E-procurement overview

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Why we focus on e-procurement

The basic tenet of our exercise is that e-government and, in particular, e-procurement programs result into an improvement of the labour productivity of the public sector and, as a consequence, contribute to a number of intermediate outcomes (better services, cost savings, time savings, transparency), to economic rationality (organisational efficiency, simplification) and to GDP growth.
E-procurement definition

- Is the term used to describe the use of electronic methods, typically over the Internet to conduct transactions between awarding authorities and suppliers.

- The process of e-procurement covers every stage of purchasing, from the initial identification of a requirement, through the tendering process, to the payment and potentially the contract management.
E-procurement challenges

- **Organizational**
  - Many users are resistant to change, simply due to human nature and habit
  - Users may believe that e-procurement will make their job more difficult or cumbersome
  - Current roles will change due to the impact of e-procurement

- **Economic-Legal**
  - Level of economic development
  - Regulatory framework
  - Technological scenario
  - Existence of private competitor services
  - General Education level
E-procurement process and ICT Supporting Tools

Demand estimation → Budget definition → Needs notification → Sourcing → Contracting and Ordering → Supply monitoring → Benefits

Data analysis tools

Supplier scouting → Supplier qualification → Request for proposal → Tendering

RFx tools
- Request for information
- Request for quotation
- Request for proposal

Online scouting tools

Electronic tender tools
E-procurement models

- activity based model:
  - Indirect Procurement System (IPS)
  - Direct Procurement System (DPS)

- organization based model:
  - Centralized Model
  - Decentralized Model
Definitions

- **IPS**
  - Contracting subject do not coincide with the ordering administration

- **DPS**
  - Contracting subject coincides with the ordering administration

- **Centralized Model**
  - Purchasing procedures are centralized

- **Decentralized Model**
  - Purchasing procedures depend on each administration unit
Old Generation E-procurement: Direct Effects

**E-proc program**

- Efficiency:
  - Reduced costs

- Effectiveness:
  - Better services & opportunities for users

**Tangible financial gains**

**Internal Benefits**

- Effectiveness effect:
  - New services
  - Increased user value
New Generation E-procurement: Direct and Indirect effects

Efficiency:
Better functioning PS

Effectiveness:
Better services & opportunities for users

Tangible financial gains

Back office effects

Combined efficiency and effectiveness effect:
• Increased market
• New services
• Increased user value

Increase in PS Productivity
Increase in PS GDP share

GDP Growth

Direct effects
Indirect effects

Economic Impact of Take-up & Connectivity
E-procurement outcomes

- **Intermediate outcomes:**
  - better services;
  - cost savings;
  - time savings.

- **Final outcomes:**
  - improvement of the labour productivity of the public sector;
  - economic rationality (organizational efficiency), simplification, transparency and accountability;
  - GDP growth.
Further outcomes

- Openness and transparency
- Increased participation in the information society
- Increased democratic participation
- Enhanced policy effectiveness
# E-procurement Models & Targets Matrix: Pros and Cons

<table>
<thead>
<tr>
<th>Models</th>
<th>Economic Rationality</th>
<th>Competition</th>
<th>Simplification</th>
<th>Accountability</th>
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<tbody>
<tr>
<td>IPS</td>
<td>Pros:</td>
<td>Cons:</td>
<td>Cons:</td>
<td>Pros:</td>
</tr>
<tr>
<td></td>
<td>■ Inventory coordination</td>
<td>■ Loss of competition (in case of preselection)</td>
<td>■ Lack of flexibility</td>
<td>■ Standard decision making process</td>
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<td></td>
<td>■ Cost control</td>
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<td>■ More control due to the reduction number of decision maker units</td>
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<td>Cons:</td>
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<td></td>
</tr>
<tr>
<td></td>
<td>■ Cost of coordination</td>
<td></td>
<td></td>
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<tr>
<td>DPS</td>
<td>Pros:</td>
<td>Cons:</td>
<td>Pros:</td>
<td>Cons:</td>
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<td></td>
<td>■ High autonomy of single Administrations</td>
<td>■ Access for new suppliers (no pre selection)</td>
<td>■ Procedures flexibility</td>
<td>■ Loss of control due to the improved number of decision maker units,</td>
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<td>Cons:</td>
<td>■ No budget and procedures coordination</td>
<td>■ No uniform solutions for standard problems</td>
<td>■ Potential higher control over corruption</td>
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<tr>
<td></td>
<td>■ No uniform solutions for standard problems</td>
<td></td>
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<td>■ More Corporate Social Responsibility</td>
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</tbody>
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Pros: Standard decision making process.
Cons: Lack of flexibility.
Thank you for your attention