

Public procurement

Building a strategy for success

Procurement – the State as buyer

- The Public Sector (including semi-states) spends over €13bn per annum on goods and services each year
- Approximately €9bn of this is spent directly by the Government
- Over 26,000 businesses are registered on e-tenders and therefore eligible to compete for contracts requiring market notice - other business is won at lower value thresholds
- There are over 180,000 active businesses in Ireland so less than 1 in 6 are eligible to compete for publicly notified contracts
- The State is a significant buyer of services and supports a large number of jobs in Ireland and in the EU
- As a buyer, the State adopts and uses processes that are broadly aligned with best practice although that does not mean that all competitions, tenders or decisions meet these standards (especially discretionary expenditure – there is a tension here)
- Generally speaking, the State is a risk averse buyer and this has implications for businesses that are looking to win public contracts
- At present, the State is expected to seek value for money, consolidate expenditure and move towards a more market centred approach to its procurement activities
- These are current trends and trends are prone to change as State direction and international influences (like new EU Directives) influence procurement objectives

Public procurement – the market

- Central and local government accounts for a total expenditure across 17 categories of almost €7bn per annum
- Contracts span a vast array of products and services across these categories
- A large amount of the expenditure below is discretionary and below the notification level for e-tenders (e.g. local authority and education)

Category	Health	Local Government	Education	Justice & Defence	Central Government	Total
Medical	1,571		45	10	12	1,638
Professional Services	538	152	132	89	119	1,030
Facilities & Services	385	20	258	168	131	962
Construction		453	38	34	49	574
Utilities	125	198	169	48	11	551
Unclassified	204		4	45	223	476
ICT	73	49	129	100	103	454
Travel	63	33	177	4	13	290
Print and Stationery	25	25	119	5	4	178
Human Resources	75	17	4	22	25	143
Plant & equipment		140	1	2		143
Office Equipment	14		26	30	29	99
Managed Services					93	93
Fleet	21	49		17	2	89
Marketing		6	14		54	74
Defence				71		71
Farming				1	17	18
Total	3,094	1,142	1,116	646	885	6,883

Source: 2012 Report on Competence & Capability in the Public Service

All figures in € millions

Competition types

- Expenditure up to €5,000 requires verbal quotes from at least two *competitive* suppliers and the approval of an authorised signatory / body
- Contracts between €5,000 and €50,000 must go through a competitive process but are not required to go through e-tenders
- For bids requiring notice via e-tenders (from €50,000) there are four kinds of competition

