It is against this backdrop that the ***Opportunities in Public Sector Procurement Report*** was written. Using survey data obtained from over four thousand suppliers and six hundred public procurers, this report, the first in an annualised series, provides a panoramic view of the workings of the public procurement market in Ireland. The findings highlight successful initiatives such as www.etenders.gov.ie and progress in ensuring that financial capacity and insurance requirements are relevant and proportionate to public sector contracts. However, the findings also draw attention to areas in need of further reform, particularly barriers to the participation of micro-enterprises in the public procurement market. As the name suggests, this report presents a range of opportunities that its authors believe should be grasped by those involved in both the policy and everyday practice of public procurement. Doing so will lead to better outcomes for all stakeholders in the public procurement market in Ireland and, indeed, in the wider economy.

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Introduction

The *Opportunities in Public Sector Procurement Report* marks a watershed in our knowledge of public procurement practice in Ireland. Prior to the “*Opportunities Report*” little in the way of grounded data was available to guide policy and allow for informed debate. This gap in our knowledge has begun to be addressed through Ireland’s first national survey of public sector procurement practice on which the “*Opportunities Report*” is based. Existing procurement practices can now be examined and their relationship to broader economic priorities assessed. Moreover, targeted interventions necessary for a more effective public procurement system can now be prescribed with greater confidence.

The first in an annualised series, the “*Opportunities Report*” provides a detailed insight into the workings of public sector procurement in Ireland from the perspective of buyers and of suppliers. Only by bringing these two perspectives together can we have a full and accurate appreciation of which procurement practices are proving effective, which procurement practices are in need of reform and what are the priority areas for future public procurement policy. Additionally, the “*Opportunities Report*” provides a unique insight into the current behaviours and opinions of both buyers and suppliers in the Irish public procurement market. This information will yield insights of interest not only to practitioners in the procurement and supply chain domain but also to policy makers in the public sector.

It is in the interests of all stakeholders in the Irish economy that public sector procurement functions effectively. Among the findings to emerge from the survey is the intention of 40% of suppliers to increase their tendering activity in 2012 and another 43% to maintain their tendering activity at current levels. This signals a sharp increase in competition for public sector contracts in the coming year as firms vie with one another for business. That an unprecedented number of firms is aiming to do business with public sector organisations should be viewed as an opportunity to avail of the services of small, flexible firms while also supporting enterprise and jobs at local levels throughout the country. In this way procurement through its policy and practice can play a central role in the economic recovery of Ireland.

Leveraging Public Procurement for Growth and Economic Sustainability

Public sector procurement has moved centre stage in the economic policy debate in Ireland. On the one hand attention has focused on the imperative of realising better value for money in the procurement of goods and services by public sector organisations, which forms one aspect of Ireland's overall deficit reduction strategy. Already, significant cost reductions and cashable savings have been achieved by many public sector organisations as part of this drive to reduce expenditure. However, these straitening economic have also thrown into relief the critical role that public procurement can play in getting Ireland back on the road to sustainable growth. New economic realities call for bold thinking and new approaches on how this country makes use of its public procurement spend.

At EU level, priority areas such strengthening the population of small enterprises, encouraging the commercialisation of new products and services and fostering a green, sustainable economy have been integrated into public procurement policy and procedures. This is evident in the *Small Business Act for Europe* (2008) as well as EU Commission communications such as *Public Procurement for a Better Environment* (2008a), *Pre-commercial Procurement* (2007) and *Integrating Social Considerations into Public Procurement* (2001). A similar trend is discernible in Irish policy where procurement procedures are increasingly devised mindful of the need for a 'joined-up' approach to governance. Enterprise policy such as *Using Public Procurement to Stimulate Innovation and SME Access to Public Procurement* (DETE, 2009) is indicative of this trend.

While there remains some uncertainty over the precise value of the public procurement market in Ireland, it is estimated that the total value of public sector contracts was between €14.5 and €15 billion in 2010, down from €16 billion in 2009¹. This makes the public sector the biggest market actor in the Irish economy. Targeted appropriately, this public procurement spend has the ability to give effect to core economic and social policy objectives. In particular, a prime opportunity exists for the leveraging of public procurement

¹ Minister of State for Public Service Reform, Brian Hayes in conversation with Marie O'Halloran of The Irish Times. *State bodies warned to observe purchasing regulations*. The Irish Times. June 18th, 2011.

towards the goal of creating employment by linking the awarding of contracts to the creation of new positions in micro and small enterprises.

Facilitating SME Access to Public Procurement

Among the central objectives of public procurement in Ireland is to ensure that a “level playing field” exists for all suppliers. To this end the Department of Finance issued Circular 10/2010², which aims to remove barriers frequently encountered by SMEs when competing for public sector contracts. Included among the guidelines contained in Circular 10/2010 is a lower threshold of €25,000 (previously €50,000) for the open advertising of contracts through www.etenders.gov.ie and an emphasis on *proportionality* and *relevance* in qualification criteria used.

