Consip and the Italian Model of e-Procurement: Measuring “Created Value” through Public Procurement

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Measuring Value for Money (1/2)

Main goal of procurement:

Maximize: \[ \text{Value for Money} = \frac{\text{Quality}}{(\text{Purchase Price} + \text{Process Cost})} \]

- administrative cost / time
- information gathering
- litigation risk
- contract management

In the case of \textit{public} procurement, VFM embeds broader issues, arising from strategic policy choices:

- **Innovation**
  - Innovative solutions, innovative procurement processes

- **Effects on the market structure**
  - Deal with dominant positions, lock-in risk, SMEs...
    (possibly in the long run)

- **Sustainability**
  - Environmental and social impact
Measuring Value for Money (2/2)

All the different procurement tools developed and adopted by Consip are able to increase VFM for the Italian Public Administration along all its components.

- Contract quality improvement
- Process cost savings
- Purchase price reduction

Framework Agreements
E-Marketplace
ASP / competitive tendering processes run on behalf of other Public Agencies
Measuring performance and created value

Main goal: measure the “created value” ➞ traditionally, the measure is (certified!) savings

Main tools/indicators employed:

- **Unit purchase price savings:** achieved reduction on unit prices for each specific category (estimated yearly by a third party, namely the National Institute of Statistics, ISTAT):
  
  ~ €2.5 bns savings in 2009:
  - ~ €0.7 bns from direct savings (orders issued through Consip procurement channels)
  - ~ €1.8 bns from indirect savings (by law, purchases without Consip FCs have to achieve the price-quality benchmark defined by terms/conditions of Consip FCs)

  ~€ 3.5 bns savings forecast for 2010 (+51% vs 2009)

- **Process cost savings:** time and FTEs required for the procurement process

- **Other relevant tools/indicators:**
  
  - Volume of transactions (~ €2 bns in 2009)
  - Number of purchase orders (86K from FCs whose 24K online; 72K from MEPA)
  - Number of contracting authorities registered to the Program of Rationalization of Public Expenditure (68K, whose 11K active in 2009)
  - Number of registered suppliers (3K in 2009)
  - Number of active Framework Contracts (56 in 2009)
  - Customer satisfaction surveys
“Intangible” value

However, many ingredients of the created value are hard to measure since they have to do with improving know-how, spreading a more performance-oriented culture, fostering the adoption of innovative solutions...

• Innovations in procurement processes
  • Innovative business model for Public Authorities
  • Widespread common procurement language and culture
  • Development of expertise
  • Training for both suppliers and public officials
  • Consultancy to Public Agencies
  • Research activity
  • International relations and benchmarking
The results: a few figures

<table>
<thead>
<tr>
<th>year 2009 (€ Mlns)</th>
<th>Unit price savings</th>
<th>Process cost savings (FTE and litigations)</th>
<th>Dematerialization savings</th>
<th>Savings from GPP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Framework Contracts &amp; Agreements</td>
<td>2.300</td>
<td>152</td>
<td>to be started</td>
<td>82</td>
</tr>
<tr>
<td>MEPA</td>
<td>14</td>
<td>121</td>
<td>39</td>
<td>to be started</td>
</tr>
<tr>
<td>ASP auctions</td>
<td>272</td>
<td>0,1</td>
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<td></td>
</tr>
<tr>
<td>Acquisitions on behalf of other PA</td>
<td>14</td>
<td>0,1</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>2.600</strong></td>
<td><strong>273</strong></td>
<td><strong>39</strong></td>
<td><strong>82</strong></td>
</tr>
</tbody>
</table>

**CONSIP CREATED VALUE**

2.994