



Ministero
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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: $\text{Value for Money} = \text{Quality} / (\text{Purchase Price} + \text{Process Cost})$

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

In the case of *public* procurement, VFM embeds broader issues, arising from strategic policy choices:

Innovation	<ul style="list-style-type: none"> • Innovative solutions, innovative procurement processes
Effects on the market structure	<ul style="list-style-type: none"> • Deal with dominant positions, lock-in risk, SMEs... (possibly in the long run)
Sustainability	<ul style="list-style-type: none"> • 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

Framework Agreements

E-Marketplace

**ASP / competitive tendering processes run
on behalf of other Public Agencies**

• **Contract quality**

improvement

• **Process cost savings**

• **Purchase price**

reduction

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 documents
- 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

<i>year 2009</i> (€ Mlns)	Unit price savings	Process cost savings (FTE and litigations)	Dematerialization savings	Savings from GPP
Framework Contracts & Agreements	2.300	152	to be started	82
MEPA	14	121	39	to be started
ASP auctions	272	0,1		
Acquisitions on behalf of other PA	14	0,1		
Total	2.600	273	39	82
CONSIP CREATED VALUE	2.994			