



**Thematic Study**

Athens, August 2015

**Public Procurement System  
Reform (for goods & services)**

**Executive Summary**



*The present summary is led by the Business Environment Observatory and implemented by the "Roof of Greek Industry", as part of the project "Development of an intervention mechanism for the detection, the processing and the evaluation of the administrative barriers", which is established by the Act "Intervention network for the improvement of the quality of public services to enterprises". It is implemented as part of the Business Plan "Executive Reform", 2007-2013.*



**Co-financed by Greece and the European Union**

## Message by the President of SEV

The economic crisis, which began in 2008, brought to the forefront the importance of public institutions as instruments of prevention, and of dealing with the financial risks. Developed countries that face debt problems, weak development or recession have to find solutions in order to save resources, channeling their disposable ones to productive processes and, mainly, to enhance their economies via a new relation between the state and the enterprises.

Meeting the needs for projects and procurements intended for services of central administration, of regional and local authorities and organizations and companies of the broader public sector represent an important part of economic activity of EU member states. Especially for Greece, the expenditures connected with public contracts for 2014 amounted to 18,4 billion Euros (8,8% of GDP).

Therefore, the development of an effective system in public contracts is a priority, as it concerns the best management for public and EU resources, the saving of costs, better services for citizens, growth in the economy and of course, the fight against corruption.

In Greece we are quite far from an effective, high quality and competitive public procurement procedure. The cost of the shortcoming is significant: burden of public finances, delay and obstruction of public investments and thus degradation of the development effort and the creation of new jobs. Despite the positive steps that were initiated during the 2012-2014 period, much remains to be done, and to be integrated into a single framework. The design and implementation of an integrated national strategy for public procurement, in collaboration between the public and private sector will benefit us all.

This study records in a systematic way the problems of the public procurement system of goods and services, as well as innovations and improvements that have been implemented during recent years. At the same time, it proposes the application of an appropriate strategy and the implementation of 23 interventions to improve the procurement system, with key pillars: to serve the national development goals through the strategy on public procurement, to implement targeted reforms to simplify and speed up public procurement and finally to increase the management capacity of the administration.

It is important to think in pro-development terms and release forces, against privileges and relationships that benefit the few. The proposed reform of the public procurement system is a major watershed, aiming to social and economic justice. I wish this study finds the response it deserves and becomes a useful guide for practical interventions that benefit the public interest.

**Theodoros Fessas**  
**President of SEV**

## Business Environment Observatory

### vision

*establishing institutions and rules that support the competitiveness between enterprises and the country's development*

### mission

*indicating radical policies and reforms of business environment, through the partnership of creative business forces and public administration*

The establishment of the Observatory is **the legal extension of SEV's initiative: "Entrepreneurship without obstacles: opening the way to growth"**. SEV has undertaken this initiative in order to contribute to the improvement of the business environment and the removal of any obstacles standing in the way of entrepreneurship.

Within the scope of its legal role in the promotion of policies for the social progress and cohesion, the country's economic development and business competitiveness, SEV has proceeded to the organisation and operation of the **Business Environment Observatory**, the goals of which include the following:

Through the **Business Environment Observatory**, the objectives pursued are:

- **systematically identify** limitations, obstacles and problems that hinder business development, have a significant negative economic effect and often overturn the expected benefits of the business venture itself.
- **evaluate** the friendliness of the business environment and the consistency of the regulatory framework which forms it.
- formulate **documented policy recommendations** aiming to promote the necessary changes and reforms as well as to establish an effective business environment.
- systematically monitor and **assess the effectiveness** and efficiency of reforms and changes which are implemented in order to improve the business environment.
- develop a new **change and reform implementation** methodology, supported by the partnership of creative business forces and public administration to achieve more effective regulation of matters of public interest.
- conduct **consultation**, with constant and meaningful cooperation between competent officers from both enterprises and public administration, an activity that ensures the completeness of the process of identifying obstacles from original sources and the joint effort to produce solutions.

The **activities** undertaken by the Observatory are, in summary, the following:

- Thematic studies for significant areas of obstacles.
- Specialised studies on obstacles and reports on methods to address them.
- Opinion research/Public services quality barometer.
- Detailed recording of procedures and obstacles in the business environment.
- Consultation workshops.
- Planning of policy recommendations.
- Cooperation with the public administration authorities and the scientific and business community.

*For further information regarding the actions and the operation of the Observatory, you can visit [www.observatory.org.gr](http://www.observatory.org.gr)*

## Main directions on reform of public procurement system

The proposed reform of the public procurement system<sup>1</sup> is a crucial public policy and governance matter. It aims to strengthen the reliability and optimise the operation of the planning and implementation of public procurement system (8.8% of GDP in 2014<sup>2</sup>), faces the problems of opacity in selection procedures and award of supplies, and eventually can contribute significantly to the optimal use of the available state and / or European funds

The strategy to improve the public procurement system includes a comprehensive action plan, which focuses on those individual steps within the life-cycle of a product or service supply, that maximise the benefits for an organization, but also the country in general. This approach emphasises on the elaboration of a comprehensive strategy, the procurement planning process, the efficiency enhancement, and the systemic performance assessment of the several procurement lifecycle stages that present the greatest benefits, in terms of reducing public procurement costs in conjunction with streamlining and ensuring transparency in the competitive processes, contract management and supplier management.

The **three pillars of the proposed strategy** are:

- 1. Streamline the public procurement strategy so as to service the national development objectives**
  - Reduction of the public procurement cost
  - Ensure the quality and maximise the value of public procurement, in relation to the cost (value for money)
  - Maximise the Greek companies' benefit in the context of EU rules (development dimension)
- 2. Targeted reform and rationalisation of the governance structures and public procurement life cycle**
  - Strengthen central procurement governance structures
  - Reduction of the administrative burden for suppliers and the State
  - Acceleration of implementation procedures for public procurement
  - Ensure transparency and free competition
- 3. Strengthen administrative capacity in decision making and management**
  - Quality and quantity enhancement of the information available to the management and efficiency improvement of the decision making process
  - Systematic institutional, political, organisational and technical support for the horizontal promotion of the reform's strategic objectives as a critical precondition for their achievement

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<sup>1</sup> The scope of the study includes the public procurement system (goods and services) of the Central Public Administration. The main institutional texts relating to the new institutional framework N.4281 / 2014 and above (PD 60/2007, PD 118/2007, etc.) To the extent this has not yet been replaced by newer institutional tools. Note that the range of this study excluded PPPs, contracts of concessions, construction and development of public works projects. Also, contracts were not examined within the scope of N. 3978/2011 (defense and security sectors) as well is not deductible in the scope of N.4281 / 2014.

<sup>2</sup> Public Procurement Indicators 2014, European Commission

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## 1 General Framework

The public contracts field – and by extension the public procurement system – is recognised as one of the main pillars for the economy growth, given the fact that public expenditure for public contracts correspond to approximately 20% of GDP annually in EU member countries. The reasonable organisational and functional operation for public procurement optimises the utilisation of the relevant funds in order to serve the national development objectives, to support the economic growth and to create new jobs.

Issues that have been identified within the Greek public procurement system, have been considered as parameters that limit its effectiveness and are presented below:

- the overall lack of an intergrated public procurement strategy as well as of a distinct strategic approach for the main procurement categories
- the reduced emphasis of the existing system in the scheduling of public procurement (planning process) in comparison to the focus on the implementation of competitive processes
- the limited level of procurement centralization / concentration, the consequent limitation of opportunities to create economies of scale and the large number of Contracting Authorities
- the limited use of tools such as framework agreements and outsourcing
- some implementation issues of the Electronic System for Public Contracts (ESHDHS), the limited standardisation, especially in pilot contracts per procurement process, in technical specifications (for materials / services) for the entire range of the public procurement system, as well as the bureaucratic and time-consuming tendering procedures
- the limited expertise of those involved in public procurement
- the limited exploitation of the data derived from the Central Electronic Registry of Public Contracts (KHMDHS)
- the brake-up, the complexity and in some cases the inefficiency of the institutional framework governing the public procurement system.

During the recent years, efforts have been to improve the public procurement system. The most important institutional intervention has been the new framework law for public contracts (L.4281/2014) but its implementation has been suspended until early 2016 in view of harmonizing with new (2014) European directives for Public Contracts. Also, the introduction of the e-procurement in 2013 has been notable, through the implementation of the National System of Electronic Public Procurement.

However, for the effective realisation of the public procurement system reform, **a comprehensive re-design is required, that will based on a unified strategy for the entire value chain of the public procurement.** The main benefits constitute of the simplification and acceleration of the procedures, cost reduction for businesses and the public sector, transparency and competition enhancement, creation of a climate of stability and legal certainty and ultimately, the development of critical conditions for the economic development.

*The Greek public contracts system is characterized by long-term pathologies which limit its effectiveness and prevent the establishment of a transparent, competitive and efficient public contracts market*

## 2 General methodological approach

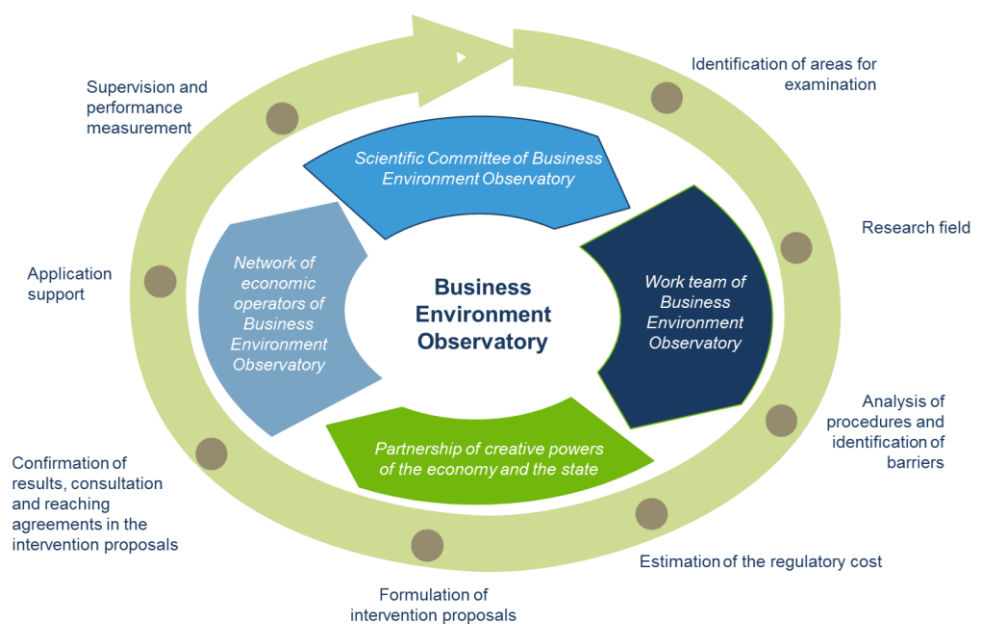
The **Business Environment Observatory** draw up thematic studies on specific areas of interest with significant influence both in the development of entrepreneurship and the reinforcement the economy competitiveness.

The innovation applied in these studies lies on the way (utilisation of knowledge sources) as well as the wide field of the study. More specifically:

- **Exploitation of market knowledge and public administration:** the study was prepared through cooperation and consultation of the responsible officials of both enterprises and public administration, which ensure the completeness barrier detection from primary sources, and the jointly resolution of problems.
- **The width and the scope of the analysis:** the analysis is not limited only to the research of administrative barriers and the recording of the administrative burden of legislation, but it is also extended to all barriers and charges imposed by the regulatory framework and business environment, aiming to promote the growth prospects of the enterprises and the country.
- **The completeness of the intervention proposals:** the study is not limited in conduct of results, but it proposes integrated and prioritized recommendations.