Open



Restricted



Competitive Dialogue



Negotiated Procedure

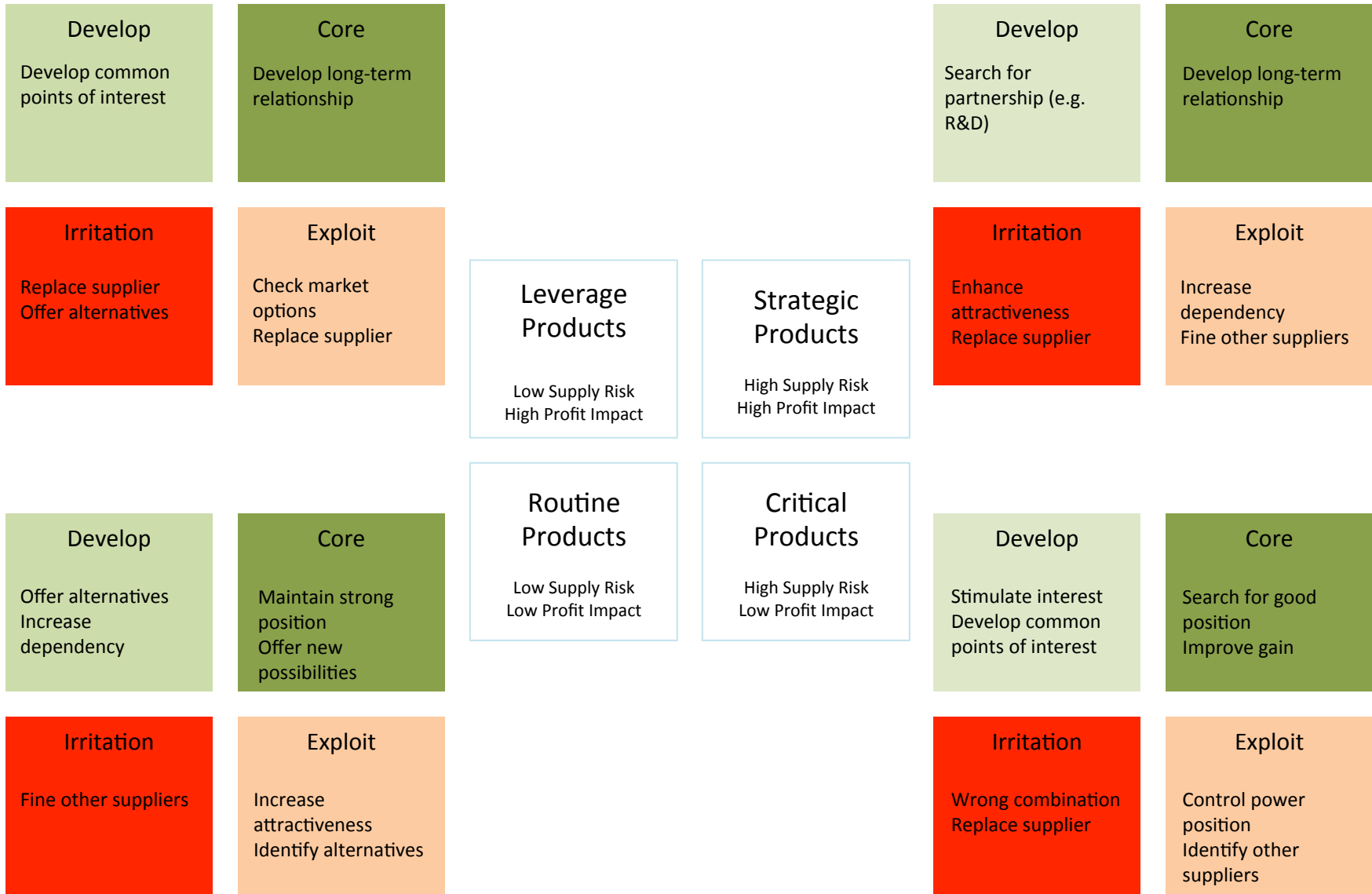


- Depends on approach to Public Sector
 - Is business mostly above threshold (e-tenders matters a bit more)
 - Is business mostly below threshold (relationships paramount)
- Maintaining a relationship with the buyer means businesses have a good chance of hearing about contests before they happen
- Not worth bidding (unless competition is lowest price only) unless you know the buyer
- Need to know the potential competitors where possible
- Finding out about contracts before they are announced or you are contacted is a crucial step to being successful with public sector buyers
- The better the buying organisation knows the supplier, the lower the perceived risk (assuming price and service delivery meets expectations)
- Finally, the competition type has to be the right one – more often than not, this means *Open* competitions – others tend to mitigate against smaller businesses

Relationship development

- Winning public sector business can take a long time
- New businesses often need three years of accounts before they become eligible to seriously compete for contracts
- Displacing an incumbent on an existing supply contract can take at least four years (if on a single supplier framework contract)
- Picking the right Public Sector targets is key
- Each business should consider their size, the size of the organisation that they want to sell into and develop relationships only where there is a degree of long term compatibility
- Ideally, businesses should try to learn to think like a Public Sector buyer and understand how they are perceived by the Buyers that they are pitching to
- Businesses are expected to be delivery **and** service oriented - buyers want to hear from suppliers that have a Partnership mindset

Where is your business – how do buyers see your organisation



What goes wrong in tendering competitions?

- The next step is to learn how to respond to tenders properly but this is not easy, takes time and does require investment
- Work on process until it meets a consistent high standard

