

Case Study on the Office of Government Procurement (OGP)



Case Studies on Innovation and Reform
in the Irish Public Sector

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Foreword

The Reform and Delivery Office (RDO) in the Department of Public Expenditure and Reform has developed two Case Studies on Public Sector Reform in partnership with two academic institutions and public bodies. This Pilot Project was established to produce a teaching resource for lecturers and students of public policy and public administration, as well as those interested more broadly in organisational change. The study is intended to encourage learning among students and practitioners of public policy and also to inform the design and implementation process of future policy and administrative reforms. Furthermore, by telling the story behind these Case Studies it is hoped to communicate achievements and lessons learned and to acknowledge the significant progress that has been made under the Public Service Reform Programme in Ireland in recent years.

The two Case Studies on Public Service Reform have been undertaken by the RDO in conjunction with the following public bodies and academic institutions:

- Intreo, the “one-stop shop” for jobseekers in Ireland, authored by The Geary Institute, University College Dublin (UCD)
- Office of Government Procurement (OGP), authored by the Irish Management Institute (IMI)

Public Service Reform has been a key element of Ireland’s response to the economic downturn since 2011 and has contributed to the subsequent economic turnaround. To date, two Reform Plans have been implemented and a third focused on Public Service Development and Innovation will be published in late 2017. While the strategic imperative for reform was the deteriorating economic and fiscal crisis in 2011, the goal of ensuring the Public Service has the capacity to meet future challenges remains a fundamental, ongoing strategic concern and driver of the next phase of development. Each of the Case Studies is rooted in



the aims of the 2011 and 2014 Public Service Reform Plans, to institute greater innovation, cost and efficiency savings, and better service delivery for Public Service users.

The Case Studies benefit from the input of the key public policy practitioners, who led and continue to lead these significant change programmes and are based on interviews and research undertaken by leading academics.

The Department of Public Expenditure and Reform would like to acknowledge the contributions of all those involved in the production of the Case Studies, without whose time and continual dedication, this project would not have been possible.

The Case Studies are not intended to be evaluations of the overall success and impact of the cases examined, rather, the aim is to capture reflections on the key organisational learning around management of a significant Public Service Reform initiative at the time of its establishment and its ongoing implementation as new processes and ways of working bed down.

The Case Studies provide a valuable record of Public Service Reform initiatives in Ireland. It is hoped they will be of interest and value to the reader and will inform the learning of future public policy practitioners.

Reform and Delivery Office

July 2017



Abstract

This case study analyses the establishment of the Office of Government Procurement (OGP) as the central purchasing body for all Irish public service procurement. The case charts the early journey of the OGP from its establishment in 2013, its initial successes and challenges in its first phase of growth up until 2016 and poses the question of how it should continue to develop and evolve.

The case is set against the backdrop of the economic crisis which beset the Irish economy at the time of the case. The OGP was established with a challenging goal of saving a significant amount of public money, widely reported to be in the region of €500M out of a total procurement spend of approximately €9.5BN, by introducing professionalised procurement practices within the public service and by centralising government procurement. At the time, procurement across the public service was fragmented, with many departments having their own procurement functions, and while there were pockets of excellence, the processes were not consistent and significant economies of scale and scope were not being fully leveraged.

The case describes the challenges the organisation faced in putting in place a new leadership team, articulating core values and ways of working, defining new practices and integrating staff from other departments, all while trying to deliver against stretching cost reduction targets. The case also deals with the strategic pivot the organisation needed to make as the economy quickly improved and the agenda needed to move from a focus on cost-saving to one of adding value to the procurement relationship. The case also takes the example of how the OGP interacted with the Department of Education as a “case within a case” to ventilate the operation of the process in the context of a specific worked example.



As the case concludes in 2016 we see that the OGP has grown to an organisation of approximately 200 people and has delivered savings of €160M. In common with many start-up organisations, the exigencies of meeting the challenges of the early days have sown the seeds of the challenges to be faced as the organisation matures i.e. the focus on “getting the job done”, delivering the targets and providing (often bespoke) customer service has detracted from the time to mature the processes, develop leadership capabilities and create a talent pipeline. The organisation must also wrestle with the dilemma of generating cost savings while also protecting the indigenous SME sector for whom government is a significant buyer.