The following graph illustrates how the methodology is applied:

*Diagram 1: Innovative approach of Observatory Business Environment*



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## 3 Current situation

### 3.1 European directions and Community Framework

#### Basic EU directions:

- *codification and simplification of the institutional framework*
- *use of Information and Communication Technologies*
- *process digitisation*
- *reduction of bureaucracy*
- *promotion of standards*
- *introduction of sustainability factors*

*The costs associated with public contracts, amount up to the 20% of the GDP*

*In 2014 the level of public expenditure for contracts in EU member states amounted to the 19% of the European GDP*

*In Greece, the public expenditure on procurement has been estimated at € 18,4 bn. (8.8% of the GDP)*

In many EU countries, as well as in Greece, the granting and conclusion of contracts in the public sector is characterised by time consuming procedures, mainly due to the limited use of sufficient standards and codification, volatility on the demand, limited compliance audits and the limited use of e-procurement tools. However, the size of the market for public contracts and the benefits that could result from the optimisation of the system, have led to the emergence of several trends in public procurement.

The main trends, which constitute the basic principles of EU legislation are: the codification and simplification of the institutional framework, the use of Information and Communication Technologies (ICT) for process digitization, the reduction of bureaucracy and the increase of standardisation, the use of new processes, the reinforcement of the SMEs' participation in the public procurement system and the implementation of Green Public Procurement.

The new EU directions for the Public Procurement<sup>3</sup>, introduce significant improvements, such as:

- **Simplification** and promotion of **flexibility** in public procurement **procedures**, for the economic operators and the public sector,
- Use of public procurement as a tool to promote other policies. According to the new rules, the revised procurement procedures will contribute to the **promotion of environmental policies**<sup>4</sup> and **social inclusion policies**<sup>5</sup>,
- Enhancement of **Small and Medium-sized Enterprises' access to public procurement market** in order to enhance labor market, development and innovation<sup>6</sup>.
- Emphasis on the assessment of the most economically advantageous tender, based on the **optimal price - quality ratio**.
- Enhancement of the measures to prevent conflicts of interest, favoritism and **corruption**

The European Strategy for public procurement within the Single Market framework, states that the transparent, fair and competitive public procurement contracts, create business opportunities for the European companies and contribute to economic growth and job creation. The goals include, among others, the promotion of public buyers' professionalism, the improvement of the demand concentration and the creation of new opportunities for businesses, especially the SMEs, within the Single Market.

<sup>3</sup> 2014/23/EU, 2014/24/EU, 2014/25/EU, which have entered into force in April 2014 and must be transposed by Member States by 18 April 2016

<sup>4</sup> Public Procurement Reform factsheet No. 7 : Green Public Procurement, European Commission, 2014

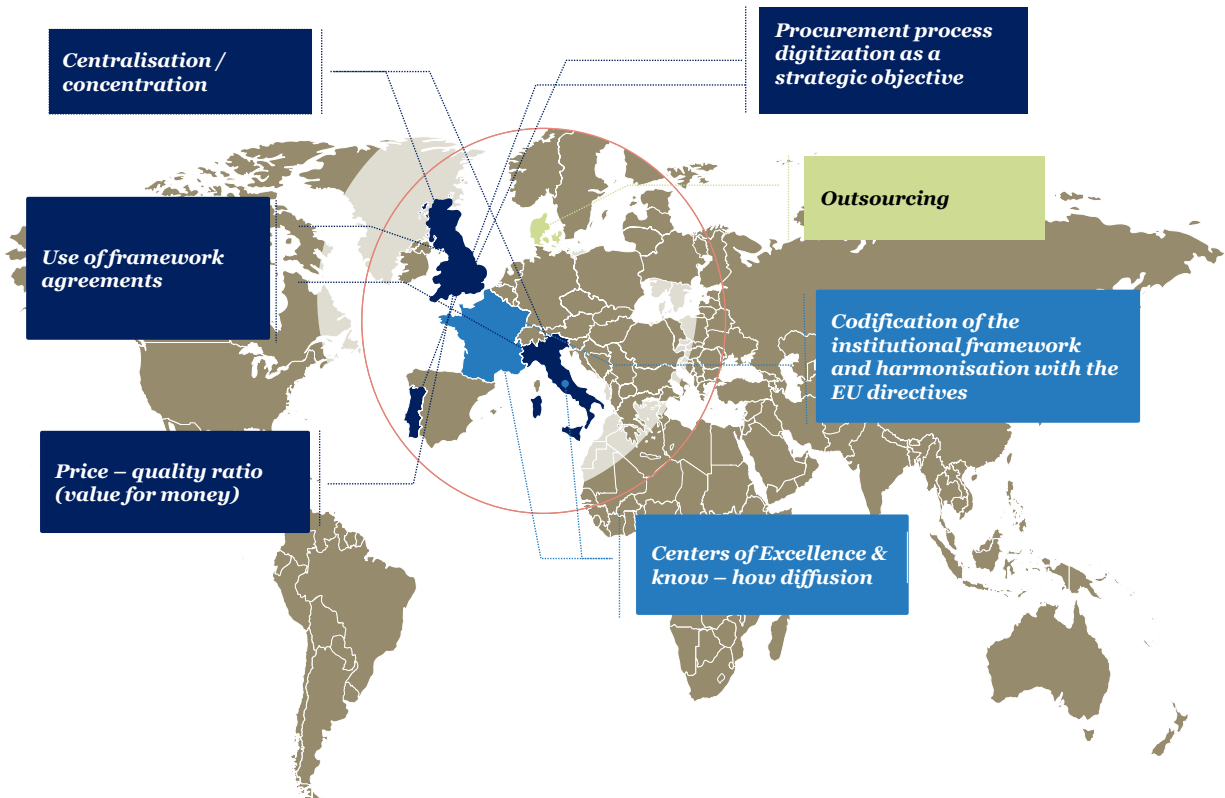
<sup>5</sup> Public Procurement Reform factsheet No. 8: Social Aspects of the New Rules, European Commission, 2014

<sup>6</sup> Public Procurement Reform factsheet No. 2: Simplification for tenderers, European Commission, 2014

### 3.2 Best practices

Based on the analysis and evaluation of the best practices conducted in the study, the identified trends that characterize advanced public procurement systems, such as the UK, France, Italy and Denmark, are presented below.

Diagram 2: Best practices of public procurement systems



*the centralization of public procurement system in the United Kingdom emphasizes more on procurement programming and supplier management and less on the tendering processes*

*... leading to £ 1 billion annual savings*

*ensuring the role of SMEs in the public procurement market, is critical for the Italian procurement system*

#### Centralisation - concentration

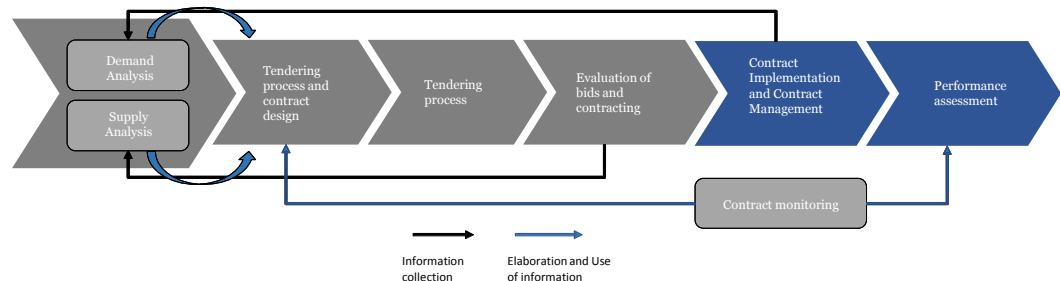
In countries with well-developed public procurement systems a common trend that has been observed is **the centralization, by the creation of a central management body for public procurement** that also includes execution responsibilities, at least for certain procurement categories. Main objectives are: the clustering reinforcement and the centralisation of procurement management, the purchasing specialisation enhancement and the operation effectiveness improvement.

Centralized public procurement systems place more emphasis on programming the supply needs, on contract and supplier management and less emphasis on processing individual competitive procurements. Specifically:

- In the **UK**, the agency Crown Commercial Services (CSS) manages fully the procurement of goods and services, amounting to **£20 bn annually, with £1 bn estimated savings by 2017**.
- In **France**, the department of public procurement ("Service des achats de l'Etat") operates as a single central entity, responsible for meeting the long-term state-supply needs and is responsible for defining, planning and implementing supplies for specific categories.

- In **Italy**, the effective collection and management of information that is being collected centrally by the Consip, feeds the key stages of the procurement life-cycle, such as the analysis of the supply and demand, contract management and the performance evaluation across the whole public administration.

Graph 3: Consip - Information flow management on key procurement steps<sup>7</sup>



Through the procurement concentration, some Member States have ensured that the purchases are being performed in an economical manner, apply criteria to support sustainable development and social inclusion as well as to enhance the wider access of SMEs to public procurement. A typical example for the later, is the procurement system Italy, where SMEs are an important part of the economy.

*the implementation of framework contracts in Denmark, led up to 50% price reductions*

*the mandatory use of framework agreements for Italian central government bodies, has led to 0.7 bn € direct savings*

### Use of Framework Agreements

In sophisticated public procurement systems (eg. United Kingdom and Scandinavian countries), **framework agreements** are the usual way for the public sector to obtain goods and services, through which the tendering procedures are being accelerated and economies of scale are being enhanced.

Specifically in Denmark, the compulsory implementation of framework agreements for contracting the supply of essential goods and services has brought significant savings, leading -in several cases- to **a up to 50%.price reduction.**

In Italy, the National Central Procurement Authority “Consip”, concludes the framework agreements, which are compulsory for Central Government Authorities and optional for other contracting authorities. In 2009 the savings achievable in Italy through price discounts on products and services, reached 2.5 bn €, of which 0.7 bn were direct savings through Consip’s framework contracts and 1.8 bn were indirect savings, since the contracts signed by the other contracting authorities (outside the Central Authority) must follow the quality and price characteristics that have been determined by Consip’s framework agreements.

### Outsourcing

*Definition: Outsourcing occurs when an organisation (public or private) assigns the responsibility and ownership for the performance of an internal operation, or part thereof, or of a service, to an external supplier, based on specific and pre-agreed framework for the quality of the services to be provided<sup>8</sup>*

<sup>7</sup> “Centralization in Public Procurement”, Ministero dell’ Economia e delle Finanze, March 2014

<sup>8</sup> Business Environment Observatory, 2015, “Dismantling the obstacles to the use of outsourcing practices as a tool for the provision of value added services to enterprises”, Athens

*It has been estimated by the General Secretariat of Commerce, that the completion of the digitisation of the tendering process for public procurement for all Public Authorities, that may produce up to **2.2 bn. € annual savings***

*the use of e-auctions under existing frameworks agreements in **Denmark**, has produced savings of up to **30%***

*in Greece (based on electronic commerce provider's data), the public procurement through e-auctions (of <60.000 € each), achieved savings of up to:*

***23%** through 822 e-auctions in tenders amounting to €36.330.207 (2002 – present)*

***37.7%** for the category of medical supplies / items*

***59,2%** in the category of services for the health sector*

***40%** for consumable products, i.e. for supplies such as paper & paper products*

The public procurement management and handling tender processes is one of the functions that outsourcing have already been implemented internationally. As in the private sector, also in the public, the procurement lifecycle includes front-office and back-office functions that could be the potential scope for outsourcing.

