

Best Practice Long Description

1. Title of the Case

Portuguese Public eProcurement Program

www.compras.gov.pt

2. General Description

UMIC – Knowledge Society Agency [www.unic.pt] is the key body supporting the development of government policies concerning the fields of innovation, information society and e-government. UMIC was responsible for the strategic definition of the Portuguese e-Procurement Program (PNCE) and now leads implementation, asserting itself as a focal point of coordination among all actors.

3. Main Content

The Portuguese e-Procurement Program (PNCE) aims to change the way Public Administration buys. On the one hand, PNCE aims to improve the way negotiation and sourcing are made in Public Administration, and, on the other, it aims to speed up the introduction of electronic procedures in public procurement.

Main objectives of the PNCE are:

1. To implement significant structural savings;
2. To promote transparency in the public purchasing process;
3. To facilitate access by SMEs to the Public Sector market;
4. To stimulate the development of e-commerce in the Portuguese economy.

4. The Reasons behind the Case

Following the adoption of the Information Society as a development model both at European and national level, a National Action Plan for the Information Society was set up by the Government, aiming at taking advantage of ICT for public administration modernisation.

Public Procurement was identified as a priority target area and thus the Portuguese e-Procurement Program (PNCE) was approved in June 2003, as part of a wider strategy for Information Society development in Portugal. The PNCE adopted the following objectives: achieving significant structural savings; increasing transparency in public purchasing processes; facilitating access by SMEs to the Public Sector market and stimulating e-commerce take-up.

UMIC was responsible for the development of PNCE and is currently leading its implementation, in articulation with the relevant actors both from the public and private sectors.

5. The Actors behind the case

UMIC – Knowledge Society Agency has led the project since the beginning sided by Directorate-General for Patrimony (DGP), the Institute for Informatics, both of the Ministry of Finance, whereby strong political support backing up these profound changes was absolutely crucial.

Currently the project involves 10 Ministries, 777 public bodies (involving 1345 people) and 159 Suppliers.

6. The Process leading to Success

The PNCE was built around 9 main components (see description below):

- a) eProcurement Pilot Projects;
- b) eTendering Platform;
- c) e-Auction platforms and catalogues e-requisition;
- d) Contract terms download tool;
- e) Studies: "Background for the adoption of dynamic negotiation in public acquisition procedures"; "Management and sourcing in public procurement";
- f) National e-Procurement Portal [www.Compras.gov.pt];
- g) Human Resources & Training;
- h) National Registry of Suppliers;
- i) Electronic Aggregation Tool;
- j) Central Electronic Catalogue Management Tool;
- k) e-Invoicing.

a) e-Procurement Pilot Projects

Included in the quick wins and focalized implementation projects, one of PNCE's main projects were the e-procurement pilot-projects in Central Government. The methodology chosen is characterized by an incremental approach and focalized implementation, having therefore initially involved only a restricted group of ministries and some of their public bodies: Ministry of Finance (6 entities involved); Ministry of Health (4 entities); Ministry of Justice (7 entities); Ministry of Social Affairs and Work (5 entities); Ministry of Agriculture and Regional Development (11 entities); Presidency of the Council of Ministries (16 entities); Ministry of Education (14 entities); and Ministry for Public Constructions and Communications (6 entities).

Also goods & services categories were restricted to paper, computer equipment, cleaning goods and services, office goods, energy, security services, medical supplies. This incremental approach was thought to allow for the consolidation of incremental benefits as well as eventual operational or strategic redefinitions during the project implementation.

This restriction in entities and goods & services categories would also allow to focus on the adoption and definition of new processes and good practices in public procurement, working for objectives and promoting structural transformations, always using technology as an enabler to promote efficiency, transparency and savings.

The challenge was to transform the way how these ministries purchased, introducing new concepts (such as sourcing, aggregation and negotiation), reformulating processes and testing technology.

In what concerns technology and consulting services, the Portuguese Government decided to take advantage of existing know-how in Service Providers Business to Business (called from now on SPB2B) in partnership with other consulting suppliers, as well as their expertise in the area of e-procurement.

