



Ministero
dell'Economia
e delle Finanze

“Changing the Rules of the Game: Implications of Rethinking Objectives, Costs and Benefits of Public Procurement Procedures”

Gian Luigi Albano, *Ph.D.*

Head of R&D

Consip S.p.A. - *The Italian Public Procurement Agency*

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“Modernizing EU Procurement Rules - at the Service of Growth in Lean Times”

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consip

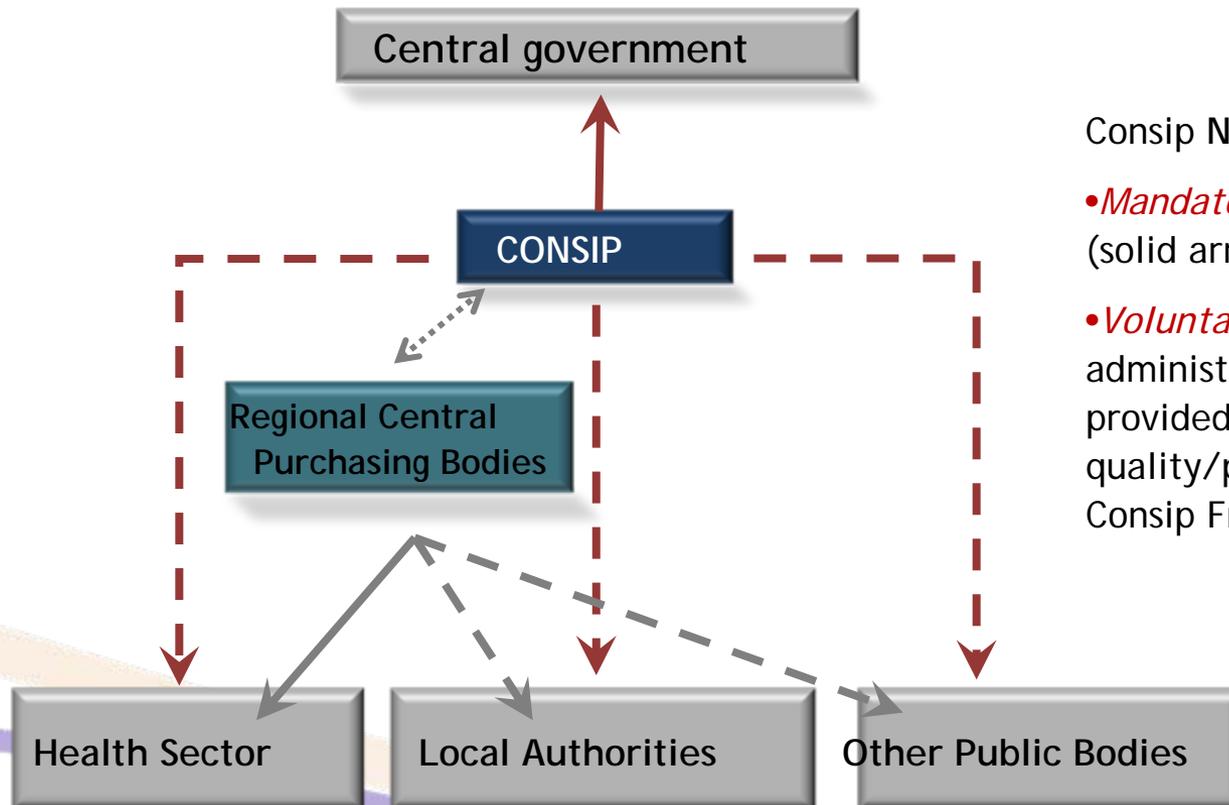


Consip S.p.A.: Corporate Profile

- Consip is a *limited stock company* created in 1997 by the Ministry of the Treasury (currently, Ministry of Economy and Finance, MEF), which is its sole stockholder
- Its *mission* is to provide consultancy and project support, organizational and technological services for the modernization of the Italian Public Administration
- Main areas of activity:
 - Management and development of ICT solutions for the **Ministry of the Economy and Finance**, the **Court of Audits** and, where stated by law, for other State central administrations
 - Implementation of the **Program for the Rationalization of Public Expenditure in Goods and Services**, by relying on the information and communication technology
 - Delivery of ICT consultancy and purchase optimization services to other public administrations

Consip in the Italian Public Procurement System

A partially centralized procurement system



Consip National Frame Contracts:

- *Mandatory* for central government (solid arrows);
- *Voluntary* for other public administrations (dashed arrows), provided the latter comply with the quality/price benchmark defined by Consip Frame Contracts;

◀.....▶ Consip and the Regional Central Purchasing Bodies give shape to the National network system