Outsourcing allows organisations to focus on core strategic functions and can lead to significant cost savings.

Countries like the United Kingdom and Denmark, have effectively implemented outsourcing practice as part of the country's public procurement system, either for entire or for part of core business functions, based on the potential added value and their strategic importance.

### **Procurement process digitisation as a strategic objective**

The procurement digitization is a strategic pillar for the reform of public procurement in several Member - States with advanced public procurement systems. The design and implementation of eProcurement strategy for public procurement does not only focus on handling competitive processes, but also on the whole spectrum of the procurement life-cycle (market research, planning, management and evaluation of suppliers) and of the overall monitoring and system improvement.

The use of integrated information systems for the overall management of public procurement, across the spectrum of the procurement life-cycle, leads to significant savings for the public and also to a substantial reduction of the administrative burden for suppliers, as all stages (from the ordering to the invoicing process) are directly linked with the suppliers' systems.<sup>9</sup>

Furthermore, important benefits have been aroused by the use of e-auctions. In particular, in Denmark, the use of e-auctions under existing framework agreements, has produced savings of up to 30%<sup>10</sup>.

### **Price - quality ratio (value for money)**

In new EU directives, the sole award criterion is defined to be the most economically advantageous tender, in the sense that the final choice of contractor should be based on the **economically best solution** among those offered. Emphasis is placed on the assessment of the most economically advantageous tender, based on the **optimal price - quality ratio**. The new EU directives provide discretion to the Member - States to enhance the element of quality in public procurement and not rely only on the price or cost as the sole award criterion, for the selection of the most economically advantageous tender.

The optimal price - quality ratio is a key principle of the public procurement system in the **United Kingdom**, while taking into account of the characteristics and frequency of the supply. Achieving the most economically advantageous tender has been defined as **the optimum combination of the product's/service's whole life-cycle cost and the provided quality**.

<sup>9</sup> [http://ec.europa.eu/dgs/internal\\_market/studies/docs/e-procurement-golden-book-of-good-practice\\_en.pdf](http://ec.europa.eu/dgs/internal_market/studies/docs/e-procurement-golden-book-of-good-practice_en.pdf)

<sup>10</sup> Portal of public procurement ([gatetrade.net](http://gatetrade.net))

### ***"Centers of Excellence" and know-how diffusion***

In many Member States efforts have been made for the rationalization of the distribution of resources and the **diffusion of know-how from the central to the local level** with regards to public procurement.

For example, in **France**, some regions (régions) offer to the local authorities under their jurisdiction, free access to e-procurement platforms so as to improve their process organisation.

Also, "**centers of excellence**" have been developed in the context of structural reforms, as in the case of **Scotland**. For the successful implementation of the reform program, Scotland developed five centers of excellence so as to coordinate individual actions.

The Centers of Excellence are responsible for the cooperation between the public authorities and the suppliers, as well as for the ongoing support for the full implementation of the reform. Their main role is to ensure that procurement is being conducted in the best possible manner and in particular to ensure significant savings through cooperation contracts and framework agreements.

In **Italy**, the combination of centralisation - decentralization that characterises the public procurement system, involves characteristics of a Centre of Excellence, and creates a "network" of public procurement bodies, through continuous collaboration between Consip and individual local authorities for procurement. Specifically, the Consip, during the 15 years of its operation, has given important impetus to the adoption of new solutions in public procurement and has contributed substantially to the standardisation of the relevant terminology. Also, based on the expertise it has developed, it has undertaken educational role towards the suppliers as well as the public officials who manage public procurement and provides advisory services on-demand to public authorities. Consip has also developed research activities, seeking best practices from foreign countries, which may be adapted and implemented in the Italian system.

### ***Codification of the institutional framework and harmonisation with the EU directives***

**The consolidation, systematisation and simplification of the legislation**, in accordance to the EU law and the jurisprudence of the EU Court, as well as the streamlining of administrative procedures for public contracts, are the key directions with which the Member States should comply, in order to reduce administrative burdens and achieve an effective public procurement system, in quality and performance terms.

Many Member States have adopted a **uniform, codified legal framework** for public procurement, in line with the EU guidelines. The existence of a codified legal framework significantly reduces the time needed for the suppliers to familiarise with the requirements for public tenders and contributes to the simplification of the relevant processes, while ensuring the necessary transparency.

Given the need to integrate the 2014 European directives, many Member States have started to reform the legal framework, which among other things includes provisions for new procedures (eg. "Innovation Partnerships"), reduction of bureaucracy, widening of the possibility to use special procedures, such as negotiation and the competitive dialogue, as well as the improvement of the access of SMEs in public procurement.



### 3.3 Assessment of existing public procurement system in Greece

*Mature systems emphasises more on planning and programming, standardization, as well as on contract and supplier management*

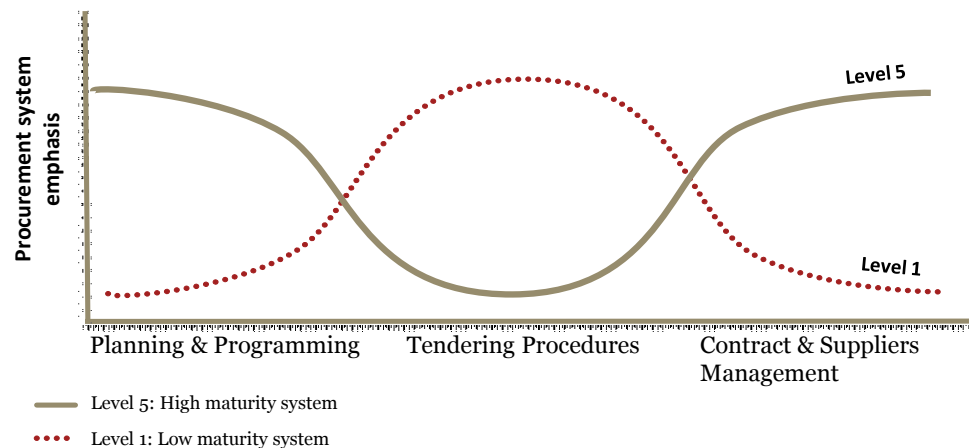
*Less mature systems emphasises more on handling bidding processes and focus less on the formation of the procurement strategy, as well as on the standardisation.*

For the assessment of the public procurement system, the findings of the evaluation of mature public procurement systems are being used, particularly the ones of the United Kingdom. In particular, from the best practices review, differences were detected with respect to the points on which the mature systems emphasise on, in comparison to less mature systems.

As is the figure below presents, the **mature systems** emphasises more on **planning & programming** and in **contract and supplier management**.

On the other hand, **less mature systems**, place more emphasis on **handling tender and bidding processes**. At the same time, lower emphasis is given to the development of an integrated approach and a strategy for public procurement. Less emphasis is also given for the development of standards and for the monitoring of the strategy and standards implementation.

Diagram 4: Emphasis of public procurement systems



The evaluation of the existing system was prepared on the basis of an integrated public procurement system's dimensions and the following main conclusions emerged:

#### 1. Strategy

- Low emphasis on an integrated strategic approach for public procurement and limited use of the available KHMHS data as input for its formation
- Low emphasis on distinct strategic approach for key procurement categories across the spectrum of procurement cycle
- Low emphasis on procurement planning and programming while – at the same time- high emphasis on dealing with tender processes
- Limited integration of the development dimension, both at the strategy and the programming level, as well as in the way the public procurement is being carried out (eg sustainability factors)

However, it is noted that the formation of a five (5)-year national strategy plan in the field of public procurement, is in progress by E.A.A.DH.SY.

#### 2. Governance, Roles and Responsibilities

- Low degree of process centralisation in strategy formulation and planning
- Increased fragmentation of Contracting Authorities
- Limited coordination of the bodies involved

*a typically efficient company spends approximately:*  
**18 business hours for familiarisation per tendering process for public works,**  
**10 business hours per tender for public procurement (products) and**  
**30 business hours for public services**  
*(It includes technical preparation, familiarity with legislation and clarification of uncertainties)*  
*Source: OECD*

- In some cases, the distinction of roles between the public bodies involved in the system's governance is not very clear

### 3. Procedures

- Limited standardisation for standards and specifications for the whole range of the public procurement system
- Bureaucratic and lengthy tendering procedures, which remain even after the implementation of the National System for Electronic Public Procurement
- Limited use of tools such as framework agreements and outsourcing
- Lack of legal deadlines for the completion of the tender processes on the part of the Contracting Authority, resulting in assignment delays

### 4. Systems and Technologies

- Existence of necessary information systems as tools to support the processes and enhance transparency (E.S.H.DH.S and K.H.M.DH.S) offering significant positive dynamic for improvement through their interconnection<sup>11</sup>
- Limited support of the e-procurement process throughout the entire Procurement Cycle (information, RfPs publicity, search of legal documents, contract award and contract management, supplier management, billing, payments, etc.)
- Fragmented data collection, low system interoperability and of a single database with many potential uses
- Positive improvement dynamic through the forthcoming implementation of the system Business Intelligence (BI) that will allow the management and use of the data available through E.S.H.DH.S.

### 5. Performance assessment - continuous improvement

- Absence of a clear target setting system that allows measurable performance evaluation of the system, which is linked to the limited emphasis on an integrated strategy
- Lack of a central, overall monitoring of public procurement, from procurement planning and programming up to the completion of the individual process
- Improvement dynamic through the collection, analysis and use of the available information which is being collected through the new systems (E.S.H.DH.S and K.H.M.DH.S). The use of these systems puts emphasis on transparency issues, but can also significantly contribute to the overall efficiency improvement of the system and to provide input so as to shape a comprehensive and coherent strategy

### 6. Organisation and human resources

- Educational activities (seminars and workshops) for the Contracting Authorities and economic operators are being implemented, on the occasion of the introduction of E.S.H.DH.S., which offers the possibility of e-learning. However it is also necessary to develop education and information activities for those involved in public procurement for other

<sup>11</sup> The K.H.M.DH.S (Central Electronic Public Procurement Register) was chosen as one of the three best European practices, which participated in the 8th European Quality Conference in Luxembourg (under the auspices of the Presidency of the EU and the European Institute of Public Administration) in the field "Enhancing transparency and accountability of public administration."

substantive issues, such as supply management, market research, performance assessment, etc.

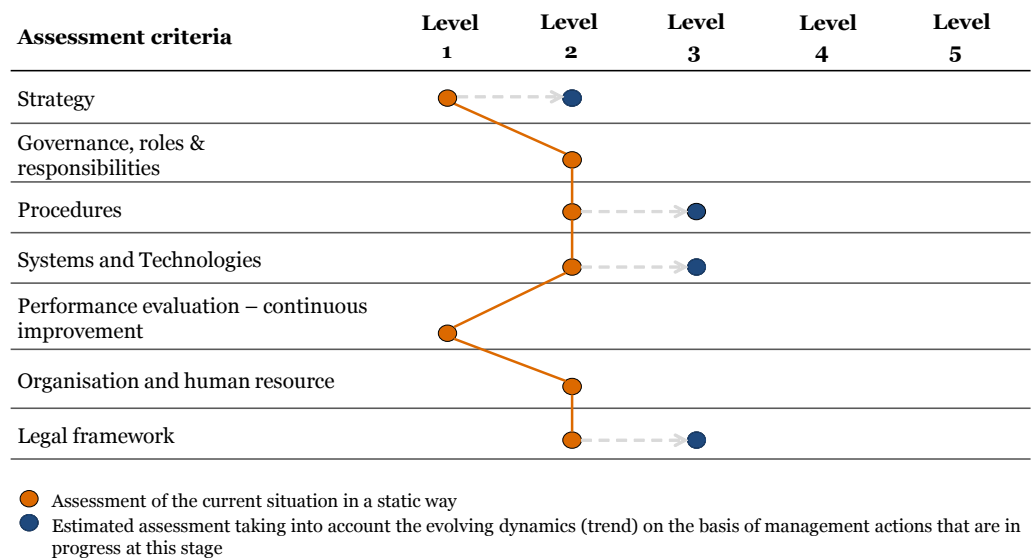
- Lack of staffing standards, as well as initiatives to strengthen the skills of the procurement executives
- Staffing shortages and lack of an evaluation scheme for the relevant human resources
- The new organisational structure of the General Directorate of Public Procurement and Supply of the General Secretariat of Commerce is a positive element.