1. Introduction

Reform of public procurement has been a cornerstone of Public Service Reform in Ireland in recent years. In 2014, Public procurement expenditure in the State was estimated to be between 10% and 12% of GDP; approximately €9.5 billion. This in turn represents a significant portion of overall spending in the economy.

The Office of Government Procurement (OGP) was established in 2013 with the goal of reducing costs and maximising value for money and operational efficiency through instituting central management of the public procurement function. Although the OGP, as an organisation seeking to drive significant change across the Public Service, is relatively newly established in terms of delivering on a new way of managing the public procurement function in the State, it is timely to consider some of the issues arising and possible lessons learned from a change-management and innovation perspective. As of 2016 the OGP is already one of the largest central purchasing bodies in Europe¹ and a powerful instrument of cross-cutting change in the public service, but the OGP, with a current staff of 200 people within a system of more than 300,000 (Central Statistics Office, 2016), it is still learning, still growing and still building capability (CPO, 2016).

The OGP, and its partner sector sourcing organisations, have enabled significant savings (€160m) in the first three years to the end of 2015 (Department of Public Expenditure and Reform, 2016a). This is an impressive figure, achieved as a direct result of setting up the new centralised model. However, it had been estimated that savings could potentially be in the region of €425-500M (in non-pay expenditure) over three years, from a baseline of €6.9BN in 2012 to c. €6.4BN in 2016 (Office of Government Procurement, 2015).

¹ A central purchasing body is defined by Directive 2014/24/EU of the European Parliament as a contracting authority providing centralised purchasing activities and, possibly, ancillary purchasing activities.



The changing economic landscape at the time of the establishment of the OGP presented several challenges to the organisation, primarily in terms of recruiting and retaining staff. The OGP has worked to develop the organisation year-on-year in terms of growing its staff quota and capacity, manage its work-load effectively and have a greater impact in terms of cost savings. The OGP is conscious of maintaining the momentum it has built up. However, on-going recruitment issues continue to present challenges.

The OGP leadership took the decision to develop a strong Vision- and Values-led culture to guide its expansion from a small core group of staff at the outset to a team of almost 200 people. As it has grown in numbers and capacity, it has encountered challenges in terms of achieving a suitable balance between managing tasks in a rapidly growing organisation and managing its people and their development.

This case study looks at the OGP as an organisation over its first three years and reviews its development over key stages. It begins by describing the backdrop to the establishment of the OGP: the worsening fiscal crisis, straitened public finances and resultant political commitment to public sector reform to drive efficiencies and cost savings. It sets out the background to public procurement and how it was managed in Ireland in the years preceding the establishment of the OGP. It then considers the development of the OGP year-on-year, outlining the progress made, challenges encountered and approaches taken to address these. Finally, the conclusions set out where the organisation now sees itself in terms of the main challenges in 2017.

It is hoped that this case study will inform both practitioners and students of public policy, as well as members of the public, around issues encountered and solutions being deployed in establishing a large cross cutting public sector organisation. It is important to note that the case study is not intended to be an evaluation; rather, it aims to capture reflections on the key organisational learning around management of a



significant Public Service Reform initiative at the time of its establishment and its ongoing implementation as new processes and ways of working bed down. The case study benefits in this regard from interviews with key figures – OGP public procurement professionals and policy practitioners who led and continue to lead this significant change programme. Their insights are crucial to understanding how the OGP has developed, the challenges it has encountered and in capturing the lessons learned to date.



2. Context

Economic Crisis, Expenditure and Reform in Ireland

The global financial and economic crisis, and the Eurozone fiscal crisis affected Ireland deeply. A bailout by the IMF-EU-ECB Troika was instituted in 2010 (Kickert, Randma-Liiv and Savi, 2015) to address the worsening economic situation. The election in 2011 of a new coalition (between centre-right Fine Gael and centre-left Labour) government, with a reform mandate, led to the creation of a new Department of Public Expenditure and Reform (DPER) in 2011.