It is by facilitating greater access that opportunities for the growth and professionalisation of small indigenous suppliers will emerge. Given that over 4 out of 5 firms in Ireland has 9 employees or less, concentrate exclusively on the domestic market and form the lifeblood of local economies up and down the country, the importance of ensuring that public procurement makes itself more accommodating to doing business with this enterprise cohort cannot be underestimated. In particular, procurement policy needs to differentiate between micro enterprises, small enterprises and medium enterprises. This is because the challenges a micro enterprise of 5 employees faces are qualitatively different to the challenges faced by a small firm of 35 employees or a medium-sized firm of 200 employees.

Recent data available from the European Commission³ suggests that small and medium-sized enterprises (SMEs) were hardest hit by the economic downturn, with the SME sector’s contribution to the Irish economy falling five percentage points from 53% to 48% between 2007 and 2010. With this evidence indicating that small firms are less able to withstand recessionary conditions in comparison to large firms, it is vital that efforts are redoubled to leverage the public procurement spend of the State in their support. During the last decade small businesses, rather than large corporations, acted as the engine of employment growth throughout the European Union according to a recently published EU Commission Report

² Available at: <http://www.procurement.ie/publications/circular-1010-facilitating-sme-participation-public-procurement>.

³ Small Business Act (SBA) Fact Sheet 2010/2011 Ireland

(2011) *'Do SMEs create more and better jobs'?* Between 2002 and 2010 SMEs were responsible for creating 85% of all new jobs in Europe, with micro-enterprises alone responsible for 58% of the total net employment growth. In attempting to boost economic growth, the needs of micro-enterprises should be incorporated into the plans of policy makers.

The logic to closer integration of public procurement with the interests of small indigenous suppliers cannot be underestimated. Enabling greater numbers of small suppliers to compete for public sector contracts is consistent with the economic policy objectives of strengthening the indigenous base of small businesses, generating local employment, sustaining local economies, and promoting entrepreneurship and business risk taking across society. As Ireland attempts to grow its economy out of recession these objectives have assumed critical importance. Furthermore, the economy and the Exchequer stand to gain from having a greater number of actively competing suppliers as increased supplier diversity and competition will translate into better value for money, innovative product and service offerings and a dynamic indigenous business landscape. It is clear that through astute management of public sector procurement myriad State objectives can be supported.

Background to Survey

In December of 2011 Ireland's first national online survey of public procurement was undertaken by the National Procurement Service (NPS). Assistance in the design of the survey and subsequent analysis of data gathered was provided by the Public Procurement Research Group, which is based in the Faculty of Business at Dublin City University (DCU) and is led by Dr. Paul Davis.

The survey was distributed in electronic format to approximately 70,000 suppliers and 4,000 public sector procurers registered on www.etenders.gov.ie⁴. Survey Monkey was the software package used for the purposes of conducting this online survey. The distribution of the online survey was carried out over a two week period. Registered users of www.etenders.gov.ie were contacted on two separate occasions over a two week period in December. Public procurers and suppliers were contacted separately. Some survey questions were common to both groups and some survey questions were particular to either procurers or suppliers.

Of those registered users who received the survey, over 4235 suppliers and 608 public sector procurers responded. The percentage completion rate for suppliers was 75% and for public procurers 68%⁵. With over 50 questions to answer for both surveys, many of them requiring detailed information, the level of response from both suppliers and public procurers was excellent and adds to the credibility of the data obtained and the generalisability of any findings made. The willingness of both suppliers and public procurers to engage with the survey can be taken as a sign of the high level of interest from all public procurement stakeholders as well as a collective desire to ensure that the public procurement system is the best it can be.

⁴ www.etenders.gov.ie acts as the central portal for all public sector procurement in Ireland and is recognised as a cornerstone of Ireland's e-business initiatives.

⁵ Not all respondents who started the survey made it through to completion.

The survey had multiple objectives, including:

- To baseline current practices in public procurement from both a buyer and supplier point of view
- To profile the individuals involved in tendering for public sector business and the firms in which they are employed
- To profile public procurers and the public sector organisations in which they are employed
- To establish the activities that make up the role of public procurer and the role of tenderer
- To gauge the level of interaction and engagement between public procurers and suppliers
- To establish the means through which public procurers advertise their contracts as well as the evaluation procedures used for the award of contracts
- To identify how suppliers source public sector contracts and to examine the typical contract value they aim to win
- To assess the implementation of Department of Finance Circular 10/2010 guidelines aimed at facilitating SME access to public procurement
- To determine the key motivators for suppliers attempting to win public sector contracts and the factors that impede them in doing so
- To scrutinise the impact of EU Directives on public procurement practice in Ireland from both a supplier and a buyer perspective