**7. Legal framework**

- Extended heterogeneity and complexity of the legal framework governing public procurement, with multiple legal documents and administrative regulations (taking into account the suspension of the newer legislation)
- Non-timely issue of the necessary implementation provisions of legal documents, as well as often delays in the harmonisation of legal framework with newer EU legal framework.
- Lack of a specific legal framework for the procurement of services
- Increased frequency of preliminary and court proceedings, mainly due to the lack of standards for RfPs
- Time consuming procedures for legal protection
- Improvement dynamic for the legal framework, with the imminent implementation of N.4281 / 2014, on the occasion of the harmonization with the EU Directive 2014/24 / EU and 2014/25 / EU

The overall assessment of the maturity degree of the Hellenic public procurement system is being presented in the following figure.

*Diagram 5: System Evaluation*



This assessment presents a worse picture if approached in a static way, than the one formed when taking into account the trend of improvement, based on the actions planned and reflected in part in the forecasts of the (in suspension of today) Law 4281 / 2014, both for the revision of the aforementioned law and for the incorporation of the Directives 24 and 25 of 2014. However, the effective transition to an improved system in terms of effectiveness in performance, remains to be confirmed in practice. Specifically:



1. «**Strategy**»: the current system is assessed in the maturity level “1” with improving trend -under estimation- towards the maturity level “2”, taking into account the development of the public procurement strategy by EADHSH and the provisions of the new legal framework (the application of which is currently suspended).
2. «**Governance, Roles and Responsibilities**»: the existing system is evaluated at Maturity Level “2”, mainly due to the fragmentation of Contracting Authorities and the lack of evaluation for their performance.
3. «**Procedures**»: the current system is evaluated at Maturity Level “2” with improving trend - under estimation- towards the maturity level “3”, taking into account the forecasts of the L.4281/2014, which although its application is currently suspended, however, shows an improving trend in this area.
4. «**Systems and Technologies**»: this current system is evaluated at maturity Level “2” with improving trend -under estimation- towards the maturity level “3”, given the planned improvement of the functionality and effectiveness of the current system (i.e. BI system)
5. «**Performance assessment and Continuous Improvement**»: the current system is evaluated at Maturity Level “1”, without any record of a systematically improving trend.
6. «**Organization and Human Recourses**»: the current is evaluated at Maturity Level “2” due to the quantitative shortage of specialised staff.
7. «**Legal Framework**»: the current is evaluated at Maturity Level “2” with improving trend - under estimation- towards the maturity level «3», given the new legal framework provisions (L.4281/2014 the application of which is currently suspended) taking into account that they may not be ignored during the procedures to its revision while incorporating the EU Directives 24 and 25 of 2014.

## 4 Change strategy for the improvement of the public procurement system

### 4.1 Strategy framework

In the recent years efforts have been made so as to improve the public contracts framework and for the establishment of a unified public procurement system in Greece. However, these efforts were not a result of a single strategic approach and design. Therefore, a comprehensive redesign of the public procurement system is considered to be necessary and should be based on a single integrated national strategy for public procurement, which ensures effective and efficient implementation in the medium term level.

*a comprehensive strategic framework puts emphasis on individual steps of the procurement life cycle that present the greatest benefits for an organization*

Therefore, a **central choice of the proposed strategy is the gradual and medium-term improvement of public procurement system** through reformative and improvement interventions, aiming to create a more effective and efficient system.

Under the proposed reform strategy, the improvement of public procurement system is based **on a comprehensive action plan, which gives importance to the procurement life cycle steps, which present - according to international experience- the greatest benefits to an organisation.**

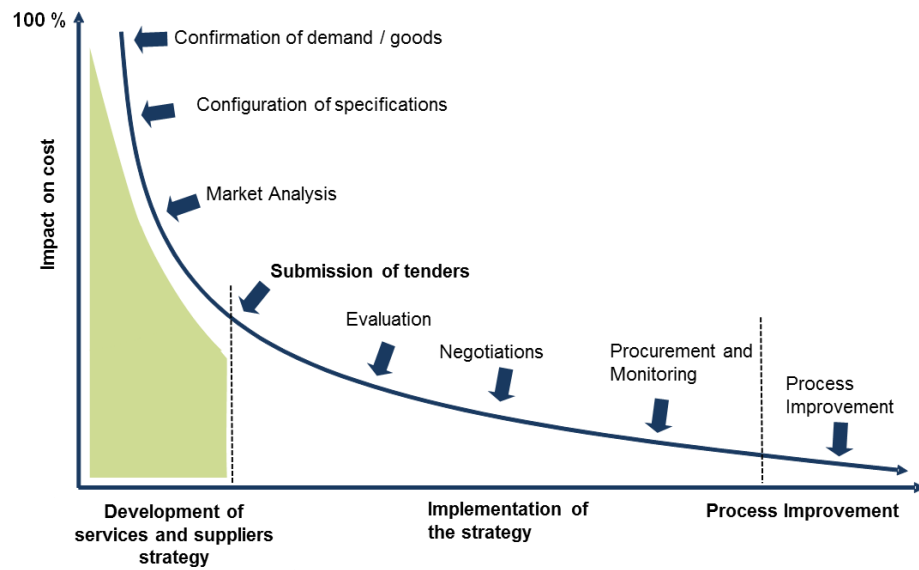
The procurement life cycle includes all stages of the value chain for the supply of a good or service and is applicable to mature procurement systems in the private sector. The greatest benefits and, respectively, the major causes of problems that arise during the procurement process are identified mainly before the contracting stage.

*The greatest benefits and, respectively, the major causes of problems that arise during the procurement process, are identified mainly before the contracting stage.*

Mature procurement systems ensure timely planning and put emphasis on the early qualification and management of suppliers, the market analysis, the demand and cost analysis, as well as the development of a procurement strategy. In particular, these first steps of the procurement life-cycle, create opportunities for strengthening the overall purchasing power of an organisation (especially by creating economies of scale) and create conditions for cost cutting. At the same time, they create opportunities in addressing possible organisational and administrative weaknesses and ensuring transparent procedures.

The following chart presents the magnitude of the impact of each stage on the total cost of the procurement process of a good or service.

*Diagram 6: Cost impact of the procurement life-cycle*



The greatest benefits, with respect to cost reduction, mainly result from the determination of supplier and market strategy. The main objective is to find the optimal way of procurement management, to achieve the lowest overall long-term Total Cost of Ownership and to combine the internal needs and requirements with the possibilities and opportunities that the market presents.

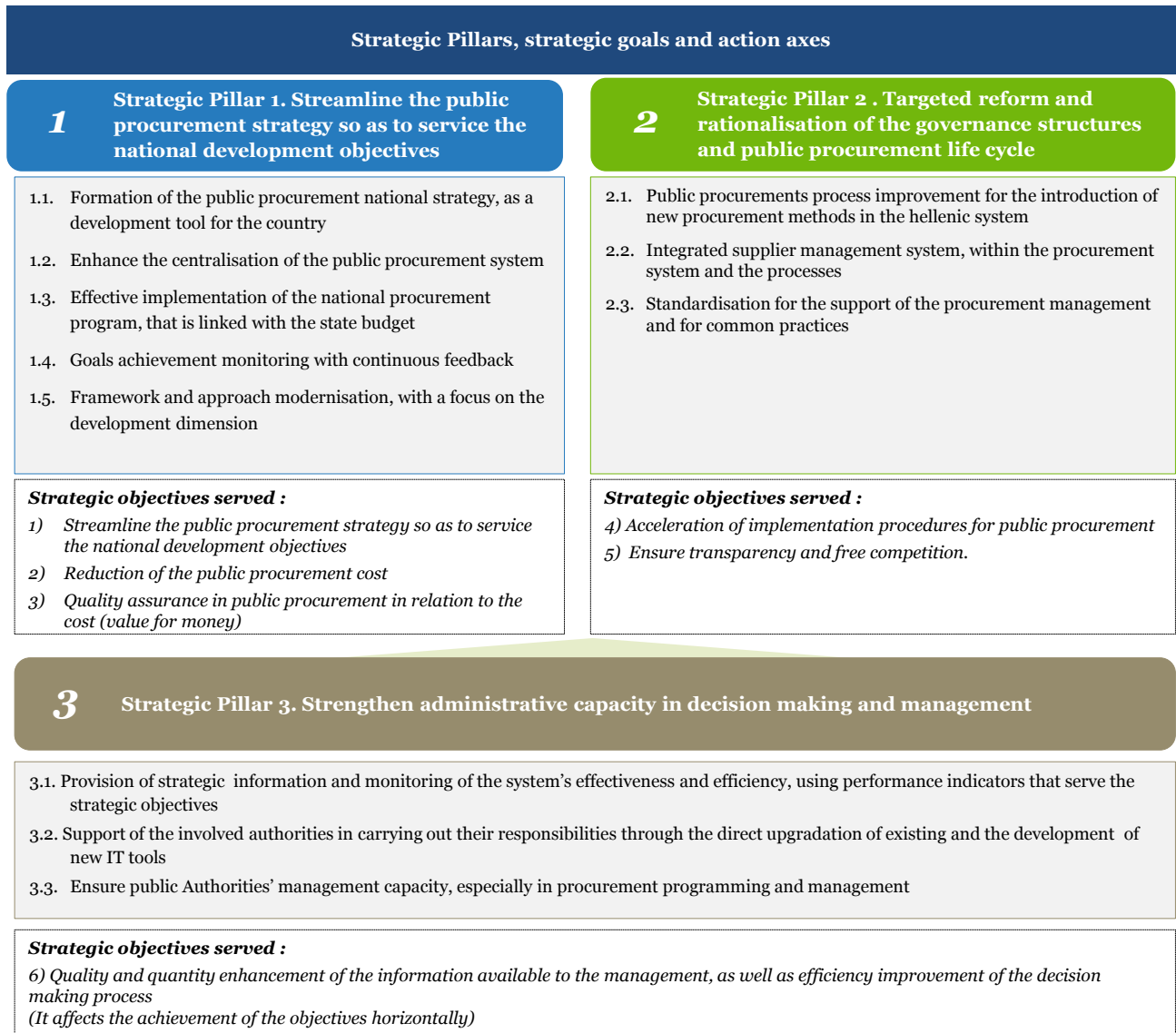
Recognizing the needs of the existing system and best practices, the main options of a strategy for public procurement are considered to be the following:

1. Streamline the public procurement strategy so as to service the national development objectives
2. Reduction of the public procurement cost
3. Quality assurance in public procurement in relation to the cost (value for money).
4. Acceleration of implementation procedures for public procurement
5. Ensure transparency and free competition.
6. Quality and quantity enhancement of the information available to the management and efficiency improvement of the decision making process

## 4.2 Strategic reform pillars

The strategic pillars of the reform of public procurement system serve the strategic goals and are specified into action axis.