DPER was given dual mandates: reducing public spending to more sustainable levels while also driving a public service reform programme designed to reduce costs and improve public services (Department of Public Expenditure and Reform, 2016b).

In November, 2011, DPER published its Public Service Reform Plan which set out to “prioritise a number of the cross-cutting initiatives of major structural importance to Public Service Reform” including the goal to “accelerate the reform of procurement” as a policy measure aimed at “radically reducing our costs to drive better value for money.” (Department of Public Expenditure and Reform, 2011, pp. 4-9).

The 2011 Reform Plan recognised that there had already been an element of prior procurement reform, which included 45 national frameworks in place at that time. The Reform Plan undertook to “implement further initiatives in enforcement, performance measurement, mandated use of common frameworks, increased professionalism, greater use of category management and more innovative use of technology.” (Department of Public Expenditure and Reform, 2011, pp. 4-9).

In August 2012, the Government commissioned a report, entitled “Capacity and Capability Review of Centralised Procurement Function” to “identify the actions required to realise substantial savings in public



procurement in the short to medium term, and to build additional on-going procurement sourcing capabilities and structures for continued procurement practice improvement and greater efficiencies". (Department of Public Expenditure and Reform, 2012, p. 13).

While contributing to deficit reduction was the clearest priority, it was also recognised that Ireland's procurement cycle time (from invitation to tender to contract award) could also be improved, given that it was rated as relatively slow (Department of Public Expenditure and Reform, 2012).

While it was acknowledged that there were "pockets of excellence" in procurement practice within the Irish Public Service, it also said that "these need to be replicated and implemented in a consistent manner across all sectors." (Department of Public Expenditure and Reform, 2012, p. 11). The Report identified that the existing approach was fragmented, without, for example, adequate systems or data to support decision-making. It surmised that substantial savings could be achieved through a centre-led, cost reduction programme and recommended that a single, integrated procurement function responsible for policy, sourcing and category management of common categories and support operations be established. The Report specified that this function should be led by a Chief Procurement Officer (CPO) within a National Procurement Office (NPO). This new NPO would deliver better value to the taxpayer through a consistent, standardised approach, aligning policy and operations (Fennelly, 2014).

In July 2013, the Government established the OGP to address the capacity and capability gap in the existing procurement practices through a more "joined-up" model for government procurement of goods and service. Whole-of-government arrangements were to be put in place in areas such as professional services, ICT, facilities, travel and HR Services." (Watt, 2015). The establishment of the OGP was intended



to effectively centralise, professionalise and harness monopsony power (DEPR Staff, 2016).²

Background to Public Procurement in Ireland

Centralised procurement is not a new idea; indeed, it already existed to a limited extent in Ireland prior to the establishment of the OGP. Reform of public procurement had also been commenced a couple of decades previously. In 1999 the Government Action Plan on Implementing the Information Society in Ireland established a cross-departmental project to provide public procurement information electronically (Department of the Taoiseach, 1999, p. 8). The Department of Finance then established an eProcurement Consultative Committee which led, in 2001, to the publication of a Government-commissioned consultancy report entitled “Strategy for the Implementation of e-Procurement in the Public Service” (PriceWaterhouseCoopers, 2001). The National Procurement Service was established in 2009 on foot of one of the recommendations of this Strategy (see more below).

Centralised procurement as part of a shared services programme subsequently featured in a Transforming Public Services Report produced in 2008 by a Government appointed task force, based on the 2008 OECD Review of the Irish Public Service. (Department of the Taoiseach, 2008).

Prior to the establishment of the OGP, procurement policy and practice in Ireland had been managed across a number of bodies, as follows:

The National Procurement Policy Unit (NPPU) was established in 2002, in the Department of Finance (later moved to the Department of Public Expenditure and Reform). With 4 staff, its role was to develop a National Public Procurement Policy Framework. The NPPU was also responsible for the development of a national eProcurement portal (etenders.ie), for

² Monopsony power occurs when one large buyer controls a large proportion of the market



which Ireland earned the reputation of being a “pioneer of e-procurement adoption.” (European Commission, 2016a). The eTenders portal, launched in 2001, was maintained by the National Procurement Service (NPS – see more information below) and upgraded in 2012. E-procurement was “relatively well developed” with a platform that was “comprehensive, easy to navigate, and freely available to all.” (European Commission, 2016b). The NPPU transferred to the OGP in June 2013.