Table 1: Positive Developments in Public Sector Procurement in Ireland

Success of e-Procurement

- www.etenders.gov.ie is the most common source of information for suppliers in sourcing available public sector contracts in Ireland. Over 90% of suppliers use www.etenders.gov.ie to find out what is available in their sector
- Over 50% of public procurers state that 3 out of every 4 contracts issued by them in the last three years has been advertised through www.etenders.gov.ie

e-Procurement Benefits for Suppliers

- Over 3 out of every 4 suppliers state that www.etenders.gov.ie has increased the number of public sector tendering opportunities available to their firm
- 2 out of 3 suppliers state that www.etenders.gov.ie has increased the frequency with which they tender for available contracts
- 6 out of 10 suppliers are of the opinion that www.etenders.gov.ie has made the process of tendering for public sector contracts easier

Increased Activity in Public Sector Tendering

- 40% of suppliers state that their tendering activity will increase in 2012 and a further 43% state that their tendering activity will remain constant at 2011 levels

Greater Transparency in the Advertising of Contracts

- 85% of public procurers say that they advertise all contracts for supplies and general services with a value of €25,000 or more on www.etenders.gov.ie
- 92% of public procurers say that they advertise all contracts for works and related services with a value of €50,000 or more on www.etenders.gov.ie
- 73% of public procurers say that they advertise all contracts for ICT services with a value of €10,000 or more on www.etenders.gov.ie

Recognition of SMEs, Innovation and the Environmental Protection in Public Procurement

- Almost 2 out of 3 public procurers state that SME access to public procurement is an important or highly important consideration for them
- Almost 7 out of 10 public procurers state that innovation is an important or highly important consideration for them
- Exactly 6 out of 10 public procurers state that environmental sustainability is an important or highly important consideration for them

Easing of Financial and Insurance Capacity Criteria

- 54% of suppliers state that they only have to declare that they meet the financial capacity requirement at the initial tendering stage
- 55% of suppliers state that they only have to declare that they meet the insurance capacity requirement at the initial tendering stage

Standardised Tender Templates

- Just over half of public procurers say that they are using the NPS's standardised suite of tender templates

Supplier Success in Foreign Jurisdictions

- Approximately 20% of suppliers have had success in winning a public sector contract in Northern Ireland or Great Britain while 15% of suppliers have had success in another EU jurisdiction

Public Procurement Legislation

- 69% of public procurers are of the opinion that EU Public Procurement Directives have improved transparency in the procurement process
- 59% of public procurers agree that EU Public Procurement Directives have improved clarity in the procurement process

Table 2: Aspects of Public Sector Procurement in Ireland Requiring Attention and Reform

Low Levels of Market Research

- Less than 1 in 3 suppliers stated that conducting research on public sector firms and their buying habits formed part of their role
- Just over half of public procurers say that conducting research on markets and suppliers forms part of their role

Low Levels of Buyer-Supplier Interaction

- Only 15% of suppliers attended a 'meet the buyer' event in the last year
- Less than 30% of public procurers attended a 'meet the buyer' event in the last year

Low Uptake of Training

- Less than 1 in 3 suppliers say that they or someone in their firm has undertaken training related to public sector contracts in the last 3 years
- Just over half of public procurers have undertaken training in public sector procurement in the last 3 years

Low Levels of Procurement-specific Qualifications

- Only 22% of public procurers hold a qualification in procurement or supply chain management
- Less than 10% of public procurers are members of a procurement professionals' association.

Bureaucracy

- Finding time to complete the paperwork for tender submission is the primary barrier to public sector procurement cited by suppliers

Poor Exploitation of ICT at Organisational Level

- Less than one in three surveyed public procurers state that they make use of e-invoicing
- Only 1 in 5 has implemented a low value purchase card system
- Less than 5% are making use of reverse e-auctions

Less Business Friendly

- 43% of suppliers think that public procurement has become less business friendly over the last 3 years
- In contrast, almost half of public procurers think that the system has become more business friendly over the last 3 years

Breaking Contracts into Lots

- Less than 30% of public procurers agree or strongly agree that they break contracts into lots in the interests of SMEs
- The above is supported by the finding that only 23% of suppliers agree or strongly agree with the suggestion that contracts are broken down into lots in order to facilitate SME access.

