



**International Procurement Agency BV**

*USE OF PROCUREMENT AGENTS IN  
PUBLIC PROCUREMENT*

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Presented by:

Bob Vlietstra, Director IPA BV,



**Subject:**

# Strategic Procurement through use of framework contracts



# Public Procurement function

- *Public Procurement developed into a highly professional line of business;*
- *Accountability requirements dictates set of clear procurement regulations;*
- *Demanding Public sector requires well development suppliers base.*



# Public Procurement function (cont)

## Impact of Public Procurement on GDP

- OECD Countries approx. 15%
- Developing Countries 25 – 30% of GDP
- Public Procurement affects Global Trade around € 1,000 billion/year



# Role of Authorities

- Authorities progressively use its purchasing power to drive markets towards innovation and sustainability;
- Authorities understands that Public Procurement could be a lever for kicking-off growth and development;
- Maintaining transparency and accountability within public procurement and limit costs.



# Do Authorities understand the cost of Public Procurement ?

## Authority costs:

- Needs assessment, method of procurement, developing bidding dossiers and completing procurement strategy;
- Publishing, responding to queries and manage / evaluate the receipt of proposals;
- Negotiations and contract award, contracting and publishing.



# Does Authorities understand the cost of Public Procurement ? Cont...

## Participants costs:

- Monitoring and identification of opportunities;
- Assessment of competitiveness, preparation and finalizing detailed proposal including production of administrative documents;
- Opening Bid bonds / Bank guarantees, printing, duplication and delivery;
- Presentation and negotiations if applicable;
- Excessive financing costs.



# Costs per category

<b>Category</b>	<b>Authority days</b>	<b>Firm days</b>	<b>Nr of bids</b>	<b>Total days per category</b> <b>Society cost</b>
<b>Works</b>	<b>27</b>	<b>29</b>	<b>7,4</b>	<b>242</b>
<b>Services</b>	<b>22</b>	<b>16</b>	<b>5,3</b>	<b>107</b>
<b>Supplies</b>	<b>20</b>	<b>14</b>	<b>4,5</b>	<b>83</b>





# Time frame expenditure per procedure

Type of procurement	Authority days	Firm days	Nr of bids	Total days per competition
EU Funds	24	24	5,4	154
Restricted	28	19	5,5	130
Negotiated	22	20	4,8	116
Open	21	15	5,7	107
Frame work	16	14	4	70



# Time / cost per country

Cost per country	Authority days	Authority days per bid	Firm days	Nr of bids	Total days per procurement
Iceland	16	2,5	43	6,5	292
Germany	18	2,4	17	7,6	147
Slovakia	38	18	30	2,1	101
Netherlands	21	3,8	13	5,5	92
Romania	31	8,2	15	3,8	88



# Observations

- Procurement processes where the authority procedures are efficient will receive improved response & better “VfM”;
- Private sector where capacity has been developed towards handling Public Procurement will generate good participation;
- Overall opportunity cost will be reduced when Authorities and private sector are used to Public Procurement procedures.



# Tendering costs

- Open procedure: performs well in term of cost, rating amongst lowest for Authorities and businesses;
- Negotiated procedure: close to open procedure, Authorities about the same but for businesses about 30% higher. Therefore less popular / participation;
- Frameworks: Authority costs only 75% and businesses 93% from open procedure.



# Targets for framework contracts

- Understanding within the authority what is being purchased to meet Public deliveries;
- Collection of data related to Authority expenditure;
- Creation of “*economy of scale*”;
- Reducing costs of Public Service delivery;
- Reduction of unit cost;
- Stepping up efficiency and accountability.



## Type of commodities suitable to purchase through frameworks

- IT hardware, software and connectivity;
- Energy, both gas, electricity and fuel;
- Transport fleet and maintenance;
- Telecommunication, fixed and mobile;
- Courier services, local and international;
- Office furniture and consumables.
- Etc.....



# Use of the Procurement Agent

- Introducing the concept of frameworks to local authorities;
- Sharing opportunities of working through framework contract, suppliers base, prices;
- Introducing “*economy of scale*”;
- Data collection to identify pilot projects;
- Communication with the private sector;
- Procurement Agent is result driven.



# Where to create savings

- Substantial reduction of number of repetitive tendering procedures;
- → Significant savings in Firm costs;
- → Significant savings in Public Procurement cost
- More efficiency in contract delivery;
- Increased VfM and reduced unit price.





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**THANK YOU**