Major Project Implementation Components

For the implementation of the e-procurement pilot-projects, 3 major components were defined:

1. The first component aims the actual situation characterization of ministries and public bodies' acquisition, including a diagnostic execution of the actual situation of entity's purchase procedures, drawing the profile of the function and the existing procedures. Also evaluated in this component were the opportunities of improvement and the

capabilities to promote the definition of what matters in the process and in ministries specifications, like product categories, organic laws or the identification of quick wins.

2. The second component aims the implementation and the effectiveness of the solution defined in the first component. The implementation involves negotiation, reformulation of procedures, reorganization, tools parameterization, lodging and using operational requisition catalogues and electronic auctions platforms. As a result of this component, it became possible to identify and include some products in a catalogue, following a huge standardisation effort of several public bodies within a given ministry. At the end-stage of this component, training was given to several key users both in technology as well as in negotiation and sourcing strategies.
3. The third component is about the evaluation report and recommendations, including the business case of each Ministry and a public purchasing generalization plan aiming at increasing the number of involved public bodies and ministries and the number of product and services categories. This third component also implied the creation of Ministerial Purchasing Units (responsible for centralisation of all sourcing and negotiations within each ministry), the realisation of inter-ministerial negotiations coordinated by UMIC and the definition of annual purchasing plans for the coming year.

To implement the guidelines and monitor the project, **a team for each pilot-project** was defined. That team consisted on:

- Ministerial team: composed by a key decision maker, a project manager and other interlocutors from the public bodies of that ministry;
- UMIC team: with the role of coordinating and supervising the implementation of e-procurement in all pilot-projects;
- SPB2B team: with the responsibility to give the necessary support and consulting services in the pilot-project implementation for the ministry.

Since the beginning, the main challenge consisted upon the modernization of public purchasing – including organization rationalization, procedures in de-bureaucratization and differentiated public purchasing policy definition by categories of goods & services. The release of human resources from repetitive operations and the elimination of duplicated tasks in the purchasing context, promoted efficiency and considerable savings in terms of time, resulting in a reallocation of resources to different tasks of the procurement process, now less related to bureaucratic issues and more focused on sourcing and negotiation.

b) e-Tendering platform

7 pilot projects, with 3 different technological solutions, started during 2005. The main objectives are to test the available technologies and compel the market to supply new and differentiated solutions, aiming at improving, innovating and creating core competences in software and services for Public Administration. These technologies should be directed at different types of public acquisition procedures, for all kinds of public procurement ranging from goods & services to public works contracts. In more detail:

1. E.T.H.I.C.S (represented in Portugal by IBM - Business Consulting Services) – 4 acquisition procedures were made using this platform, one of which was an international public procedure for IT equipment that will result into a new framework agreement;
2. Econstroi/ Link/ Tradecom/ Multicert solution – a workshop was organised to introduce the solution to stakeholders, who provided inputs to the adaptation of the tool. 3 acquisition procedures were launched;
3. Bizdirect/ Link/ Oracle solution – Created an international competence centre in Public Procurement. An interesting feature of this solution is that it is able to estimate savings resulting from the fact that the procedure is conducted electronically. First

acquisition procedure took place early 2006, a new one is being prepared for the acquisition of uniforms for the Ministry of National Defence.

c) e-Auction platforms and catalogues e-requisition

Within the e-procurement pilot projects, each ministry was supported by a Business to Business Service Provider (PSB2B) that, besides making available with ASP model an e-Auction Platform and an e-catalogues tool, also trained the key-users and helped define the auction's rules.

d) Contract terms download tool

The adoption of a new directive on public contracting and its consequent transposal to Portuguese law provided an opportunity to ensure that some stages of the procurement process were mandatory carried out electronically. For this purpose, a web based tool was developed centrally, which allows for 'contract terms' to be made available online. Besides this feature, the tool automatically releases the public tender announcement, allows public or restricted procedures, receives suppliers' queries and the respective answers online, and makes available online best-practices of contract terms for the different categories. After the completion of the tender, the contracting public body is obliged to publish the winners.

e) Studies

1. Background for the adoption of dynamic negotiation in public acquisition procedures

In a study requested by UMIC, some guidelines and good practices were identified for carrying out dynamic negotiations. The generalization of dynamic negotiations in public acquisition procedures is a key factor to fulfil the objectives of PNCE, inducing a more open, transparent and savings' effective negotiation process. The study and a tool to support the decision of what type of dynamic negotiation to choose was made available in April 2006.

