

THE OPENING OF GOVERNEMENT PROCUREMENT IN THE EU AND IN A GLOBAL CONTEXT

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Internal Market & Services DG

EUROPEAN UNION – some history...

- 1957: creation of the European Communities by France, Germany, Italy and Benelux countries
- The EC evolved from a Customs Union into a Single Market, process of economic and political integration
- 1992: the EC becomes the EU (European Union)
- 1992: creation of the European Single Market without internal borders
- After several enlargements, the EU has now 27 Member States with over 500Mion citizens, speaking 23 different languages

EUROPEAN UNION – The Single Market

- Objective: remove barriers to trade between countries that are part of the European Union
- “4 Freedoms”: goods, services, citizens and capital
- As public authorities purchase 16% of EU GDP (i.e. 2.300 Bion €) ...
- ...without a single market in public procurement, the EU Single Market would be incomplete

Moreover, public procurement cements democracy and the rule of law by fighting corruption

EUROPEAN UNION – The Single Market

- Single Market in the area of Public Procurement
- Objectives:
 - Create one single procurement zone
 - Bring each MS legislation closer to each other
 - Ensure transparency
 - Forbid discriminatory measures

How? Through EU legislation

PUBLIC PROCUREMENT IN THE EU - Objectives

Administrative rationale:

- Transparency and accountability
- Rule of law / fight against corruption

...EVERYWHERE WHERE TAXPAYERS' MONEY IS INVOLVED

Recent EU-wide survey results taxpayers (Eurobarometre):

- Rules must curb favoritism and corruption
- Most important criteria to award a contract: VALUE FOR TAXPAYER

PUBLIC PROCUREMENT IN THE EU

Objectives

Economic rationale:

- **EFFICIENCY OF PUBLIC SPENDING**
- **Best value for money**

OVERALL FACTS AND FIGURES

- The EU: the largest procurement market in the world
 - Estimated total EU public procurement (2008): 2300 bion € (16% of EU GDP)
 - Estimated total above thresholds (TED): **377 bion €** (3% of EU GDP)
- Size of other procurement markets above thresholds:
 - USA: 279 bion € (above-thresholds)
 - Japan: 96 bion € (above-thresholds)

PUBLIC PROCUREMENT IN THE EU

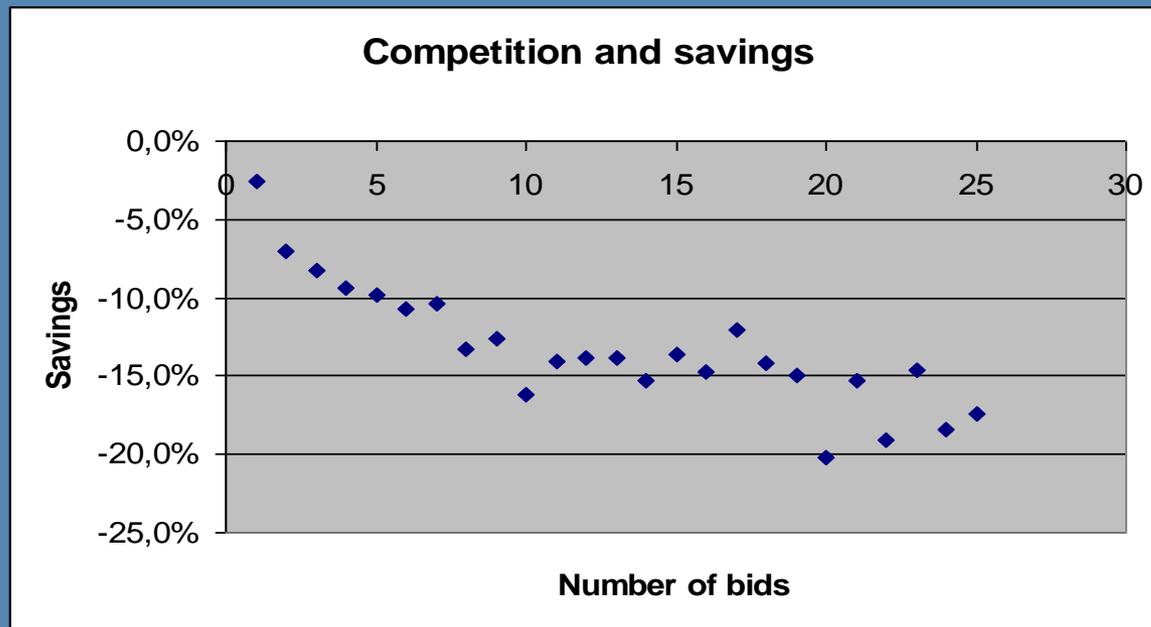
- What benefits for the EU economy ? -

- Competition has brought savings
- The more bids, the more savings
- Each call for tender attracts today 5 bids in average
- ...and an average saving of 8%
- In 2008, EU Member States were therefore able to save 30 billion €
- ...very important for Europe in a context of crisis and ageing societies