The National Procurement Service (NPS) was established in 2009. It was based in the Office of Public Works (OPW), with a staff of just under 50 Civil Servants and frameworks covering €434 million. In 2011, the NPS achieved savings of approximately €37 million (Department of Public Expenditure and Reform, 2012, p. 29). The NPS transferred to the OGP in January 2014.

The Centre for Management and Organisation Development (CMOD) was responsible for “monitoring and approving ICT spend in civil and public service bodies, telecommunications policy and infrastructures, eGovernment policy and infrastructures, technology research and policy, central ICT procurements and frameworks, and common IT systems including payroll and HR management.” (PriceWaterhouseCoopers, 2001). It had two staff working full-time on procurement.

Commercial Contracts Support, Chief State Solicitor’s Office (CSSO) was responsible for provision of legal advice to procurement users in contracting for goods and services across all sectors.” (Department of Public Expenditure and Reform, 2012, p. 28).



3. The Challenges

When the OGP was established, spending on goods and services was estimated at €9billion, €6.9BN of which was sourced through state purchasing processes. (Department of Public Expenditure and Reform, 2012).

By establishing a single, integrated procurement office to focus on common categories of goods and services, the Government tasked OGP with not only implementing policy and reducing risk for the state, but also delivering considerable savings (Office of Government Procurement, 2015).

There were several challenges to achieving the ambitious target:

- The challenge of working across Government Departments and Bodies “many who see departmental silos as therefore intractable or even desirable.” (Page et al, 2014).
- The challenge of making the level of savings which had been anticipated at the outset. International evidence suggests that cost savings associated with shared services are usually less than anticipated, with longer payback periods in the public sector when compared with the private sector (Department of Public Expenditure and Reform, 2015).³
- The overall complexity of managing the public procurement process in compliance with EU directives (Department of Public Expenditure and Reform, 2015a). Given the increasing complexity of the requirements governing public sector procurement, those involved need to be aware of prevailing EU and national legislation and government policies as well as internal procedures that,

³ 81% of private sector organisations report payback between 1-4 years and 17% less than 1 year whereas of the Irish public service organisations, 62% anticipate payback after more than 4 years, with the remainder between 3-4 years (DPER, 2015)



together, make up the overall procurement environment for the OGP.⁴

⁴ The legislative requirements governing public sector procurement are set out in the *Treaty on the Functioning of the EU* ("TFEU") and a number of EU procurement directives transposed into Irish law by way of statutory instruments. In addition, decisions arrived at by the *Court of Justice of the European Union*, as well as by national Courts, afford interpretation of the requirements of the TFEU and directives which are also binding in nature, even where requirements are created which go beyond those specifically set out in the legislation. Precedents are established which must be adhered to by the EU member states.



4. Early Days: Building the Team

A new role of Chief Procurement Officer (CPO) was approved in September 2012, and reflecting Government commitment, the post was quickly advertised. The government's first CPO was appointed at the end of 2012, and started work in early 2013. The new CPO came with 28 years' experience from Eircom (now trading as Eir), where he had worked in a variety of roles, most recently as Supply Chain Director where his responsibilities included procurement and a number of other shared services. He had previously worked for the Irish state-owned telecommunications organisation (Telecom Éireann), which was privatised (becoming Eircom) in 1999 and subsequently experienced a series of major changes: divestment, delisting from and re-floating on the stock exchange, acquisition, and change of ownership (CPO, 2016). He had led the procurement transformation in Eircom, starting in 2007 and establishing a team of about 20 people (varying over the years), with an annual spend on goods, services and works of approximately €500M. He was, however, something of an unknown quantity in the Civil Service, and spent his first few months consulting widely, building relationships and developing a comprehensive overview of public procurement. This overview informed a detailed 20-page action plan submitted and approved by Government at its meeting on Tuesday 23 April 2013 (CPO, 2016).