2. Management and sourcing in public procurement

In another study requested by UMIC, 3 major phases for the negotiation of goods & services categories were defined for the implementation of PNCE in Central Administration. Those categories were organized according to implementation complexity, savings potential and weight on public spending. 30 categories were identified as having potential to be transversally managed, and the particularities of each category and its suppliers market were laid out.

From the 30, 3 categories were chosen to be negotiated in e-procurement pilot projects for their low level of implementation difficulty and high savings potential.

New framework agreements are being prepared based on the identified priority categories. It was also an objective of this study to calculate the savings potential through sourcing centralization, considering the defined priorities and implementation phases (270 million Euros).

f) National e-Procurement Portal – www.Compras.gov.pt

The Portal was made available to the public in the January 2005. [Compras.gov.pt](http://www.Compras.gov.pt) is at the moment mainly an informative Portal, in spite of already having a few services with some added value to suppliers and Public Administration. The Portal is also the entrance point to other web-platforms being tested and implemented under PNCE. In more detail:

- 1. Pre-registration of suppliers** – Suppliers can apply to be in this registry by filling an on-line form and sending some additional enterprise IDs by mail. If documentation is according to the requisites, the supplier contacts and business areas (using Common

Procurement Vocabulary's nomenclature) become available to Public Administration in Compras.gov.pt. In the future with the National Registry of Suppliers (RNF) operational, these suppliers will be the first ones to be informed about the necessary requisites to be registered in RNF.

2. **“Contact us”** – suppliers, Public Administration or citizens can ask for information about any project that is ongoing under PNCE. This service provides answers that range from Portal services to general laws and guides on public procurement.
3. **Tender announcements alerts (web, e-mail and SMS)** – By registering, suppliers can receive in their e-mails and/or mobile phones information on tender announcements that are daily published in the Portuguese Official Journal (DR). This service and the announcements' downloads are free of charge.
4. **English version** – in order to make some information about Portuguese procurement available to foreign suppliers and Public Administrations. The English version will be made available during 2006.

g) Human Resources & Training

All projects under PNCE include a training component aiming to prepare Public Administration to use technological platforms and improve their sourcing and negotiation skills. Human resources training actions made until 2006:

- Training session on strategic sourcing for 50 public servants (ATKearney);
- Training session on negotiation to 90 public servants (INSEAD's training plan);
- Recruitment of 20 trainees to support ministries involved in PNCE;
- Good practices and procedure guides were made available at Compras.gov.pt;
- Public Administration worked closely with the private sector, drawing on their experience of e-marketplace.

h) National Registry of Suppliers

The National Registry of Suppliers will assert itself as the central suppliers' repository of the State, facilitating transactions between Public Administration and suppliers.

Its development will follow three phases: 1) pre-registry; 2) financial and administrative information; 3) technical and financial qualification (10 specific activity sectors). Among several benefits, the following stand out: the necessity of a single submission of financial demonstrations and of all other necessary tender documents; the promotion of data accuracy and update; automatic validation by other Public entities; reduction of processing times and gains in efficiency.

Preliminary studies are completed, the tender for tool development was launched and proposals are in the final evaluation report stage. The registry will be developed from **July 2006** onwards.

i) Electronic Aggregation Tool

The eProcurement pilot projects carried out in several Ministries encompassed several experiments of aggregating needs among public bodies belonging to a single Ministry, to different Ministries and even within public bodies which purchased disaggregately. At a central level, this implied for example aggregating needs of over 750 public bodies. These experiments were very complex and work-intensive as there were no policies, practices, procedures nor supporting tools for this purpose. Thus a Support System for Aggregation of Needs in Public Procurement was set up, having as primary goal to optimize and automate procedures related to the aggregation of needs in order to prepare efficient central/transversal negotiations.