PUBLIC PROCUREMENT IN THE EU

- What benefits for the EU economy

Competition delivers savings



TYPES OF PURCHASES

- **All supplies (except warlike material)**

Volume: 93 billion EUR

- **All construction services (CPC 51)**

Volume: 162 billion EUR

- **Services with cross-border relevance**

Volume: 122 billion EUR

CONTRACT VALUES

Distribution of contracts varies in each MS:

- FR/DE – median value = 200.000 EUR
- UK – median value = 700.000 EUR

Very high values – few contracts

- Most of the contracts (99%) below 200 million EUR
- Only few contracts above 1 billion EUR

PUBLIC PROCUREMENT IN THE EU

- Closer Legislation -

- Public procurement directives:
 - Directive 2004/18/EC that applies to central and local contracting authorities in the “classical sector” (supplies, services, construction)
 - Directive 2004/17/EC that applies to utilities (water, energy, transport, postal services)
- Each MS then lays down its national procurement law based on the Public Procurement Directives
- The directives coordinate public procurement procedures in the EU
- The procedural rules of the GPA are also implemented through the directives

PUBLIC PROCUREMENT IN THE EU

- Closer Legislation -

European Public Procurement Directives are like a toolbox:

- They don't define how to purchase
- They establish common approaches on how to purchase transparently & without discrimination
 - Common scope
 - Common procedures
 - Common rules on specifications
 - Common rules on publication

PUBLIC PROCUREMENT IN THE EU

- Closer Legislation -

- EU Directives are a “mini-GPA” but more detailed
- ...they are complemented by Member States and case law
- Ideal model for **regional integration**
- Key point: central point of publication of calls for tender

PUBLIC PROCUREMENT IN THE EU

- Closer Legislation -

Defining a common scope:

- All goods (exc. Defence), all works
- Main services
- All central/regional/local authorities
- All public bodies
- Utilities (railways, electricity, airports...)
- Thresholds

TYPES OF ENTITIES COVERED – Annex 1

- **Central government authorities (National, federal level)**
e.g. Ministry of Finance in France
- **Subordinate entities of Central government authorities**
e.g. Agencies
- **European Commission and Council of EU**
- **Thresholds:**
130 000 SDRs (125.000€) for services/supplies
5 000 000 SDRs (4.845.000€) for construction services
- **Volume: 68 billion EUR (18% PP market above thresholds)**

TYPES OF ENTITIES COVERED – Annex 2

- **Regional authorities**

e.g. Comunidad Autonoma de Catalunia

- **Local authorities**

e.g. City of London or small city of Vlissingen (NL)

- **Bodies governed by public law**

e.g. Societa Stretto di Messina

- **Thresholds:**

200 000 SDRs (193.000€) for services/supplies

5 000 000 SDRs (4.845.00€) for construction services

- **Volume: 261 billion EUR (68% PP market above thresholds)**

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TYPES OF ENTITIES COVERED – Annex 3

- **Airports** - e.g. AENA, ADP
- **Electricity** - e.g. EDF, ENEL
- **Urban Transport** - e.g. London Underground,
- **Ports:** Rotterdam, Antwerp
- **Water** – e.g. Aigües de Barcelona
- **Thresholds:**
 - 400 000 SDRs (387.000€) for services/supplies
 - 5 000 000 SDRs (4.845.000€) for construction services
- **Volume:** 47 billion EUR (12% PP market above thresholds)

PUBLIC PROCUREMENT IN THE EU

- Closer Legislation -

Common procedures

- OPEN – all participants submit an offer (70% of proc.)
- RESTRICTED – only some of the participants are invited to submit an offer (20% of proc., mostly in the UK)
- NEGOTIATED – under very specific conditions, contracting authority consults specific companies and invites them to submit an offer (10% of proc.)

Conditions: extreme urgency, design of works, first reception of unacceptable offers...