Feedback

- Only 7% of suppliers agree that their firm has received feedback every time they competed for a public sector contract

Low Success Rates

- Exactly 1 out of every 2 suppliers state that their firm has a success rate of 10% or less when it comes to tendering for public sector contracts in the last 3 years

Suppliers' Perceptions of Public Procurers

- Over 40% of suppliers disagreed or strongly disagreed with the statement that public procurement personnel are knowledgeable on what they market can supply; 37% of suppliers are indifferent in respect of this statement
- Nearly 40% of suppliers disagreed or strongly disagreed with the statement that public procurement personnel make themselves available for meeting with suppliers

Report Overview

In the proceeding sections key findings from the survey will be discussed. Given the breadth of data collected, findings are grouped within broad thematic areas. These encompass the procurement process from the initial stages of conducting market research and interacting with buyers or suppliers, through to the advertising of contracts, tender specification and the feedback sought/given subsequent to the award of the contract. Some of the findings to emerge from the survey are positive and represent improvements in the way public procurement is managed in Ireland. Some of the findings are negative and highlight aspects of public procurement that need to be addressed.

Gathering data is but one element of carrying out research. Equally important is what we infer from the data and how we subsequently act on the data. In this vein, opportunities for improving the working of the public procurement system are identified and actionable recommendations specified for taking advantage of these opportunities. The opportunities for improving the overall functioning of the public procurement system relate to public procurement procedures, the behaviour of procurers and the behaviour of suppliers. Quick wins are realisable in many cases. If these opportunities are seized upon, the benefits to all public procurement stakeholders will be substantial.

Conducting Market Research

Finding out what the market can provide is essential to the role of a procurer. Yet, the results of the survey show that conducting research on suppliers and markets is the least attended to of all the activities that make up the role of procurer. **Just over 50% of public procurers say that conducting research on markets and suppliers forms part of their role.** In contrast, 92% of surveyed procurers say that creating tender forms and related documentation forms part of their role. Likewise, 89% of surveyed procurers are involved in deciding on qualification criteria to be used in procurement. Market Research is certainly one area that is neglected by public procurers and its importance underestimated. The knowledge that comes from researching what the market has to offer in terms of the price and quality of goods and services available is essential to realising value for money in public

procurement. The roll-out of the NPS's standard suite of tender and contract documentation should free up additional time that could be used in developing market research capability.

Equally, finding out how you can service the needs of the market is essential to success as a supplier. However, like procurers, suppliers appear to be overlooking the importance of researching what the market needs and how buying takes place within a given market. From the survey it is found that **less than 1 in 3 suppliers stated that conducting research on public sector organisations and their buying habits forms part of their role.** In contrast, over 90% of suppliers say that completing tender forms and related documentation forms part of their role. If procurers are not fully informed of what suppliers can provide and suppliers are less than knowledgeable about potential buyers in their marketplace, then the market for public sector contracts will function in a sub-optimal way.

Recommendation

- There is a clear need for procurers and suppliers to attend to the research and market engagement aspect of buying and selling. Training and instruction in carrying out research for both procurers and suppliers is recommended.

Interaction between Public Procurers and Suppliers

Interaction and engagement between public procurers and suppliers is integral to a healthy public procurement market. For suppliers, interaction with buyers affords them the opportunity to pinpoint how they as supplier can add value to the procuring organisation. For buyers, interaction ensures that they have their finger on the pulse as regards what the market can offer as well as staying alert to technological developments and trends in the offing. The survey results indicate low levels of interaction and engagement in Ireland's public procurement market. When asked if they or another person from their firm attended a 'meet the buyer' event in the last year, **only 15% of suppliers attended a 'meet the buyer' event. Less than 30% of public procurers** state that they or someone in their organisation **attended a 'meet the buyer' event in 2011.** The availability of these events is not planned and built into sectoral procurement plans.

Recommendation

- Formal engagement through a series of ‘meet the buyer’ events organised sectorally, regionally and nationally would encourage greater interaction between buying organisations and suppliers. These could be built into sectoral procurement plans.

Migration to e-Procurement for Advertising of Public Sector Contracts

It is acknowledged by the European Commission that the creation of a centralised portal for public sector contracts in the form of www.etenders.gov.ie represents a key element in Ireland’s overall e-governance strategy. Results from the survey clearly illustrate that e-Procurement is now central to the workings of the public procurement market in Ireland. A **discernible shift towards public procurers advertising available contracts online** in keeping with Department of Finance Circular 10/2010 guidelines is identified.

73% of public procurers advertise all contracts for ICT services with a value of €10,000 or more on www.etenders.gov.ie; 85% of public procurers advertise all contracts for supplies and general services with a value of €25,000 or more on www.etenders.gov.ie; and 92% of public procurers advertise all contracts for works and related services with a value of €50,000 or more on www.etenders.gov.ie. This demonstrates a high level of compliance in making public sector contracts available through the designated e-tenders web portal. Interestingly, almost 1 out of every 4 procurers stated that they advertised all their available contracts over the last 3 years on www.etenders.gov.ie.