Presently in a start-up phase, the development of this tool should be concluded by **July 2006** with the cooperation of the Ministry of Finance and Public Administration, the Ministry of Labour and Social Solidarity, the Ministry of Justice (with 400 courts and 200 registries) and the Regional Area of Viseu. The involvement of these entities in the pilot is crucial to guarantee the adequacy of the tool to real needs of Public Administration at Central and Local levels.

j) Central Electronic Catalogue Management Tool

The Central Catalogues Management Tool aims at having a central repository of products and services from State Suppliers, enabling public sector buyers to purchase through a catalogue, optimizing hereby the purchasing procedure.

Each supplier will have to submit information related to its products and services, managing and updating their data periodically. The tool will allow research and consultation of goods and services through several different filters/categories, issue alerts and purchase online through the catalogue.

Considering that electronic catalogues represent previously negotiated contracts with suppliers, this tool will promote the conformity of purchases with the negotiated contracts, reducing the practice of maverick buying, and significantly facilitating and accelerating the requisition procedure. The catalogue will also encompass framework-agreements.

One of the key concerns in this process will be the codification of products and services, according to international rules, independently of the different codes used by public bodies.

A request for information to the market was made and the probable date for launching the procedure for the development of this tool is **June 2006**.

k) e-Invoicing

According to the Council of Ministers' Resolution n^o. 137/2005, all entities from Public Administration should be able to receive e-invoicing from suppliers who wish to do so, by the 31st December 2006. All entities from Central Administration working within the Portuguese e-Procurement Programme are already prepared to start their pilot-projects.

1. **Inquiry to all Public Administration** – UMIC is responsible for monitoring and evaluating the adoption of electronic invoice in Public Administration. To fulfil this objective, an electronic inquiry was distributed. Deadline for response was 17 of February of 2006. From the inquiries, preliminary results show that from a sample of 365 public bodies, 7 use e-invoicing and few others recur to the digitization of invoices;
2. **e-Invoicing Adoption Guide** – a guide was made available to the public, defining guidelines for an easy and successful adoption of e-Invoicing by the Public Administration and the market;
3. **Adoption of a single e-invoice standard for Public Administration** – based on the recommendations of the European Commission a standard will be defined mainly directed to Public Administration, but with the objective of having the private sector adopt it as well – to be launched during the second semester of 2006;
4. **e-Invoicing Pilot-projects** – to start during second trimester of 2006.

7. Results

The results of the PNCE are evident in 5 main pillars: Costs rationalization/structural savings; processes rationalization in PA (process savings); new management model oriented for results; Transparency; Acquired knowledge and new competences.

Since September 2003, the following results were achieved:

- 1) 8 ministries stand in the generalization phase of new procedures to all the entities under their tutelage. The Ministry of Agriculture Regional Development and Fishery (MARPD) has already generalized its project to all entities;
- 2) There are so far involved in pilot projects 777 public bodies and 1345 human resources;
- 3) 70 aggregation and negotiations procedures were carried out so far;
- 4) Total savings of M€ 4, 5 for a total negotiation value of M€ 18, which represent about 25% of savings for the categories and entities involved in PNCE. Savings in acquisition processes, for example, were not yet considered in these totals;
- 5) A new coordination, monitoring and evaluation model was set up among the involved ministries, involving:
 - Monthly meetings led by UMIC with the 8 ministries of the initial pilot-projects in which an account of PNCE's implementation is presented, as well as ministerial reports, and critical issues (e.g. legal context for eProcurement) are discussed among all actors;
 - Previous to the meeting, each ministry has to send to UMIC a report with project plan, foreseen negotiations, past negotiations (with total amount negotiated, products, winner suppliers, etc.) and main concerns/risks;
 - These reports are analysed by UMIC in order to evaluate results, identify possibilities of transversal/central negotiations, and explore especially good results and methods used to diffuse best practices in negotiations. The reports also serve to identify gaps and overlaps in tools and practices across ministries with the aim of centrally dealing with them. The central development of the aggregation tool is an example of addressing a gap identified through these reports.
 - The model also involves gathering of best practices for all stages of the process (e.g. negotiation models, contract terms) and consequent diffusion.