*Diagram 7: Analysis of action axis per strategic pillar and link with strategic objectives*



### 4.3 Action Axis Analysis per Strategic Pillar

#### 4.3.1 Strategic Pillar 1. Servicing of national development objectives through public procurement strategy

#### Strategic Pillar 1. Streamline the public procurement strategy so as to service the national development objectives

##### Action Axis 1.1. Formation of the public procurement national strategy, as a development tool for the country

##### Evaluation Summary

The current system is characterised by the lack of an integrated strategic approach to public procurement, and a lack of a category strategy, across the spectrum of procurement life cycle.

A good practice model of the procurement life cycle in the private sector, which includes the individual stages, from the identification of needs and the requirement analysis, until the execution of orders and ordering, is presented below.

Diagram 8: Procurement lifecycle model



Emphasis is given on individual stages for the supply of a product, or service, which present the greatest benefits to an organisation.

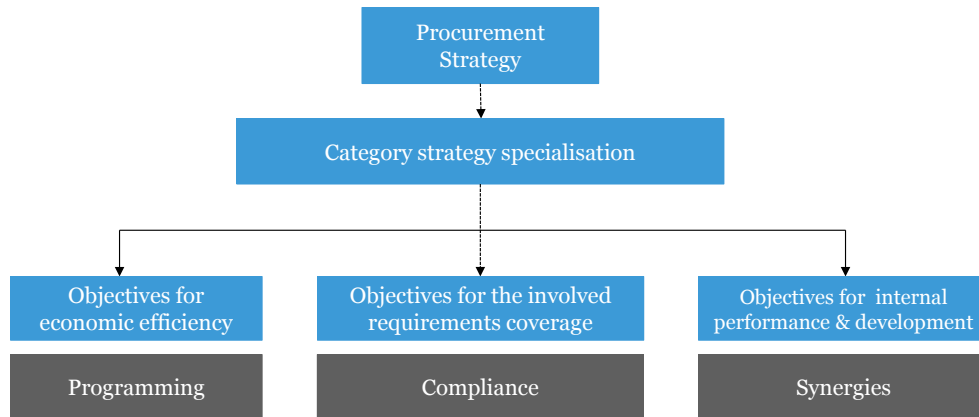
##### Strategic directions

Major options of a strategy for public procurement are:

1. Streamline the public procurement strategy so as to service the national development objectives
2. Reduction of the public procurement cost
3. Quality assurance in public procurement in relation to the cost (value for money).
4. Acceleration of implementation procedures for public procurement
5. Ensure transparency and free competition.
6. Quality and quantity enhancement of the information available to the management and efficiency improvement of the decision making process

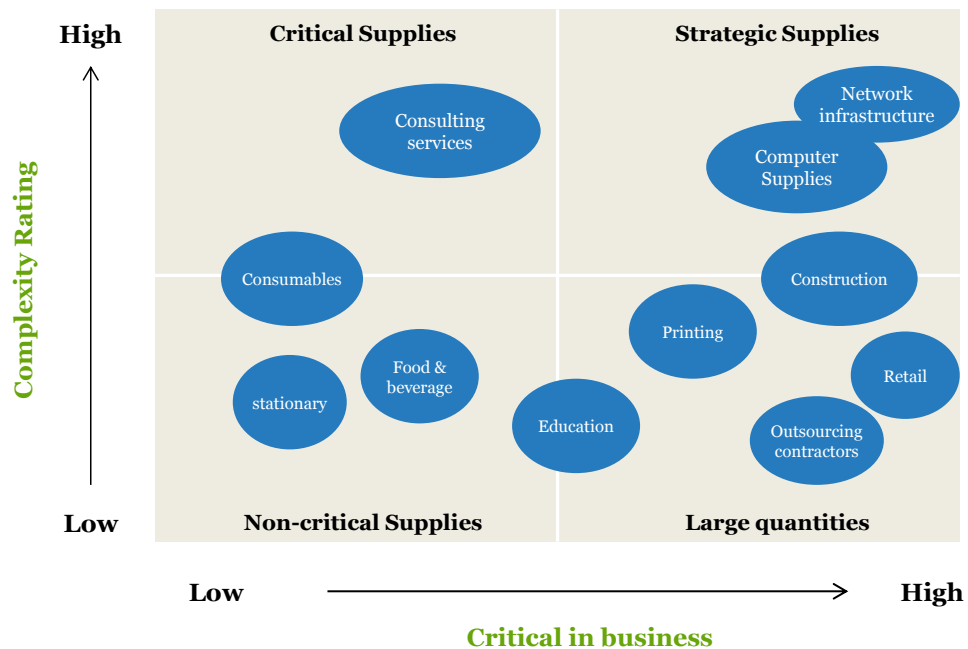
An indicative approach for the structure of the public procurement strategy is reflected in the following chart.

Diagram 9: Indicative structure



As part of the specialisation for category strategy, a classification is also proposed, depending on the criticality and complexity level per category.

Diagram 10: Indicative classification model



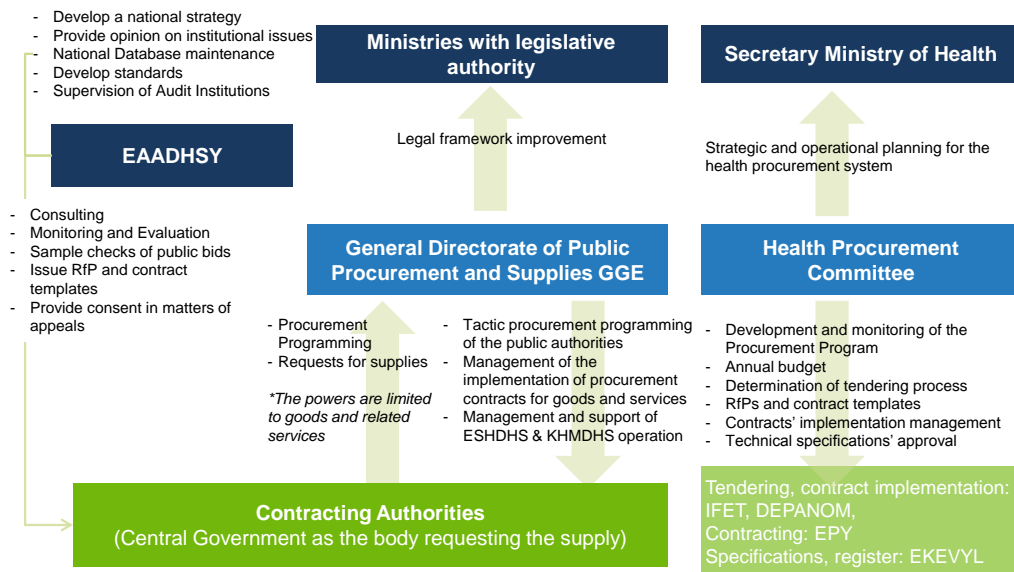
**Action Axis 1.2. Enhance the centralisation of the public procurement system**

**Evaluation Summary**

The current public procurement system in Greece is centralised at medium- low degree (two Central Procurement Authorities) in issues of programming and implementation and is characterised by a large fragmentation of Contracting Authorities.

The Central Procurement Authorities operate mostly for the 'grouping' of requests and less as centrally programming bodies, contracting authorities and for framework agreements so as to achieve economies of scale. In countries with mature public procurement systems a common trend is observed for the centralisation of the procurement system with the creation of a central public procurement implementation agency for at least for some categories of supplies (eg goods), in accordance with the EU guidelines.

Diagram 11: Existing system of governance system of Public Procurement



### Strategic directions

Centralisation provides great potential for the procurement system improvement, where possible, both at programming and management level and / or implementation of contracts.

In particular, the redesign of the governance system for public procurement is proposed, so as to serve optimally the national procurement strategy:

- Creation (in the medium - long term level) of Single Central Procurement Authority which will undertake central planning of procurement and monitoring of implementation of procurement program. Moreover, it will assume responsibility for the execution of part of the program for specific categories, provided in the category strategy as appropriate (according to the classification). Furthermore, the gradual expansion of government procurement categories that will be undertaken by this central authority is proposed with the creation of individual sections within the Central Authority, per basic procurement category (eg goods, services, etc) and / or by policy area where appropriate (eg health sector, education, etc) – i.e. a matrix structure.
- The Central Procurement Authority should have the necessary political power and administrative authorities running through public administration vertically and horizontally, as well as the necessary expertise. Two basic options are presented below:
  - Either to keep it as a structure within the responsible Ministry, upgraded properly
  - Or to create an executive agency, possibly under the Ministry.

Note that the governance of the system should in any case be approached in relation to the procurement strategy and the challenges that should be addressed in order to successfully implement the proposed reform plan.

The enhanced role of such authorities, arises from practices in other countries where, for example, the Central Procurement Authority of the United Kingdom, operates as an independent executive agency, supported by the Cabinet Office.

- Clarification of the role of the authorities and bodies that are involved in the system, grouping of the Contracting Authorities and activation of the new legal framework's provisions for the enhancement of strategic planning, programming, monitoring and performance evaluation responsibilities.

### Action Axis 1.3. Effective implementation of the national procurement program, that is linked with the state budget

#### Evaluation Summary

The existing system for the development and monitoring of the budget and the relevant accounting



system that supports it:

- Does not connect the procurement costs with larger projects or objectives, as it leads to the procurement evaluation in terms of the cost of the particular supply instead of in relation to the biggest objective or result in which the procurement contributes, thus making feasibility assessment (where required ) a formal obligation instead of an essential need,
- leads to unrealistic planning, especially in the case of public procurement.

Moreover, in the current public procurement system, supply requests are addressed to the Central Authority for inclusion in the procurement program, without necessarily presuming that the relevant authorities have already secured the necessary funding. The absence of an effective and realistic programme budgeting is therefore presented which is also linked to the public accounting system.

### Strategic directions

The procurement programming involves the analysis of needs in the medium term (eg per two years / typical planning period under an operational plan), the connection of the program with funding sources and the connection with the state budget.

Key issues for the implementation of the program budgeting are:

- the connection between objectives, priorities and spending
- operational and organisational classification of procurement
- decentralised management and implementation responsibility
- estimation of the budget and costing
- development of objectives and measurement of the financed actions

The reform towards programme budgeting is an integrated method so as to support the effectiveness of decision-making and formulation of public policies. However, the adoption of such a program involves changes in the way the budget is monitored and implemented and with the change in the relevant public accounting system to the double-entry system.

### **Action Axis 1.4. Goals achievement monitoring with continuous feedback**

#### Evaluation Summary

While today there is an IT system in place that maintains historical data, these data have not yet been fully utilised for the continuous evaluation of the system's performance, regarding the implementation of public procurement and budget. However, the upgrade of the system is in progress, through the implementation of the Business Intelligence system (BI) for the exploitation of data of ESHDHS and KHMDS. This upgrade is expected to facilitate the collection and processing of necessary information that will enable the effective management of data, necessary to draw conclusions, regarding the structure and functioning of supply markets as well as demand analysis. At the same time, it will provide input for the formation of the public procurement policy and strategy.