Recommendation

- Issuing of pre-notification of tenders 3 months in advance of tender publication date on e-tenders would underpin the effectiveness of the system as it enables early market engagement. This could be done for all contracts in excess of EU thresholds.

Suppliers Embracing e-Procurement

The way in which suppliers now source public sector contracts also highlights the centrality of e-procurement. **Over 90% of suppliers surveyed make use of www.etenders.gov.ie to identify business opportunities with public sector organisations.** This should come as no surprise as Ireland is the recognised leader in the use of e-Procurement, encompassing e-tendering and e-awarding, across the European Union (European Commission, 2010). The next most popular means through which suppliers identify contracts available is through 'word of mouth' (32%) and request for bids from procurers (30%).

Recommendation

- There should be only one portal for accessing tendering opportunities and this should be www.etenders.gov.ie. Use of private catalogues damages the credibility of the e-tenders platform and public funded organisations using them should be held accountable – this was a provision within Department of Finance Circular 10/2010.

Simplification of Procurement Process

The results of the survey also indicate that **e-Procurement has helped to simplify the tendering process as well as inject greater transparency into the advertising of public sector contracts.** Approximately 3 out of every 4 suppliers state that www.etenders.gov.ie has increased the number of public sector tendering opportunities available to their firm; 2 out of 3 suppliers state that www.etenders.gov.ie has increased the frequency with which they tender for available contracts; and 6 out of 10 suppliers are of the opinion that www.etenders.gov.ie has made the process of tendering for public sector contracts easier.

While 68% of procurers agree that advertising on www.etenders.gov.ie has increased the quantity of tenders they receive, a slight majority (46%) think it has not increased the quality of tenders. However, a slight majority also agree that www.etenders.gov.ie has helped to lower the average bid price while also increasing the number of foreign suppliers tendering for public sector contracts in Ireland.

Recommendation

- When designing the tender and award criteria the needs of the SME sector should be taken on board wherever possible.

Tendering Procedures

The survey findings also provide a snapshot of the procedures used by public procurers in how they source suppliers. **For supplies and general services contracts worth less than €25,000, just over half of respondents use the '3 quotes' procedure.** For supplies and general services contracts worth between €25,000 and €125,000, 83% of respondents use 'open procedure' (i.e. no pre-qualification stage); for a works contract worth under €50,000, 57% of respondents use 'open procedure'; and for a works contract worth between €50,000 and €250,000, approximately 72% of respondents use 'open procedure'.

Award Procedures

Most economically advantageous tender (MEAT) is the preferred method of evaluation in the case of both supply and services and works and related services. More than 4 out of 5 respondents indicate this to be the case.

Recommendation

- Where MEAT is indicated on a tender as the award criteria, buyers should ensure that the weighting given to price should not exceed 30- 35%⁶ of the overall criteria.

Frequency of Tendering

In the last 3 years **more than 2 out of every 3 suppliers tendered for 20 contracts or less.** This can be contrasted with the only 6% of suppliers tendered for more than 100 contracts in the last 3 years.

Value of Contracts

In respect of value of contract sought, **over 60% of suppliers typically tender for contracts with an estimated value of less than €125,000.** Department of Finance Circular 10/2010 advises public procurers that all supplies and general services contracts under €125,000 and

⁶ Where weighting is above 35 % there is a risk that a MEAT contract is actually a lowest price. This should be avoided. Research is ongoing in this area and it will be examined more fully over the next 12 months.

all works and related services contracts under €250,000 should be awarded under ‘open procedure’ and only proportionate qualification criteria should be used⁷.

Recommendation

- Ensure that all public procurers adhere to the recommendation of using ‘open procedure’ to applicable contracts and, equally, that proportionate qualification criteria are used that do not inhibit small and/or newly established firms from competing.

Declaring Financial Capacity and Insurance Cover

Among the measures aimed at making public procurement more SME friendly is allowing applicants only to declare that they have the requisite financial capacity and insurance criteria for the contract under consideration. **Almost 9 out of 10 public procurers state that they allow suppliers at the time of tendering only to declare that they have the relevant financial capacity and insurance criteria necessary to undertake the contract. Approximately 55% of suppliers state that this is also their experience.**

Recommendation

- There is an opportunity to examine the roll-out of a centralised system that would enable once-off registration in respect of financial and insurance criteria. This should increase the level of conformance from suppliers. The redesign of www.etenders.gov.ie will facilitate this step.

SME-friendly Public Procurement Practice

How public procurement in its policy and practice can support overarching economic and social policies is coming under greater scrutiny. Policy aimed at leveraging public procurement for the commercialisation of innovative goods and services has been enacted

⁷ This €125,000 or below threshold is just below the new EU threshold of €130,000 or greater for the advertising of contracts in the Official Journal of the European Union (OJEU) , which applies to Government Departments when issuing contract notices for supplies and services.