One of the first tasks facing the new CPO was to build the right team and he quickly recognised that he would need the right mix of skills and experience in his leadership team. He recognised that he would need senior managers with experience in establishing and leading specialist units such as Customer Service, Systems and Data, Sourcing and Programme Management which may need to come from outside the public service as such skills are in short supply. However he also recognised that he would also need experienced civil and public servants who know the culture, the history and the way the public service



operated to be able to effect change from within. His initial team of six direct reports was made up of four members from outside the public service, all coming with deep industry skills and most with international experience in their domains, and two members from the civil service, who brought depth and breadth of the "system" to the team. All had experience of organisational transformation and restructuring. This leadership platform provided the basis to implement a new model for procurement across the State. This new team, formed over a short number of months, spent considerable time in its early days reaching a shared understanding of the planned operation of the new model and planning implementation.

The process required a degree of accommodation of different approaches to the tasks and challenges arising – the private sector perspective was to achieve implementation quickly, acceptance of reasonable risk and expectation of immediate support from client bodies, being tempered with a public sector desire to minimise risk, respect processes, get things right and build consensus and buy-in amongst clients. The usual team development process of forming, storming, norming and performing followed and a common vision and plan emerged. Some of the challenges and set-backs occasionally caused a reiteration of this cycle; however, undoubtedly these events often galvanised the team in unified action.

In June 2013, the "design and build" phase of the new organisation began (CPO, 2016) and concluded in September with the organisational design, including roles and responsibilities completed. This period presented certain demands: integrating existing procurement personnel, recruiting new staff and challenging established procurement relationships and practices (Department of Public Expenditure and Reform, 2016). When the CPO took up his position there were no staff formally assigned to the OGP but a number of staff from the four organisations previously managing the procurement function gradually



came on board. Subsequent staff vacancies were to be recruited through the HR structures at DPER. These staff were based in three different buildings across Dublin city. While the OGP's targets, business model and stakeholder relationships were already articulated, the nature of the work, customer demand and the organisational structure had yet to be determined.

The OGP reported into the Reform and Delivery Office at DPER, with a steering group - the Public Procurement Reform Steering Group - overseeing its plans, actions and delivery (Department of Public Expenditure and Reform, 2016). The overall role of the OGP was overseen by the Interim Public Sector Procurement Board, chaired by Minister of State. These institutional mechanisms and governance arrangements between the OGP and DPER were crucial to driving forward reform in public procurement. The strong political support underpinning the relationship between the OGP and DPER, the Government Department central to the reform agenda, was key to OGP gaining traction so quickly. However, such visible endorsement from DPER also brought with it a perception and association of cuts in spending (CPO, 2016).

The OGP sourcing organisation was designed on the basis of category management (i.e. teams built around what they were buying rather than who they were serving), drawing on the findings and recommendations of the *Capacity and Capability Review of Centralised Procurement Function* report and modelled on Porter's Value Chain.⁵ With category management at its centre, the organisation needed a customer service interface and systems and data support framework (CPO, 2016). There were other centralised procurement offices in public services in Europe, with Northern Ireland, Wales, Scotland and England providing examples from which to draw parallels, but no off-the-shelf model that the OGP

⁵ Michael Porter's Value Chain provides a framework to isolate and analyse the value add of specific activities through which firms can create value and competitive advantage (Porter, 1985).



could use as a template for the challenges with which they were confronted (CPO, 2016).

While there were frameworks to draw upon for the structure of the OGP, the 'feel' of the organisation was a little more challenging to define. The leadership team spent some time reflecting on the demands that were likely to be placed on the team and, by drafting a list of high level principles or values, recruited managers with that in mind: the CPO felt very strongly that the OGP should be populated with people who were passionate about delivering sustainable value for tax-payers; they should be accountable for fair and ethical delivery; they should not only enable customers to deliver cost-effective services, but should also feel empowered and competent enough to challenge customer requirements (CPO, 2016).

By January 2014, the OGP had 45 staff: some new recruits and many drawn from the National Procurement Service (NPS) and others from within organisation procurement teams such as those in universities. During the civil service recruitment moratorium, it was an indication of the Government's commitment to the OGP that it had the freedom to source staff from within and outside the service (CPO, 2016).