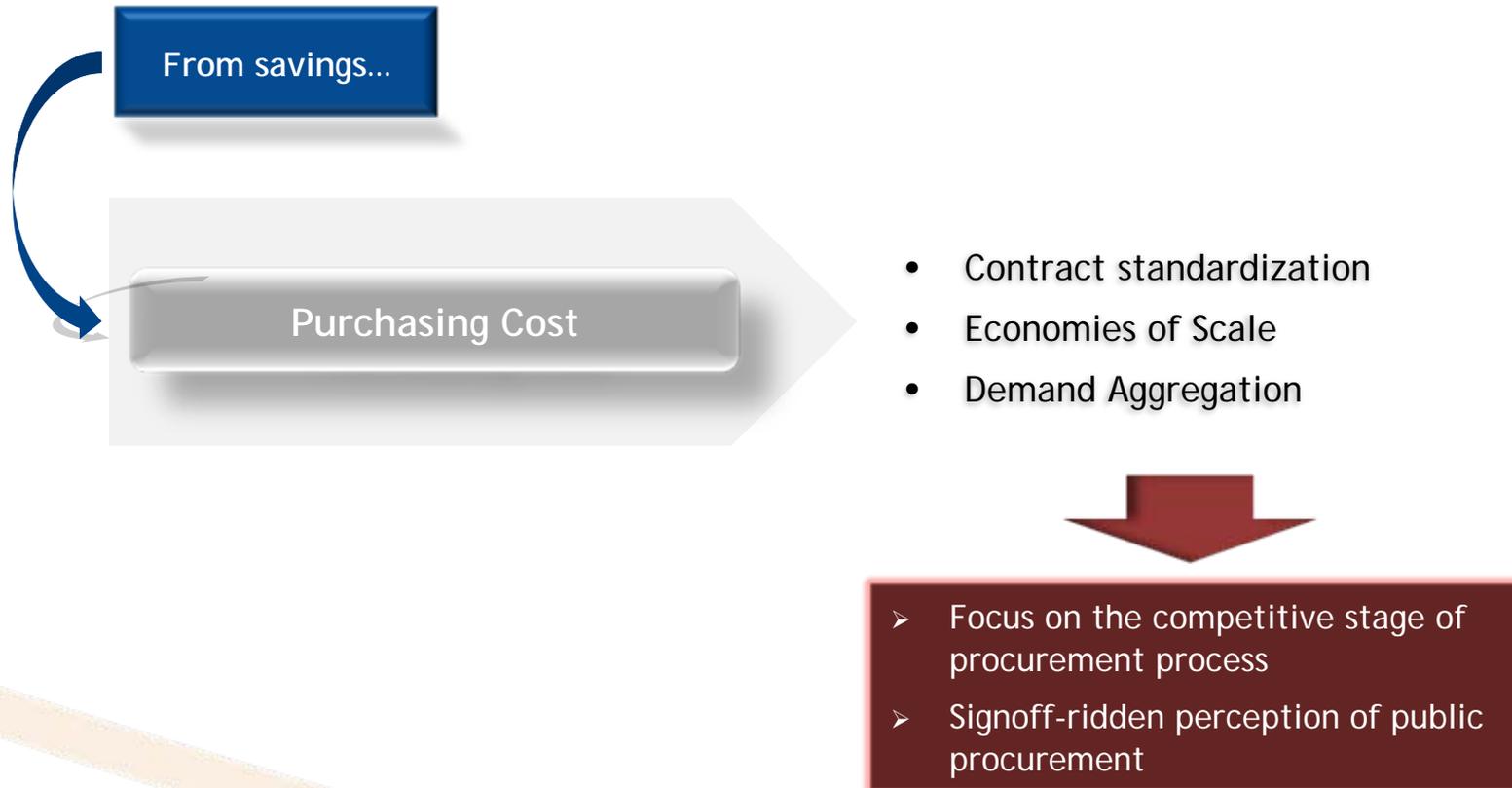
Why (applied) Research Activities in Consip?

Providing specialized know-how on the *economics of public procurement* to different stakeholders:

- ✓ Split contracts into multiple lots
- ✓ Set scoring rules and reserve prices
- ✓ Design appropriate quality incentives/penalties in the contract
- ✓ Reduce the risk of collusion among participating firms
- ✓ Advising the Italian Treasury Dept on the *Emission Trading Scheme*
- ✓ Advising the EC on the *Joint Procurement of the Common Auction Platform* (Emission Trading Scheme)



Modernizing EU Public Procurement (1/3)



Modernizing EU Public Procurement (2/3)



Modernizing EU Public Procurement (3/3)

...to *social value*
for money...