- COMPETITIVE DIALOGUE – for very complex contracts

PUBLIC PROCUREMENT IN THE EU

- Closer Legislation -

Common rules on specifications:

- Technical specifications: reference to common standards, use of performance or functional requirements
- Always use the reference 'or equivalent'
- Possibility to include environmental characteristics
- Possibility to use variants

FOCUS – Railways/Urban Transport

- Green economy = development of railways and urban transport everywhere in Europe
- IMPORTANT OPPORTUNITIES: high-speed trains, mass transit, infrastructure
- Current market = 20-25 billion EUR
- Currently: 36 billion EUR of projects in pre-approval in the EU

FOCUS – Railways/Urban Transport

- Examples of forthcoming projects:

New suburban metro lines in Paris – 4 billion EUR

Barcelona metro line 9 – 2 billion EUR

Dublin metro (West) – 1 billion EUR

Lyon-Turin high speed line: 6 billion EUR

Portuguese high speed lines: 7 billion EUR

FOCUS - Services

- A growing share of the number of contracts: from 36% in 2001 to 44% in 2005
- Voluminous GP for some services:

IT services – 9 bion €

Business services (engineering, consulting, audit services) – 28 bion €

ONE SINGLE POINT OF ACCESS: TED

- All contracts covered by the European Public Procurement Directives have to be published in the OJEU (Official Journal of the EU), now TED
- TED: <http://ted.europa.eu>
- TED is a free access website containing all public procurement opportunities in the EU (contracts covered by EU legislation)
- ...in 23 languages !
- In 2008: 377 billion € were published (1 billion € business opportunities per day)

Example: TED (OJEU) - online business opportunities

Site map | Help | Contact | Important legal notice

Europa Publications Office

TED - Tenders Electronic Daily

Supplement to the Official Journal of the European Union

English (en)

EUROPA | TED > Browse by business opportunities Last update: 11-03-2008 (S 49/2008)

SI IAP TED eNtices

Login

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Forgot your password?

★ **My TED**

Anonymous

▶ Preferences

▶ Saved search profiles

★ **Search**

Quick search

▶ Standard search

▶ Extended search

▶ Expert search

★ **Browse**

▶ By business opportunities

▶ By business sector (CPV)

▶ By place of delivery (NUTS)

▶ By heading

★ **News**

▶ Site news

▶ History of developments

RSS

▶ RSS feeds

▶ ...

Browse by business opportunities

Browsing scope: Last edition

Country	Business opportunities
■ All (632)	
■ EU (607)	
AT: Austria (8)	• Call for expressions of interest (1)
BE: Belgium (19)	• Design contest (2)
BG: Bulgaria (6)	• Periodic indicative notice (PIN) with call for competition (1)
CY: Cyprus (0)	• Qualification system with call for competition (2)
CZ: Czech Republic (17)	• Prior Information Notice (39)
DE: Germany (96)	• Contract notice (587)
DK: Denmark (16)	
EE: Estonia (9)	
ES: Spain (50)	
FI: Finland (12)	
FR: France (128)	
GR: Greece (11)	
HU: Hungary (5)	
IE: Ireland (14)	
IT: Italy (33)	
LT: Lithuania (4)	
LU: Luxembourg (1)	
LV: Latvia (2)	
MT: Malta (0)	
NL: Netherlands (13)	
PL: Poland (56)	
PT: Portugal (0)	
RO: Romania (17)	
SE: Sweden (24)	
SI: Slovenia (3)	
SK: Slovakia (1)	
UK: United Kingdom (62)	
■ EEA (16)	
IS: Iceland (2)	
LI: Liechtenstein (0)	
NO: Norway (14)	
■ GPA (0)	
CH: Switzerland (0)	

Example: online contract notice

Document 2007-275928-EN



Current language

Data

Document family

23/11/2007 S226 European Communities – Supply contracts – Restricted procedure

I. II. III. IV. VI.

UK-West Bromwich: electrical supplies and accessories

2007/S 226-275928

CONTRACT NOTICE

Supplies

SECTION I: CONTRACTING AUTHORITY

I.1) NAME, ADDRESSES AND CONTACT POINT(S):

Sandwell Homes Ltd, Finance/Purchasing Department, Sandwell Road, Attn: Terry Armstrong, UK-West Bromwich B70 8TB. Tel. 01215696038. E-mail: matthew_cotter@sandwellhomes.org.uk. Fax 01215696041.

Internet address(es):

Address of the buyer profile: <http://www.sandwellhomestenders.org.uk/notice/AuthProfile.aspx?ID=AA0021>.

Further information can be obtained at: Sandwell Homes Ltd, Finance/Purchasing Department, Sandwell Road, Attn: Terry Armstrong, UK-West Bromwich B70 8TB. Tel. 01215696038. E-mail: matthew_cotter@sandwellhomes.co.uk. Fax 01215696041.

Specifications and additional documents (including documents for competitive dialogue and a dynamic purchasing system) can be obtained at: Sandwell Homes Ltd, Finance/Purchasing Department, Sandwell Road, Attn: Matthew Cotter, UK-West Bromwich B70 8TB. Tel. 01215696038. E-mail: matthew_cotter@sandwellhomes.co.uk. Fax 01215696041.