### Strategic directions

Recommendations:

- Maintenance of historical data on public procurement and usage for the continuous evaluation of the performance of the procurement program, regarding the implementation and budget allocation, as well as in terms of the degree of contribution to the procurement strategy aiming at the formation and continuous improvement of an up-to-date procurement strategy.
- Speeding up of the IT system upgrade, through the full implementation of the Business Intelligence system (BI), so as to exploit the data of ESHDHS / KHMDS in order to improve reporting of necessary information and data that will allow monitoring and evaluation of the system's performance and will provide input for the improvement of the strategy scorecard.

### **Action Axis 1.5. Framework and approach modernisation, with a focus on the development dimension**

#### Evaluation Summary



The use of market research methods and tools for public procurement is limited. Such tools are: framework agreements, dynamic purchasing systems and outsourcing (outsourcing).

#### Strategic directions

The action axis aims to the introduction and integration of market research methods and the use of modern tools for public procurement, such as:

- **Dynamic purchasing systems:** It is a completely electronic process for regular / repeated purchases, which is open throughout its duration to any economic operator who satisfies the selection criteria and has submitted an indicative tender that complies with the specifications. The implementation of dynamic purchasing systems allows the participation of more businesses and reduces the possibility of suppliers' exclusion from a framework agreement.
- **Strategic agreements with potential suppliers for introducing innovation into public procurement:** It involves the introduction of new procedures, which are absent from the current system, such as 'Innovation Partnerships' that enables suppliers to freely develop innovative solutions that meet the needs of the contracting authority, with important perspectives for introduction of new technological applications.
- **Outsourcing:** The management of public procurement and handling competitive processes are some of the functions that have already been outsourced internationally. Outsourcing enables organisations to focus on core strategic functions and may lead to significant cost savings.
- **Public-Private Partnerships:** It refers to long term contracts between a public and a private entity for the purpose of execution of works and / or services. It is a form of "outsourcing", based on which the expertise and efficiency of the private sector is utilized while the public sector maintains a strong supervisory role (eg software development, or technology infrastructure as a service).

### 4.3.2 Strategic pillar 2. Targeted reform and rationalization of structures and life cycle processes of public procurement

#### Strategic Pillar 2. Targeted reform and rationalisation of the governance structures and public procurement life cycle

##### *Action Axis 2.1. Public procurements process improvement for the introduction of new procurement methods in the hellenic system*

#### Evaluation Summary

Existing public procurements procedures still present issues that cause delays and increase costs for businesses. Specifically, the existing legal framework has not provided the response times for public authorities so as to respond to acceptance of deliverables and for the payment of suppliers, which significantly prolongs the time of execution of contracts, and increases business costs. Also, although the automatic delivery of the project may apply by contract, there are several cases where public contracts do not include relevant provisions.

#### Strategic directions

The action axis concerns the following:

- Improvement interventions for the public procurements procedures, through simplification of existing process in order to reduce implementation time and new process design such as for the supplier assessment and ones to improve the rate of implementation of competitive procedures and contracting.
- Promotion and implementation of the aforementioned interventions in the legal framework (introduction of institutional deadlines and penalties for non-compliance), to reduce the time required for concluding the procedures, from the stage of the tender procedure until the implementation of contracts, invoicing and payment.
- Conduction of electronic biddings through the operationally improved National System of Electronic

Public Procurement (ESHDHS) aiming to monitor compliance with the institutional deadlines.

- Further use of electronic systems for the automation of processes so as to enable monitoring and compliance with deadlines.

**Action Axis 2.2. Integrated supplier management system, within the procurement system and the processes**

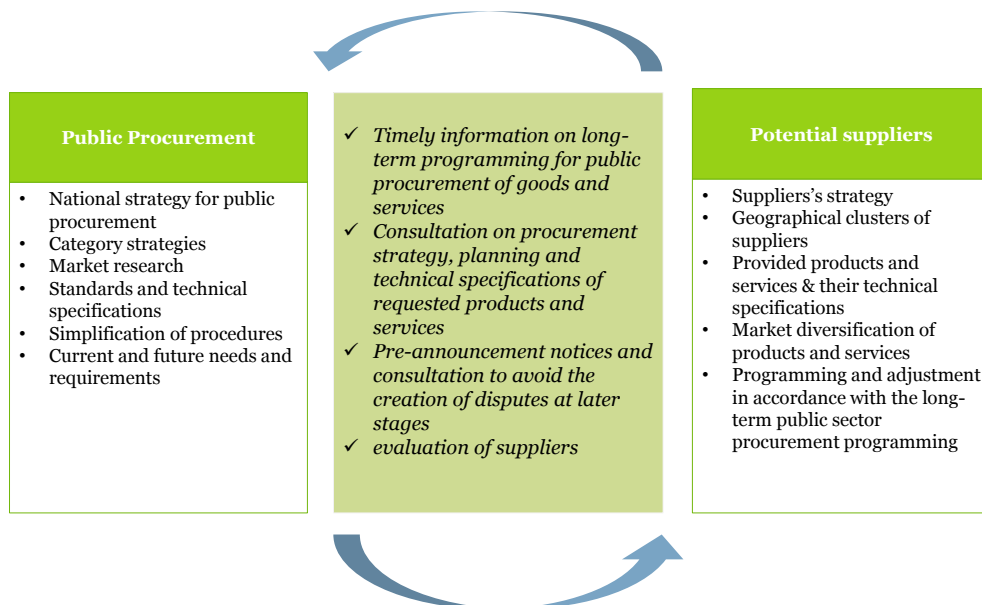
**Evaluation Summary**

In the Hellenic system, the suppliers are being evaluated based on the fulfillment of their contractual obligations without introducing factors of quality, sustainability, etc.

**Strategic directions**

It concerns the transition from the current system at the competition stage and on the basis of satisfactory execution of the contract, towards a new mechanism. This mechanism should be associated with maintaining live registers of potential suppliers, where the supplier’s profiles will be maintained and updated with relevant data.

*Diagram 12: Indicative illustration of how the integrated supplier management converges with the public procurement system*



**Action Axis 2.3. Standardisation for the support of the procurement management and for common practices**

**Evaluation Summary**

The public procurement system for goods and services presents limited standardisation and technical specifications and templates, although it should be noted that some improvement actions have taken place in the recent years on this matter. The standardisation deficit relates mostly to tools utilised for conducting competitions and contracting (standard declarations, standards terms of business, contract templates, etc).

This leads to uncertainties in RfPs and variations in specifications as set by individual contracting authorities even (in some cases) for the same type of material to be procured (eg IT). This means delays derived from objections and also different approaches for contracts’s performance, different types of competitions on the same subject, work load for the Contracting Authorities and ultimately confusion to suppliers.

**Strategic directions**

In order to enhance standardization, the following proposals are presented:

- Implementation of Support Tools for programming, market research (eg e-catalogues, Price Observatory), public procurement procedures (standardised RfPs and notices, guidelines, etc), contracting and management of public contracts (eg contracts templates), billing and payment, and methods of management and planning of the stakeholders, aiming to improve the speed of procedures, to strengthen competition, reduce disparities in tendering procedures and enhance issuance of standards, template documents and good practice guides.

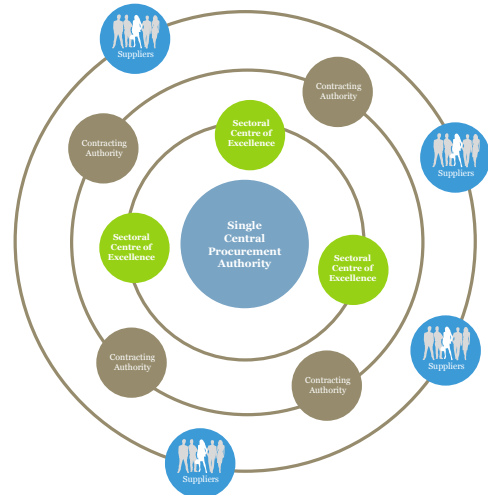
- Development of Centres of Excellence with sectoral specialisation and expertise. Centers of Excellence should be developed for the following areas: Health, Technology, Education and Public Works. A Centre of Excellence for co-financed actions may also be examined.

In any case, the specialisation of the way such centers should be developed is linked to the public procurement governance system. It is therefore proposed, in the early stages of the development of such centers to focus on the level of central government (sectoral ministries) that will cooperate closely with the Single Central Procurement Authority, and with the Contracting Authorities and Suppliers.

- Development of uniform technical specs for basic types of supplies, so as to optimize efficiency of public contracts. With the systematic implementation and use of template contracts and technical specifications, the participation and competition are expected to be enhanced, procurement costs to be reduced and the level of quality of supplies to be enhanced.

Standardisation aims for the reduction of "friction points" between the contracting authorities and the suppliers, ensuring uniform treatment in the territory, reduction of disputes, transparency enhancement and cost - quality ratio improvement. This may also lead to minimizing preliminary and court proceedings.

- Standardisation also involves the establishment of deadlines for the completion of competitive processes from the part of the Contracting Authority so as to accelerate contracting, as well as to develop a mechanism for rational pricing of supplies to be awarded (goods and services).



### 4.3.3 Strategic pillar 3. Strengthening of administrative capacity in decision making and management

#### Strategic pillar 3. Strengthen administrative capacity in decision making and management

**Action Axis 3.1. Provision of strategic information and monitoring of the system's effectiveness and efficiency, using performance indicators that serve the strategic objectives**

#### Evaluation Summary

In the current public procurement system an efficiency evaluation mechanism has not been identified. However, **it should be mentioned that a project assignment concerning such a mechanism is being prepared by EADHSY, and the planned introduction of the aforementioned Business Intelligence System, may also support such a mechanism.**

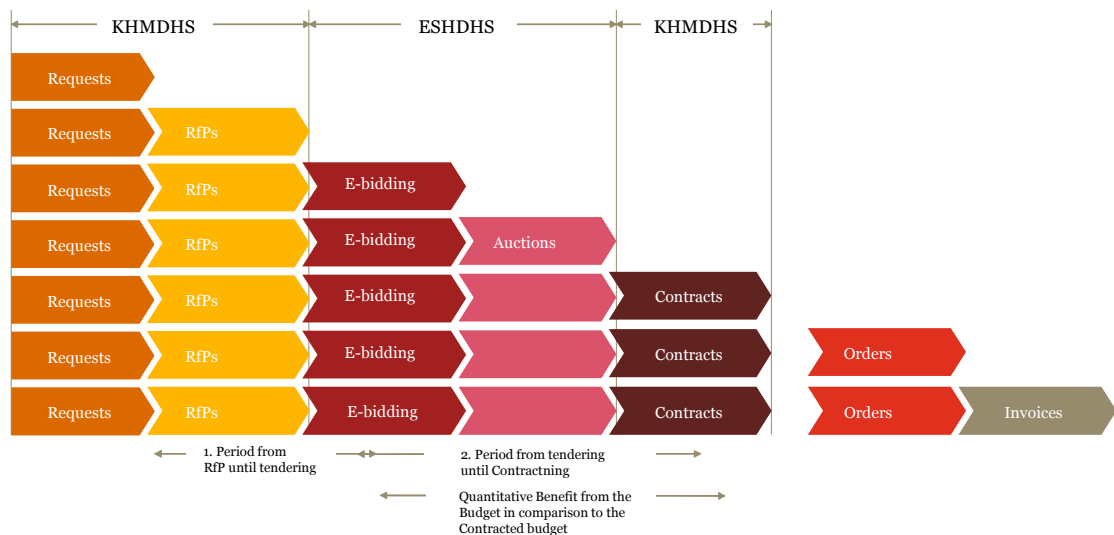
However, until today, the absence of such a mechanism and the absence of a clear scorecard that allows measurable performance evaluation is linked to the lack of strategy and leads to inefficient evaluation of the individual processes (across the range of procurement cycle) and the various authorities involved in the processes (Contracting Authorities, Central Authorities, Audit Institutions). The only existing scorecard

involves the legal provisions for deadlines for individual steps of some of the procedures (notably tendering).