(DETE, 2009). The results from this survey are positive as regards public procurers' awareness and attention to innovative SMEs and what they can offer in the delivery of public services. **Almost 2 out of 3 public procurers state that SME access to public procurement is an important or highly important consideration for them. Relatedly, almost 7 out of 10 public procurers state that innovation is an important or highly important consideration in determining how they go about procuring goods and services.**

However, results from suppliers' experiences of the public procurement system suggest that much remains to be done if procurement practice matches up to aspirations and policy pronouncements. Among the main findings in this regard include:

Only 23% of suppliers agree or strongly agree with the suggestion that contracts are broken down into lots in order to facilitate SME access. When asked the same question, less than 30% of public procurers agree or strongly agree that they break contracts into lots in the interests of SMEs.

Only 20% of suppliers agree or strongly agree that contracting authorities are flexible in the type of proof of financial capacity they accept. When asked the same question approximately 50% of public procurers agree or strongly agree that they are flexible in the type of proof of financial capacity they accept.

Only 30% of suppliers agree or strongly agree with the statement that pre-qualification criteria are relevant and proportionate to the circumstances of the contract

Only 15% of suppliers agree or strongly agree with the statement that joint bidding is encouraged among SMEs.

Recommendation

- The experience of suppliers suggests that greater awareness of the recommendations of Department of Finance Circular 10/2010 and the subsequent implementation of these same recommendations in everyday procurement practice is required as a matter of urgency from public procurers.
- The benefits of breaking contracts into lots and encouraging joint bidding/consortium formation among suppliers should be illustrated to public

procurers through the publication and dissemination of best practice mini-case studies. This could be led as an initiative by the Competition Authority.

Barriers to Procurement

How to deal with a tendering process that demands considerable time and effort simply to complete documentation has been the perennial bugbear of small suppliers when it comes to discussing the public procurement system. Even with the migration to e-Procurement and attempts to streamline public procurement procedures, **finding time to complete the paperwork for tender submission is still cited by suppliers as the primary barrier that inhibits them in competing for available contracts.** The fact that considerable variation exists across the public sector in the content and structure of tender documents only serves to compound this problem. The second barrier cited was the requirement in many contracts to already have a certain level of experience of delivering services to the public sector and the third most frequently cited barrier was the cost of compiling a tender (incl. labour costs, material costs).

When public procurers were asked what they considered to be the primary barrier affecting small suppliers, **meeting financial capacity requirements emerged as the most frequently cited**, followed by the cost to compile a tender and finding time to complete the paperwork for tender submission.

Recommendation

- Increased use of standardised tender documents across the public sector should help in easing the paperwork burden for prospective suppliers as it would allow them to develop a level of familiarity with the type of information commonly sought.
- Early advertisement of opportunities would give more time for preparation by suppliers.
- Early engagement between suppliers and buyers would help in speeding up the tendering process as suppliers could set about devising their service solution with greater confidence in knowing what is expected from them by the procurer.

Environmental and Social Considerations in Public Sector Procurement

Public procurers express varying levels of agreement on whether social and environmental issues are important in procuring supplies, services and works. Exactly **60% of procurers state that environmental sustainability is an important or highly important consideration for them**. Approximately **52% of procurers state that the sustainability of the local economy is an important or highly important consideration for them**, with 37% saying it is neither important nor unimportant. Only **17% of respondents say that engaging with the not-for-profit sector is an important or highly important consideration for them**.

Recommendation

- An alignment between national contracts and regional supply needs to be considered in order to ensure that local economies can be sustained in the long term.
- There is an opportunity for greater participation of social enterprises in delivering public services.

Motivations for Tendering for Public Sector Contracts

For suppliers, **financial return** is ranked as the most important consideration in deciding on whether or not to tender for a public sector contract. This is followed by the attraction of potentially securing further business opportunities with the public sector contractor. When asked this same question, public procurers are of the opinion that **likelihood of further business opportunities resulting from the contract is equal to financial return** in respect of motivating suppliers to tender for a given contract.

Feedback

Receiving feedback is an area of public procurement that has elicited much debate. The results of the survey indicate that the extent to which suppliers receive feedback is quite low, with **only 1 in 4 suppliers receiving feedback either 'every time' or 'most of the time'**. This is attributable to a number of factors, including: failure on the part of suppliers to follow-up with procurers on unsuccessful tenders, reluctance on the part of suppliers to contact procurers regarding unsuccessful tenders for fear of jeopardising future chances, as

well as lack of confidence by suppliers in the feedback system and a reluctance on the part of procurers to provide meaningful feedback or limiting feedback to contracts above a certain value threshold.