Tenders or requests to participate must be sent to: Sandwell Homes Ltd, Finance/Purchasing Department, Sandwell Road, Attn: Matthew Cotter, UK-West Bromwich B70 8TB. Tel. 01215696038. E-mail: matthew_cotter@sandwellhomes.co.uk. Fax 01215696041.

I.2) TYPE OF THE CONTRACTING AUTHORITY AND MAIN ACTIVITY OR ACTIVITIES:

Body governed by public law.
Housing and community amenities.

SECTION II: OBJECT OF THE CONTRACT

II.1) DESCRIPTION

II.1.1) Title attributed to the contract by the contracting authority:

SHS13 Supply Of Domestic Electrical Items.

II.1.2) Type of contract and location of works, place of delivery or of performance:

Supplies.

Purchase.

Main place of delivery: West Midlands.

NUTS code: UKG34 .

II.1.3) The notice involves:

PUBLIC PROCUREMENT IN THE EU

- Common business opportunities -

...of course, process of ensuring that everybody publishes has been gradual...

- Life of contracting authorities has been eased thanks to [automatic database](#) to send contracts for publication in TED
- Thanks to TED, firms across Europe can identify business opportunities in other countries...

PUBLIC PROCUREMENT IN THE EU

- Common business opportunities -

- Thanks to the [Common Procurement Vocabulary](#), businesses can break linguistic barriers: around 7.000 different codes
- Take an Irish firm specialised in construction of airports...
- Let it use the code 45213331 in TED
- ...and let it find a contract in TED for the construction of an airport in Lisbon, without speaking Portuguese
- Although TED will provide it with an English and Gaelic translation

PUBLIC PROCUREMENT IN THE EU

- Challenges -

Finding common grounds for:

- **Electronic procurement**
- **Public-private partnerships**
- **Sustainable and social procurement**

PUBLIC PROCUREMENT IN THE EU

- International framework -

EU is an important actor in the public procurement world

- + EU has gained precious international experience internally, and with EU Enlargement process (from 6 to 27 members)
- + Technical assistance European Neighbourhood Policy, covering some 16 neighbouring countries
- + Regulatory dialogues with Russia, China, Japan
 - Exchanging policy and legal developments
 - Exchange best practices
 - Contributing to transparency and equal level legal playing field
- + FTAs, TAs and Association Agreements with provisions on procurement chapters with 27 States regions. Recent: Colombia, Peru, South Korea, Central America

Global perspective - the GPA -

A plurilateral agreement with 14 Parties, but mostly only “older” industrialised economies (EU/US/JPN/CAN)

...but now attracting the interest of several emerging economies:

- Albania, Armenia, China, Georgia, Jordan, the Kyrgyz Republic, Moldova, Oman, Panama
- India « observes »

...thanks to forthcoming revision/modernisation, including special & differential treatment for developing countries

Global perspective - the GPA-

- GPA – Structure :« Text » & « Coverage »
- Applies only to « covered procurement »
- « Coverage » defined in in Annexes (scheduled by parties) in Appendix I On the basis of reciprocity
- Limited to GPA members
- Text in English, French and Spanish
- **General Principles: Transparency and Competition**

Global perspective - the GPA-

- Transparency of government procurement regime
 - transparency of information
 - accessibility to public, interested suppliers
 - predictability of bidding environment
- Effective and fair competition
 - maximum competition; opportunities for new suppliers
 - use of appropriate procurement procedure
 - cost-effective bidding and procurement processes
 - transparency, objectivity, of evaluation criteria & process
- But also:
 - incentive for fair, transparent and efficient internal GP legal framework
 - protection against protectionism from GPA partners

Global perspective - the GPA-

General principles reflected in the GPA text

- Tendering procedures
- Publication/invitations to participate
- Qualification of suppliers
- Time limits
- Necessary Documentation
- Award criteria
- Bid challenges/remedies....

Global perspective

- The Economic impact -

- A worldwide market of some 500 billion EUR
- EU market: 300 bn EUR (Spain & Portugal – 35 Bn €)
- EU: 12 billion EUR of contracts awarded to companies from GPA Parties
- ...roughly as much as GPA countries import share (% GDP) in the EU: 3-4%
- Size will dramatically increase with China's accession

CONCLUSIONS

- EU Directives are more than a useful reference for regional integration
- In this sense, the EU is ready to share its experience and to learn from other experiences in the world
- Global opening of public procurement is underway
- Beneficial for trade but also for transparency and equal level playing field at a global scale
- GPA is a powerful and attractive instrument
- Geographical scope should be enlarged

THANK YOU !

- More information on:
- http://ec.europa.eu/dgs/internal_market/index_en.htm
- http://ec.europa.eu/trade/index_en.htm/
- http://ec.europa.eu/external_relations/index_en.htm