Buyers

Poor / unclear tender

Poor / incorrect criteria

Process not followed

Lack of interest / credible suppliers

Buyer skill level

Lack of knowledge

Suppliers

Tender not answered properly

Not all criteria addressed

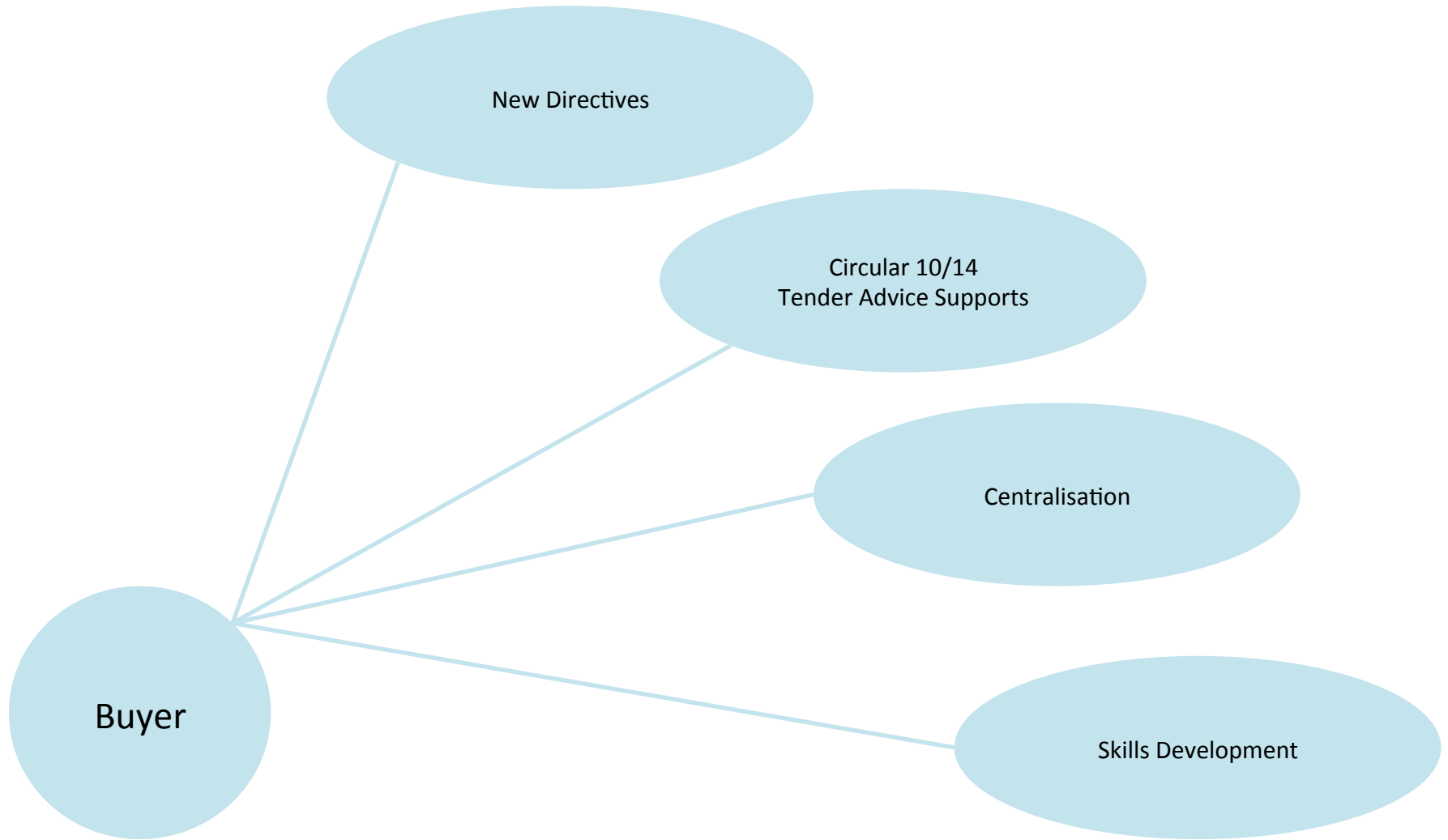
Miss deadline

Tender answered poorly

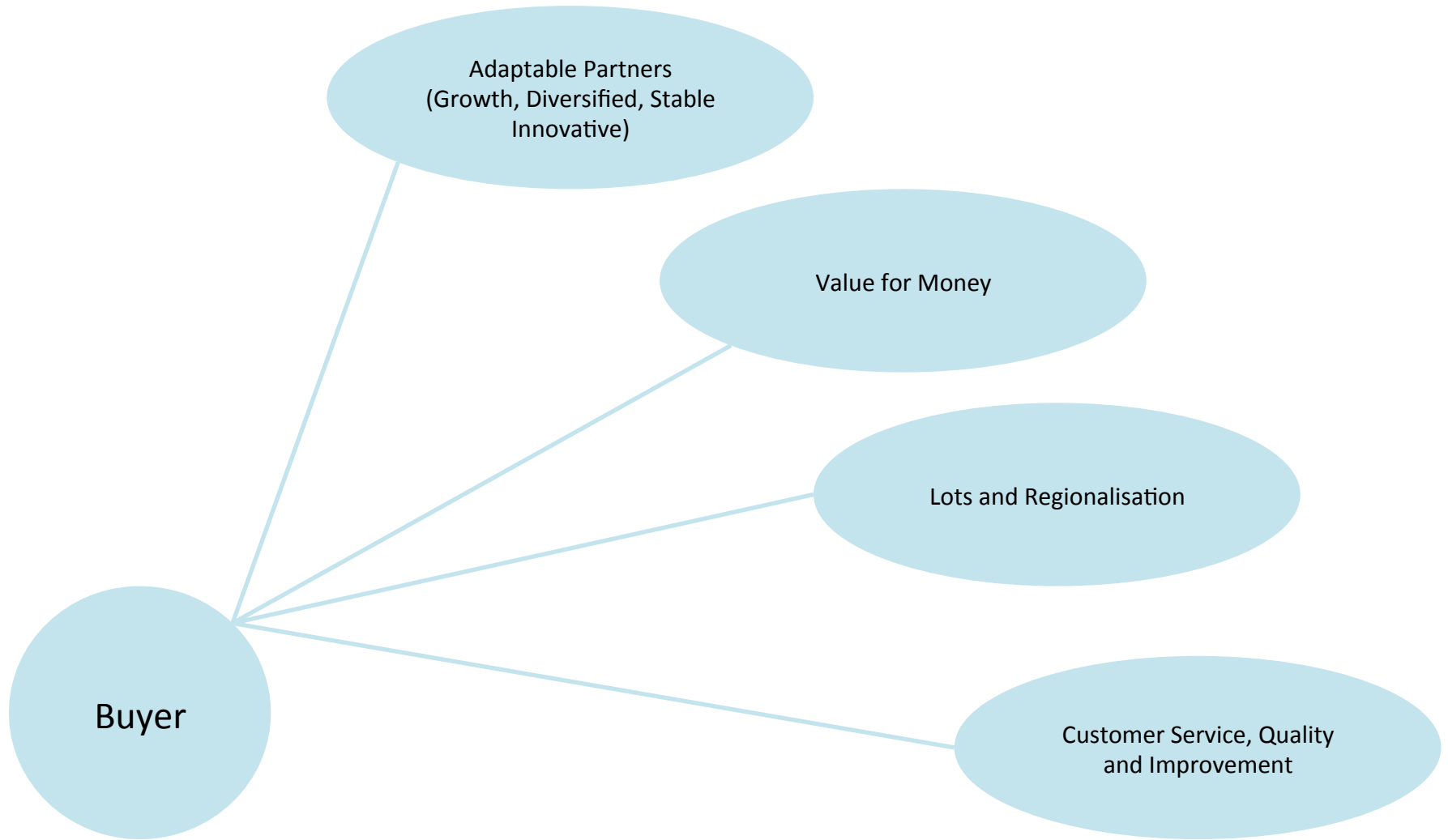
Supplier does not pass risk criteria

Cannot meet supplier requirements

Trends – what is happening on the Buyer's side



Trends – what is being sought from the Supplier's side

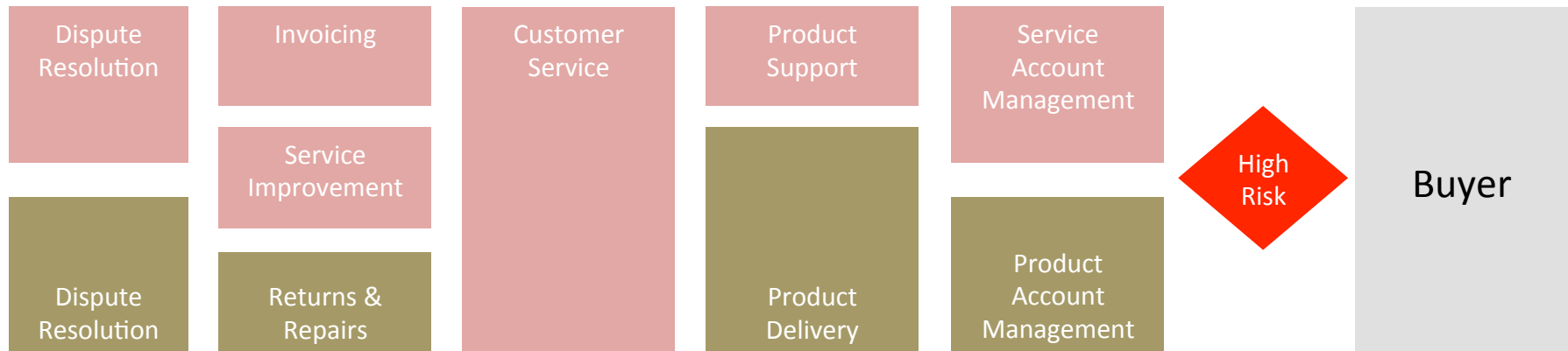


Clustering – no quick fix

Option 1 – Established Supplier – Large Company



Option 2 – **New** Clustering Arrangement – Two Smaller Companies



Suggested approach to public procurement

- Carefully select public sector targets – be selective rather than indiscriminate
- Develop relationships with targets and take a long-term perspective
- Select tenders that you respond to carefully – pick the right competitions
- Take a forensic approach to understanding the buyer's needs and answering the specific needs in the response
- Understand and adapt to general trends and trends in a specific category
- Learn to think like the Buyer
- Influence the Buyer's decision by derisking decisions for them

THANK YOU

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