The survey also captures the **salutary effect for both procurers and suppliers of giving and receiving feedback**. The majority of suppliers (55%) agree or strongly agree that receiving feedback has helped to improve the quality of their firm's tenders for public sector contracts. Even more emphatically, exactly 90% of procurers agree or strongly agree that providing feedback helps to improve the quality of suppliers' future tenders.

Recommendation

- Formal feedback is required – fear of engagement post-tender is removing the opportunity to give constructive feedback. An alternative method needs to be implemented. A Supplier Mentoring program is one such way.

Rights and Responsibilities in Public Procurement

41% of procurers indicated that they have a **good knowledge of the EU Procurement Directives**, with **33%** indicating a **good knowledge of the Remedies Directive**. **63% of procurers** believe that a **lack of knowledge of the public procurement rules act as a barrier for unsuccessful suppliers** to initiate a legal challenge under the Remedies legislation.

69% of public procurers believe that Public Procurement Directives have **improved transparency** in the procurement process, with **59% agreeing** that the legislation has **improved clarity**. Just under **half of suppliers didn't know if the legislation had improved transparency or clarity in the procurement process**.

Recommendation

- There is a large degree of ignorance of the Procurement Directives among suppliers and procurers. With the proposed changes to the Directives now published, there is an opportunity to develop a publicity awareness campaign on the Directives and their impact.

Assessment of the Public Sector Procurement System

In overall assessment of how the public procurement system has developed over the last 3 years, there is a disparity between the feelings of suppliers and those of public procurers. Approximately **43% of suppliers** think that public procurement has **become less business friendly** over the last 3 years. In contrast, **nearly half of public procurers** think that the system has become **more business friendly** over the last 3 years.

Opportunities for Improving Public Procurement in Ireland

In the sections below 10 key opportunities for making the public procurement system more effective are listed. Many of the solutions have been identified previously. However, the findings from the survey make clear that they have not been acted upon to the extent required. Collectively, the embracing of these opportunities by policy makers, public procurers and suppliers will lead to a better functioning system with fewer barriers for small enterprises and less uncertainty and confusion surrounding the workings of the public procurement market. Many of these recommendations should form part of a greater communications strategy among public sector buyers.

Train Procurers and Suppliers to Research their Markets

Enabling procurers and suppliers to research their markets is the first opportunity that presents itself. This can be achieved through the delivery of bespoke training programmes for both public procurers and suppliers throughout Ireland. The results of the survey reveal that public procurers and suppliers are failing to engage with each other prior to the issuing of an official tender, leading to a situation where public procurers have imperfect knowledge on what the market can offer and suppliers lack insight on what procuring organisations require in terms of product and service offerings.

Make 'Meet the Buyer' Events Standard Practice

Situating 'meet the buyer' events at the heart of the procurement process is the second opportunity that arises from the findings. This can be achieved by securing the co-operation and engagement not only of public sector organisations and suppliers but also county enterprise boards, business representative organisations, State organisations, and any other business or community entity with an interest in public procurement. 'Meet the buyer' events can be organised at a local, regional, sectoral and national level depending on the public sector organisations involved. Pursuing this course of action would help to de-mystify the tendering process for suppliers and afford both buyers and suppliers the opportunity to identify areas in which they can do business together.

Consolidate e-Procurement

An opportunity exists to consolidate e-Procurement's central position in the development and reform of public procurement in Ireland. Firstly, it is recommended that pre-notification of tenders above EU thresholds should be advertised on www.etenders.gov.ie 3 months in advance of tender publication. This would facilitate early market engagement. Secondly, while the shift by public procurers to the use of www.etenders.gov.ie in the advertising of contracts has been impressive, there remain some public sector organisations which have yet to embrace e-advertising of contracts. Through stronger enforcement of the recommended use of www.etenders.gov.ie as the central public procurement portal, a greater number of contracts will come to the attention of suppliers. Thirdly, an opportunity exists to maximise the number of contracts available to small indigenous suppliers on www.etenders.gov.ie through astute design of the tender and its award criteria. Fourthly, the burden can be lessened for suppliers by using www.etenders.gov.ie as a platform on which applicants can register their financial and insurance capacity credentials, which can then be used in relation to all future tendering activity. Many of these actions have been incorporated into the design of the new e-tenders portal.

Minimise Barriers to Micro and Young Enterprises through Open Tendering

Through more consistent application of the Department of Finance Circular 10/2010 recommendation that all supplies and services contracts below €125,000 and all works contracts below €250,000 are to be awarded under open procedure, micro and recently established firms will be better able to compete for business. Under 'open procedure' only proportionate qualification criteria are applied. This represents a positive move towards removing many of the barriers that inhibit micro firms and young firms from competing in the market for public sector contracts. If applied consistently, 'open procedure' tendering will help to "level the playing field" in the market for public sector contracts.