Coordination and monitoring was greatly simplified: 1500 public bodies interact with their respective ministerial General Secretariat, which in turn interacts with UMIC. The model implies the creation of Ministerial Purchasing Units that will assume all competences related to sourcing and negotiation.

- 6) 6 ministries have their Ministerial Purchasing Unit (UMC) created and are promoting the generalization of new procedures to all entities under their tutelage. The remaining 2 ministries, from the initial 8, are in the process of creating their UMC;
- 7) From the 7 new ministries, 4 have acquired the necessary services for project implementation from June 2006 onwards; the remaining 3 have still to launch the procedure for acquisition of services;
- 8) A full automatic procurement process is being implemented in all Central Administration, which will eliminate redundant time in fulfilling the tasks, avoiding the number of errors and liberating human resources to other tasks, such as sourcing and negotiation;
- 9) Reduction of the number of references for products in ministerial catalogues, through standardization and common products specifications [e.g. In the Ministry of Justice a standardization of stationary products for 8 public bodies resulted in 300 product references out of the initial 1200. These 300 references were subsequently adopted throughout the Ministry.].

8. The main obstacles of the case

The main obstacles were related to how Portuguese public procurement was formerly characterized, namely by:

- having multiple small departments responsible for the purchase of goods and services;

- more than 1500 entities with financial autonomy had different procurement profiles and non centralised actions;
- a high variation in organizational and technological background among different entities, of the same ministry;
- there were no common procurement guidelines or policies within Central Administration;
- no technological platforms were used to aggregate procurement information or to share knowledge;
- inexistence of monitoring or historic analyses policies;
- human resources with a great deal of legal knowledge, but a low or inexistent knowledge on different areas of procurement, as in sourcing and negotiation.

Other type of felt obstacles: Public bodies felt uncomfortable giving up their stocking ability, being sceptic on the effectiveness of suppliers to deliver on time. Some opposition was felt as a result of this. Some of the people in charge of product & services procurement, who necessarily gave up this competence, felt disempowered with centralisation of this task and initially opposed to the project. Low broadband internet diffusion throughout public administration was also an obstacle for electronic online tools adoption and use.

9. Main Sources of Inspiration behind the case

The Portuguese e-Procurement Program was designed following the adoption of the Information Society as the main development and competitiveness model for the European Union. The possibility to use ICT to streamline public administration processes triggered this modernization and reformulation process, always bearing in mind the overall objective of greater public sector efficiency with reduced costs. Besides this awareness, there was no specific case-study that served as a concrete source of inspiration for the initial plan.

10. The most important lesson learned

This project involved making major changes in processes, mentalities and competencies of both public bodies and people within the Portuguese Public Administration, which was mainly characterised by almost inexistent collaborative methods of work and communication, low-skilled people in technology fields, multiple working methods and hierarchies, etc.

Given the urge to implement eProcurement, it was crucial to motivate each stakeholder to be open and willing to learn different ways of working, recurring to different instruments (i.e. ICT), changing their longstanding competencies, while realizing the project was worthwhile.

To achieve this mass-mobilization, each and every stakeholder was involved from day one in all stages of the process, taking on board their inputs and empowering them to implement the project with large autonomy, respecting nevertheless general guidelines to which they had also contributed. Beginning with quick-win projects was also important, as results were visible at a very early stage of implementation.

To sum up, the most important lesson learned is also considered the critical factor for success: motivation and mobilisation of public servants was, and still is crucial for an efficient and effective implementation of eProcurement throughout the entire Portuguese Public Administration.