The absence of interconnection between the separate IT systems is also another issue that prevents sufficient monitoring. In particular, there is no interconnection between the procurement requests (via KHMDHS) with the tendering process system (ESHDHS).

Fragmentary data, makes it difficult (or almost impossible) to monitor the effectiveness and performance of the whole, end-to-end, system, by utilising performance indicators. Also, the systems do not monitor the process after contracting.

Diagram 13: Response of information systems at the stages of the overall process



(Source: cosmoONE)

### Strategic directions

The specific action axis involves the following:

- Actions to enhance the provision of strategic information and monitoring the effectiveness and efficiency of the system, through the use of KPIs and information tools with full interoperability in all the relevant authorities
- Effective use of information and communication technologies and the implementation of continuous improvement systems. These involve support and automation tools for monitoring the efficiency of public procurement system, able to support the authorities in procurement management and planning, as well as in contract and supplier management.

**Action Axis 3.2 Support of the involved authorities in carrying out their responsibilities through the direct upgradation of existing and the development of new IT tools**

### Evaluation Summary

Based on the analysis, the current public procurement system provides the necessary systems to support the tender procedures. However, existing information systems do not support end-to-end process of e-procurement across the range of the Procurement life cycle (contract management, supplier management, billing, etc.). Also full interoperability has not been ensured yet, between the existing procurement IT systems and with other databases and information systems of the State and the European Union.

### Strategic directions

It concerns mainly the full exploitation of ICT in support of procurement processes and contract performance, from the competition stage to the stage of payment. These systems should be connected so as to enhance transparency and to improve the speed of execution of processes, increasing productivity of

staff and in this sense are expected to contribute to time and money savings for the public sector and also to contribute to a significant reduction of administrative burden for suppliers, as all items -from ordering to invoicing- may be directly linked to the suppliers' systems.

Indicatively mentioned that, e-auctions (information provided by a large eCommerce provider) have led to cost savings of 23% in average, through 822 e-auctions in public tenders amounting € 36.330.207 from 2002 until today. Especially in the category of medical supplies products and services in the health sector, savings of around 37.7% and 59.2% have been respectively recorded, while savings of 40% have been achieved through e-auctions for consumable supplies like paper & paper products.

**Action Axis 3.3. Ensure public Authorities' management capacity, especially in procurement programming and management**

**Evaluation Summary**

There is a lack of a systematic mechanism for shaping the staffing requirements of the units involved in public procurement. In particular, there are no specific standards for required qualifications / skills of the executives, responsible for public procurement, both at the central level and at the level of contracting authorities. It should be noted however, that such provisions for the certification of personnel involved with the public procurement exist in the new L.4281 / 2014, which has not yet been implemented.

In many supply systems abroad specific qualifications exist and are required for the individuals involved in procurement activities. In some cases, certification of qualifications is also a requirement.

Moreover, there is a lack of an integrated system for training of the existing and new executives, although such provision exists in the L.4291 / 2014. There is also a lack of a systematic way for the exchange of information and common practices among authorities and staff involved in the proceedings. Lastly, in some cases quantitative and qualitative staffing shortages exist.

**Strategic directions**

This particular action axis involves the necessary actions to enhance management capacity in public procurement, such as adequate quantitative and qualitative staffing of the Central Procurement Authorities and of the Contracting Authorities, setting specific qualification skills for the relevant personnel. It also involves continuous training and education programme for relevant human resources, etc. Such provisions have been incorporated in the L.4281.

## 4.4 Suggested interventions

The suggested interventions were formed so as to support the systemic improvement of the procurement system, while at the same time, to shape the conditions for the implementation of measures that will lead to a long-term transition towards a more mature system (paradigm shift).

In the presented table below, each proposal is related to the pillars of the proposed strategy and dimensions of an integrated public procurement system.

Strategic Pillars		Strategic pillar	Strategy	Governance, Roles and Responsibilities	Processes	IT	Evaluation / Continuous Improvement	Organisation / Human Resources	Legal framework
1	<p><b>Streamline the public procurement strategy so as to service the national development objectives</b></p> <p><b>2) Targeted reform and rationalisation of the governance structures and public procurement life cycle</b></p> <p><b>3) Strengthen administrative capacity in decision making and management</b></p>								
1	<p><b>Shaping a common strategy for public procurement as a development tool for the country and specialize by type of supply category</b></p> <p>The specialization by type of supplies should be made on the basis of implementation of this strategy and taking into consideration the strategic positioning of supplies class based on significance of the kind of commissions that include based on the complexity of the market. Examples should be considered:</p> <ul style="list-style-type: none"> <li>the characteristics of each category (eg consumable supplies, health supplies, services, etc.)</li> <li>the sizes of supplies of this category (outturn data)</li> <li>the market situation in the same category and</li> <li>data from the best practices in the public and private sector in Greece and internationally</li> </ul>	1	√						
2	<p><b>Establish a national procurement program and link it with the state budget (programme budgeting)</b></p> <p>The procurement planning, in the sense expressed, does not involve only the gathering of supplies requests but also meaningful analysis needs for a medium term period (eg two years), in the form of a business plan (program budget) and in connection with funding sources and the State budget</p>	1	√		√				
3	<p><b>Introduction of new tools for public procurement, such as:</b></p> <ul style="list-style-type: none"> <li>Framework Agreements</li> <li>Dynamic purchasing systems</li> <li>Outsourcing</li> <li>Public – Private Partnerships</li> <li>Innovation partnerships</li> </ul> <p>Where applicable, depending on category strategies.</p> <p>Expertise of public procurement systems in countries where these tools are utilized effectively (eg UK, Denmark) and of the private sector, may be used.</p>	1	√		√				
4	<p><b>Use of market research methods, such as:</b></p> <p><b>A) Market observatories</b></p> <p><b>B) e-catalogues</b></p> <p>The Observatory may be used as a source of information and strategic cooperation with economic operators and the market. In United Kingdom, through the Shared Business Services, a wide range of market research services, expertise and of strategic importance information to support the procurement planning is provided centrally to all public bodies and organizations.</p> <p>The use of the aforementioned methods in some type of supplies, is estimated that does not only present economic benefits but also may simultaneously support the use of several procurement tools (eg dynamic markets) bringing indirect simplification of ordering process and allowing checking of the quantities, to avoid overruns.</p>	1&2	√		√				
5	<p><b>Use of framework agreements (for goods and services where applicable) through which significant volume discounts may derive.</b></p> <p>According to the Danish model, the key prioritisation criteria for framework agreements are a)</p>	1		√					

**Strategic Pillars**

- 1) Streamline the public procurement strategy so as to service the national development objectives
- 2) Targeted reform and rationalisation of the governance structures and public procurement life cycle
- 3) Strengthen administrative capacity in decision making and management

		Strategic pillar	Strategy	Governance, Roles and Responsibilities	Processes	IT	Evaluation / Continuous Improvement	Organisation / Human Resources	Legal framework
	<p>the standardisation level and b) the cost of commission. Their utilisation gradually expanded from high standardisation goods and services / expenditure (eg IT hardware &amp; software) towards less standardised supplies.</p> <p>In Greece, the initial implementation of framework agreements may start with commissions that may be standardized, with specs that present high homogeneity and are a source of large public expenditure, so as to achieve significant savings.</p> <p><i>Diagram 14: Focus areas of framework agreements in Denmark</i></p>								
6	<p><b>Redesign of the governance system for public procurement in order to optimally serve the national procurement strategy:</b></p> <ul style="list-style-type: none"> <li>• <b>Creation of a single Central Procurement Authority</b></li> </ul> <p><b>Transitionally:</b></p> <ul style="list-style-type: none"> <li>• <b>Clarification of roles for the involved authorities</b></li> <li>• <b>Rational distribution of control responsibilities</b></li> <li>• <b>Grouping of the Contracting Authorities</b></li> </ul> <p>The Central Procurement Authority should have the necessary political power as well as the necessary expertise. Note that the governance should in any case be seen in connection with the procurement strategy.</p> <p>The grouping may be achieved on the basis of concentration of the similar (in type) contracting authorities (eg operating similar infrastructure procurement). Indicative grouping criteria are the following:</p> <ul style="list-style-type: none"> <li>- size of the budget that the authorities manage (historical / outturn)</li> <li>- specifications of procurement needs</li> <li>- administrative supervision range (Municipalities, Regions),</li> <li>- possibility of achieving economies of scale, etc..</li> </ul> <p>An important aspect is the introduction of competency certification system for the contracting authorities and the regular evaluation (eg achieving tendering schedule).</p>	1		√					
7	<p><b>Develop 'Centers of Excellence' with sectoral specialisation and expertise</b></p> <p>Development of central organisations or organisational units, at a sectoral level, which demonstrate high level of expertise, may export this expertise and may create synergies in the public procurement system. In particular, it is proposed to develop Centers of Excellence for the following areas:</p> <ul style="list-style-type: none"> <li>• Healthy,</li> <li>• Technology,</li> <li>• Education,</li> </ul>	1&2		√					



**Strategic Pillars**

- 1) Streamline the public procurement strategy so as to service the national development objectives
- 2) Targeted reform and rationalisation of the governance structures and public procurement life cycle
- 3) Strengthen administrative capacity in decision making and management

	Strategic pillar	Strategy	Governance, Roles and Responsibilities	Processes	IT	Evaluation / Continuous Improvement	Organisation / Human Resources	Legal framework
8	<p>• Public Works and for co-financed actions, if necessary.</p> <p><b>In any case, the specialisation of the way such centers should be developed, is directly linked to the public procurement governance system.</b></p> <p>During the early stages, the development of such centers may be promoted within the relevant sectoral ministries. These centers will work closely with the Central Procurement Authority, and with the Contracting Authorities and Suppliers, providing expertise in helping to shape specifications, guides of best practices and generally to promote standards and the provision of helpdesk services.</p>							
8	<p><b>Creation of an integrated supplier management mechanism through:</b></p> <p><b>a) Unified Certified Suppliers Registries</b></p> <p><b>b) Legal provisions for the suppliers' performance evaluation process</b></p> <p>The proposal concerns the introduction of an integrated approach for supplier management, as an integral part of the procurement system and the individual processes.</p> <p>It involves the creation of a unified registry for suppliers, which will assist the Contracting Authorities by maintaining timely and valid data for suppliers</p> <p>Note that where registries should apply, this should be a comprehensive mechanism with standardised criteria, procedures, deadlines, etc., its independence should be ensured and it should be based upon current data and be updated continuously.</p>	√		√		√		
9	<p><b>Redesign of the procurement programming process aiming at ensuring the Contracting Authorities's compliance in providing the necessary information.</b></p> <p>Specifically, to the extent that today there are cases where contracting authorities do not inform the Central Procurement Authority, despite the fact that it is a legal provision, the timely information may be ensured through a system of incentives and disincentives (eg penalties) which may be related the validity of the tender procedure.</p> <p>The practice followed for DIAYGEIA with a unique number being released may be considered as a good practice that can be adopted in this case, to the extent that will ensure the necessary response speed so as not to burdened the procedures.</p>			√				
10	<p><b>Standardisation enhancement across the spectrum of the public procurement system, especially through:</b></p> <p><b>a) issuance standard documents for RFPs and contract templates</b></p> <p><b>b) standards for technical specifications for certain types of supplies so as to ensure uniform treatment within the territory</b></p> <p><b>c) implementation of a common terminology in public procurement</b></p> <p><b>d) Standards (flowcharts and documents) for procedures (programming, tendering, award and execution of contracts, payments, monitoring, etc.)</b></p> <p>This standardisation is estimated that will contribute to the speeding up of procedures, may limit administrative burden and it also relates to competition enhancement and the reduction of differences between similar tendering procedures.</p>			√				
11	<p><b>Further simplification of processes (competitive processes, contracting and execution of contracts, delivery, invoicing and payment) with realistic deadlines for the administration</b></p> <p>a) Further streamlining of competitive processes by reducing the steps where feasible and updating process given the capabilities provided by the process automation (ESH DHS)</p> <p>b) In addition, provision for a further reduction of the number of documents and automatic search of the remaining documents (by the contracting authority itself or by links to other databases and registries) where possible. According to the OECD, the implementation of the recommendation for the formal declaration requirement at the stage of supply (abolition of the submission of other evidence) may bring down the supporting bid assembly time by 70% for business.</p> <p>c) Establishment and implementation of realistic deadlines</p> <p>– Establishment of maximum time period for carrying out all stages of the evaluation (not</p>	2		√				