Sustainability

Market Governance

Innovation

- Evaluating *externalities*
- Lowering the risk of dominant positions and lock-in; Favoring the adoption of new standard in markets with strong network effects
- Spurring the adoption of innovative solutions and procurement processes



New opportunities



Increasing complexity

The Quest for Sustainability: *Green*

<u>Private benefit:</u>	directly accruing to the purchasing authority <i>Examples: energy/water savings, long lasting batteries</i>
<u>Social benefit:</u>	reduction of negative externalities on the whole society <i>Examples: CO₂ emissions, noise emissions, use of toxic materials,</i>

- In many circumstances *both* components coexist
Examples: social benefits from lower noise emissions, private benefit of a lighter laptop, social and private benefits from not using toxic materials
- Often private benefits can be assessed more easily than pure externalities
- Life cycle costing perspective requires longer time span for public budgeting
- Decentralized public procurement may induce small contracting authorities to be willing to pay little for the (benefits of) whole society

The Quest for Sustainability: *Social*

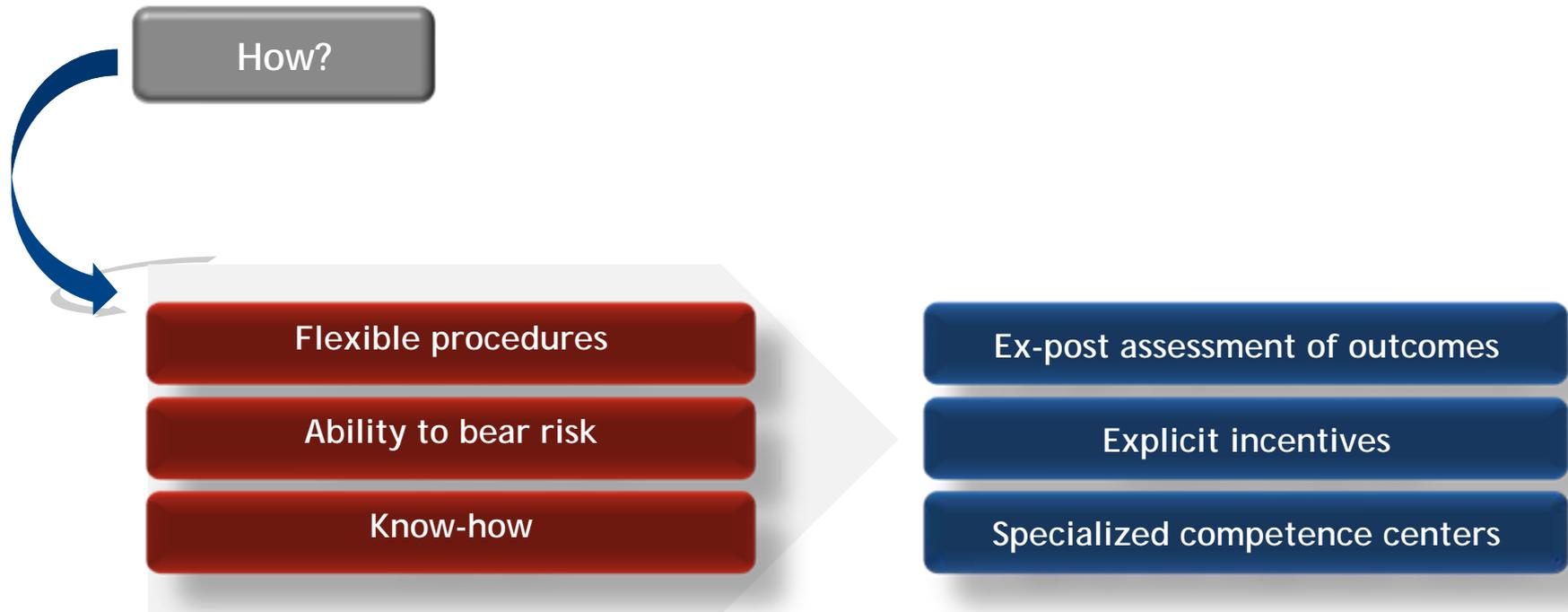
Enlarging the
subject matter

Additional *subjective* dimensions

Enforcement/verifiability of new
participation and awarding criteria

- ✓ Fairness concerns of the awarding process
- ✓ Temptation of discriminatory practices
- ✓ Process costs
- ✓ Barriers to entry
- ✓ Competition for lobbying

The Quest for Innovation: *Pulling the Market*



How to Get There: The Role of Competition

Sensitive Dimensions

Safeguarding competition *over time*

Objective evaluation of tenders

Effective contract enforcement

Common standards

Main risks

- ✓ Few satisfied contractors today but *fewer* potential bidders tomorrow
- ✓ Tailored awarding criteria
- ✓ Post-award renegotiation and the risk of competition for corruption
- ✓ Local barriers to entry

Effective competition requires *all* relevant dimensions to be fine-tuned at the *same time*

The Road Ahead of Us

Deploy the full potential of public procurement as a *smooth regulatory system*

Strengthen the *link* between the *policy making level* and the *day-to-day practice*

Recognize the strategic relevance of *specialized know-how* and newly designed *career profiles* for public buyers

Multiplicity of objectives calls for a higher (not lower!) effort in developing *measures of effectiveness* of public procurement