Facilitate Micro-enterprise Access through Lots and Joint Bidding

An opportunity to facilitate greater micro-enterprise access is to be found in public procurers taking a 'lots-based' approach to contract design. Where practical and financially justifiable, public procurers should endeavour to break up large contracts into lots. This

should be done with a view to exploiting the expertise of small suppliers in niche areas of product and service delivery. The results from the survey demonstrate that much needs to be done by public procurers on this Department of Finance Circular 10/2010 recommendation. There is always a balance between value for money and addressing specific needs. Procurers should always be aware of this when breaking into lots.

Similarly, a further opportunity to make the market for public procurement more accommodating to micro-enterprises exists in the form of encouraging joint bidding or consortium formation. Again, the survey results show that encouraging joint bidding from micro-enterprises is not on the radar of public procurers. This is an area in need of attention.

Reduce Paperwork Burden

Through the implementation of basic reforms, the main barrier cited by suppliers – finding the time to complete the paperwork for tender submission – could be tackled. Firstly, increasing the use of standardised tender documents across the public sector would permit suppliers to become more familiar with the questions to be answered and the forms to be appended to their tender. Secondly, earlier advertisement of available contracts would offer suppliers a longer lead-in time to complete their tender submissions. Thirdly, early engagement between suppliers and buyers would help in speeding up the tendering process as suppliers could set about devising their service solution with greater confidence in what is expected from them.

Greater Engagement with Not-for-Profit Sector

Engagement by public sector procurers with not-for-profit organisations seems to only be in its infancy in Ireland. Yet, it is a relationship that has much to offer for both parties. In sectors such as training and education and homecare and personal assistance social entrepreneurs and not-for-profit organisations have acquired high levels of experience and expertise. Opportunities exist for public sector organisations to harness this potential in the delivery of certain public services.

Roll-out Mentoring Programme

One aspect of public sector tendering that both procurers and suppliers show agreement is on the positive impact of constructive feedback. Procurers acknowledge that feedback can

assist suppliers in learning from previous mistakes and improving their subsequent tender submissions. Suppliers readily accept that feedback can prove instructive and enlightening for them. An opportunity exists to further build on this dynamic by instituting a Supplier Mentoring Programme. This would involve experienced procurement personnel mentoring and advising micro and young enterprises on how to navigate the public procurement system and sell themselves as best they can. The Supplier Mentoring Programme is to be designed in a way that does not impinge on the principles of transparency, fairness and accountability that define good public procurement practice.

Professionalise Public Procurement

The results of the survey reveal that just over 1 in 5 public procurers hold a qualification in procurement or supply chain management. This represents an opportunity to professionalise public procurement in Ireland through a targeted training and certification process. The fact that almost 70% of public procurers are found to be educated to degree level or higher means that up-skilling and professionalisation should not be too difficult for this cohort. The development of a Licentiate Approach similar to the US model is one possibility. This was presented to the Northern Ireland Assembly and was accepted by public procurers in North Ireland as a way forward. Equally, this approach could be implemented in Ireland. It would give accountability and responsibility to procurers through the issuing of a licence based on skills and competences.

There is evidence of the development of the public procurement profession through the creation of certificate programs and support of accredited programs. Examples include the Certificate in Public Procurement as delivered by DIT , the MBS in Strategic Procurement in DCU and BBS in Procurement and Supply from the IIPMM.

Exploit ICT for Procurement at Organisation Level

Scope exists for more intelligent use to be made of ICT at organisational level in the administration and management of procurement. In particular, public sector organisations can dramatically reduce the transaction costs associated with processing the procurement of goods and services through ICT enabled systems. Leaving aside the success of www.etenders.gov.ie, the uptake by public sector organisations of IT in managing their

purchasing activity is disappointing. For example, less than one in three public procurers state that they make use of e-invoicing and only 1 in 5 have implemented a 'low value purchase card' system and less than 5% are making use of reverse e-auctions. The one ICT area public sector organisations are using widely is electronic funds transfer, with 3 out of 4 public procurers making use of this approach.

Conclusion

Leveraging the public procurement spend for the benefit of the economy as a whole has assumed increasing importance in these challenging economic times. Public procurement is discussed at policy level not only in terms of achieving cashable savings but also in terms of offering growth opportunities to small indigenous suppliers who have bore the brunt of the downturn in the domestic and international economy. The ***Opportunities in Public Sector Procurement Report*** presents the most comprehensive data set yet on the workings of public procurement in Ireland, encompassing both suppliers' and buyers' perspectives. This data allows for a comprehensive analysis of practices and behaviours within the public procurement market. Moreover, findings from the data help in pinpointing opportunities for the creation of a more effective public procurement system. If acted on, the opportunities identified in this report have the potential to benefit all public procurement stakeholders. At a time when reform of the governance and administration of Ireland is of paramount importance, these opportunities should be embraced to the advantage of all.

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