**Strategic Pillars**

- 1) Streamline the public procurement strategy so as to service the national development objectives
- 2) Targeted reform and rationalisation of the governance structures and public procurement life cycle
- 3) Strengthen administrative capacity in decision making and management

		Strategic pillar	Strategy	Governance, Roles and Responsibilities	Processes	IT	Evaluation / Continuous Improvement	Organisation / Human Resources	Legal framework
	<p>just unsealing) of tenders</p> <ul style="list-style-type: none"> <li>- Prediction of all declarations (via standards) of the maximum period of an interim completion of individual deliverables, in order to ensure that the implementation times of the Contracts are followed and bind both the Contractor and the Contracting Authority</li> <li>- Establishment of response time of the Public Administration in the issuance of the acceptance protocol for the timely payment of suppliers</li> <li>- Implementation of an incentive-disincentive system for ensuring the observance of deadlines by the management.</li> </ul> <p>To implement automatic search features for documentation interoperability of ESIDIS with corresponding systems - Registers is required (eg TAXIS, IKA, GEMI, OAEE)</p>								
12	<p><b>Implementation of classification and coding systems for goods, services (and projects) in all fields, by adopting and continuously adapting to the applicable current European coding systems (eg. Common Procurement Vocabulary)</b></p> <p>The use of common terminology for public procurement is one of the key recommendations of the EU for improving procurement systems in the Member States. Note that the L.4281 / 2014 stipulates the use of the "Common Vocabulary procurement» (CPV) parallel but predicts the case of divergent interpretations of the scope, due to differences between the CPV nomenclature and the NACE Nomenclature or between the CPV Nomenclature and CPC Nomenclature whose use prevail for some cases of supplies (see., respectively Annexes I, XII, II, XVII of L.4281 / 2014).</p>	2			√				
13	<p><b>Timely information and consultation with economic operators both at the procurement program level and at the competition level.</b></p> <p><b>Possibility of pre-announcement bulletins for the expected procurement procedures for better information and preparation of the suppliers.</b></p>	1&2		√	√		√		
14	<p><b>Acceleration of dispute resolution arising from public contracts</b></p> <ul style="list-style-type: none"> <li>- Examination of the possibility to introduce administrative resolution of disputes arising in public procurement (eg lodge an administrative appeal)</li> <li>- Review of the fees of Appeal, as the current cost discourages enterprises to take legal action (eg in cases of Interim Measures)</li> <li>- Utilisation of alternative dispute resolution methods: Enlargement of the arbitration clause to resolve disputes that arise throughout the process of public procurement</li> </ul> <p>For the implementation of alternative resolution methods it is necessary to ensure the legality, as some disputes are characterised by high complexity.</p> <p>A similar initiative of alternative dispute resolution has been applied in the United Kingdom: The Supplier Feedback Service is a service responsible for monitoring and resolving issues that may arise during the procurement process, for the process improvement and performance of the public sector in contracting. The service gives the possibility to suppliers to raise concerns about public procurement practices when efforts to resolve issues with the Contracting Authority have failed. Also, the Service takes preventive actions to reduce the risk of similar cases in other Contracting Authorities.</p>	2			√				
15	<p><b>Functionality improvement of existing systems (eg. ESHDHS) and utilisation in areas that they do not operate (eg. Health Sector).</b></p> <p>Countries applying electronic systems, is estimated by the General Secretariat of Commerce and Consumer Protection (GGE) that save from 5% to 20% of costs for public procurement.</p> <p>Also, GGE estimates that the digitization of tenders process for all bodies of Public Administration may bring savings of public expenditure of approximately 2.2 billion euros per year.</p> <p>At the same time, the utilisation of systems of accredited providers that offer applications and services not currently available from ESHDHS is estimated that may bring significant benefits for the public sector.</p>	3				√			
16	<p><b>Creation of Single Public Procurement Database and ensure interoperability with all individual systems of the public sector and the contracting authorities</b></p>	3			√				

**Strategic Pillars**

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	<p>The database will maintain all available data on public procurement as:</p> <ul style="list-style-type: none"> <li>• Market research data (prices, contracts, etc)</li> <li>• Standard / template declarations / contracts</li> <li>• Studies</li> <li>• Best practices</li> <li>• Audit findings, etc</li> </ul> <p>A similar system has been implemented in Britain. On the website of the British government Policy &amp; Standards Framework: best practice guidance are published. The Policy &amp; Standards Framework is an on-line portal, which provides guidance and support on key principles and procurement procedures in the public sector.</p> <p>In Greece, the establishment and maintenance of the Unified Database of Public Procurement is one of the main responsibilities of EAADISY.</p>								
17	<p><b>Implementation of electronic invoicing in the Public Sector</b></p> <p>Through the application of electronic invoicing, payment processes may be speeded up considerably, and also public bodies will be able to plan promptly and immediately the payments of suppliers.</p> <p>The automation of invoicing through electronic invoicing began in Denmark since 2005 and has brought significant savings in the range of € 120-150 million per year from the elimination of printing and mailing of invoices. The implementation of electronic invoicing and direct acceptance by suppliers (by 95% during the first year of implementation) was an important step for the digitization of public procurement process from start to finish, to the benefit of public and private sectors.</p> <p>Apart from Denmark, several European countries have already implemented compulsory electronic invoicing B2G (Business - to - Government), including Norway, Finland and more recently France (2014) and Scotland (2015). Also, many other Member States have adopted initiatives to encourage and standardize the use of electronic invoicing in public procurement.</p>	3			√	√			
18	<p><b>Implementation of mechanism of continuous monitoring and evaluation of performance and effectiveness of the system at the procurement programme level</b></p> <ul style="list-style-type: none"> <li>- Monitoring of programme budget and evaluation based on the results of its implementation. The procurement programme concerns meaningful needs analysis in the medium term (eg every two years / typical planning horizon under an operational plan), and the program must be linked to funding sources and the State Budget.</li> <li>- Use of review data for all procurements implemented as an effective policy tool that will provide input so as to redefine procurement strategy overall and by category</li> <li>- Performance assessment in relation to the achievement of strategic and operational objectives of the Public Administration, through the application of KPIs and implementation of a continuous improvement system related to the Strategy</li> </ul>	1					√		
19	<p><b>Designing of a model for the minimum competency requirements at all levels of public administration in the procurement governance system, at least in matters of:</b></p> <ol style="list-style-type: none"> <li>a) organizational</li> <li>b) human resources</li> <li>c) systems, infrastructure and tools</li> <li>d) continuous improvement and systematic know-how transfer in accordance with the Public Procurement Strategy</li> </ol> <p>The capabilities of the Authorities in the execution of public procurement can be ensured by implementing a certification system for Contracting Authorities that follows specific standards (organization, human resource, infrastructure, and systems) and also for the executives who are responsible for public procurement.</p> <p>The certification of staff involved in public procurement procedures is referred in L.4281 / 2014 (Article 196), via a register of certified public procurement officers (Mi.P.Y.Di.Sy). Accordingly, it is proposed to build a certification system for contracting authorities, based on which they will be assessed for their proficiency in the management and execution of public procurement.</p> <p>Through certification, the Contracting Authorities and individuals may be reviewed on an ongoing basis in order to retain their competences.</p>	2						√	

**Strategic Pillars**

- 1) Streamline the public procurement strategy so as to service the national development objectives
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		Strategic pillar	Strategy	Governance, Roles and Responsibilities	Processes	IT	Evaluation / Continuous Improvement	Organisation / Human Resources	Legal framework
	The above proposal applies in many supply systems abroad and in many cases qualifications and certification is required. In mature procurement systems, know-how transfer is standardised and automated through a continuous exchange of information between stakeholders, which is evidenced by the regular cooperation between the parties involved (eg example of the United Kingdom and France).								
20	<p><b>Application of provisions of the L.4281 / 2014 (Article 195) for the creation and maintenance of a registry of evaluators and for the selection of executives as members of Evaluation Committees in tendering process, also broadening the forecast for the Monitoring Committees and Acceptance so as to ensure both the transparency and expertise.</b></p> <p>The proposal relates to the creation and maintenance of records of managers of the public sector, who have the appropriate expertise and experience in a range of supply categories, or in a type of procurement process (eg framework agreements, outsourcing, etc) through which the selection (in a random way) of the members of Evaluation and Monitoring and Acceptance Committees is made, depending on the case.</p> <p>In particular, the L.4281 / 2014 (Article 195) foresees the creation and maintenance of a registry of evaluators to be grouped in categories according to the profession and / or their specialty and they are selected depending on the nature and type of object of the competition. The choice of the evaluators is done by an electronic draw via ESHDHS between evaluators of categories - specialisations that are required per case.</p> <p>A similar approach could be applied to the creation of registers for selecting members of the Monitoring Committee and Project Acceptance. These registers may be integrated both in the context of the Central Authorities and Contracting Authorities and within the Centres of Excellence, for the necessary sectoral expertise.</p> <p>In any case the records should be mechanisms with standardised criteria and procedures and up-to-date data.</p>	2						√	
21	<p><b>Systematic and continuous training of executives to enhance the expertise, with key objectives:</b></p> <p>a) to improve efficiency and their effectiveness</p> <p>b) to treat opacity cases</p> <p>It includes indicatively, the implementation of regular seminars to meet the needs of all of contracting authorities (and not just specialised staff) with emphasis on performance management and improvement, that does not just focus only on the legal framework.</p>	2						√	
22	<p><b>Acceleration of formulation and implementation of new consolidated single legal framework for public procurement in line with the new European directives</b></p> <p>It regards the establishment of a modern and efficient framework for public procurement that:</p> <ul style="list-style-type: none"> <li>- Emphasizes on procurement strategy and programming</li> <li>- Provides for effective governance</li> <li>- Covers efficiency and effectiveness of service contracts, with emphasis on consulting services (there is a lack in the current framework)</li> <li>- Sets the framework for the improvement and simplification of procedures, by automation and use of technology, both for speeding up processes and for transparency issues, as well as the ability to evaluate the effectiveness of the system.</li> </ul>	1							√
23	<p><b>Include provisions in the legal framework for public procurement, to protect competition and avoid the phenomenon of collusion in tenders</b></p> <p>Refers to the utilisation of the relevant OECD Guideline for the Evaluation Competition Conditions: guidelines on key issues to be taken into account in conducting the assessment of situations of competition.</p>	2							√