While those from the Public Service brought the relationships, knowledge and experience of the existing procurement culture and system, those from outside the service brought a wide range of procurement expertise and approaches (OGP staff, 2016). There was a learning curve for all new staff joining the OGP, but for those who had come from outside of the Public Sector there was the added challenge of having to quickly acquire familiarity with the applicable Directives and the administrative burden associated with legally compliant procurement processes, together with the ongoing risk of legal challenges arising from the Remedies Directive.⁶

⁶ The Remedies Directives coordinate national review systems by imposing common standards to ensure that rapid and effective means of redress are available in all EU



Managers were appointed to an OGP that was effectively a “hollow organisation”, an organisation that focuses on its core competencies and outsource peripheral processes (IMD, 2012, p. 1), and each manager was charged with recruiting his or her team to fit the ethos and values of this new, small organisation in the larger, established civil service (CPO, 2016). OGP was customer-focused and somewhat entrepreneurial in its approach, culture and relationships with stakeholders. In addition, its mandate meant considerable loss of autonomy for Public Service Bodies, so it would almost certainly encounter some challenges to its power. Apart from a values “fit” (passionate about delivering sustainable value for tax payers; accountable for fair and ethical delivery; enable and challenge customers), the OGP was keen that all employees would come to the organisation with resilience, tolerance for ambiguity and flexibility gained from experiencing organisational change (CPO, 2016).

Recruitment was not an easy task, however, as without its own HR unit, OGP relied on DPER and the Public Appointments Service (PAS) for HR support, while the managers did most of the interviewing as the people “gap” was still being fleshed out (OGP staff, 2016). Furthermore, the process was somewhat iterative: first searching within the available pool of staff by grade, then advertising roles within the civil service and finally advertising externally (CPO, 2016).

OGP commenced operations in 2014, taking responsibility for procurement policy, and for sourcing common goods and services in keeping with the strategy of “one voice” to the market (Office of Government Procurement, 2016b). In addition, Health, Local Government, Defence and Education each have a lead procurement function, for specific spend categories, which follow procurement protocols and consult OGP as needed (Fennelly, 2014). To support the

countries when bidders believe that contracts have been awarded unfairly. Infringement procedures launched by the European Commission, by contrast, are intended to correct infringements of EU law rather than protect individual rights (European Commission, 2016c).



implementation of strategic cost reductions, they adopted a Category Council Model with sixteen Category Councils, each one operating as a working group with representatives from across the Public Service to ensure a breadth of contributions. Category Councils were a “new tricky concept” for public service users (Department of Education & Skills staff, 2016); their role was to advise on commercial strategy, to develop strategic sourcing initiatives as well as demand management and sourcing strategies (Ireland. Dáil Éireann. Houses of the Oireachtas, 2014). For further detail, please see the sectoral example of centralised procurement in practice at Section 8.

The eTenders portal was a key technological infrastructure, already in place from the National Procurement Service (NPS), which was a useful support to the fledgling OGP.

By the end of 2014, the OGP had grown in numbers to approximately 150 (Fennelly, 2014), two thirds of whom were sourcing staff (Department of Public Expenditure and Reform, 2016a). In these early days these staff were meeting clients and key account managers to build relationships, gather and evaluate information and ensure readiness by establishing for future needs, as well as the expiry dates of current contracts (OGP staff, 2016). This work was supported by a customer helpdesk, detailed analyses of procurement spend and tendering, and the publication of a nine-month schedule of work. There was a significant increase in the numbers of businesses engaging at this time (with a 12,000 increase in eTenders registrations) due, in part, to increased visibility through communication events and improved SME-friendly measures through the issuing of Circular 10/14 (Department of Public Expenditure and Reform, 2014). By this time, the OGP had also started to deliver framework agreements for existing and new contracts with an estimated value of €86 million (Public Accounts Committee, 2015).

This early work led to overall savings of €25 million in 2014 (Public Accounts Committee, 2015), and the OGP were aiming to have half of



all Government expenditure supported or managed through the OGP in the long term.

By the middle of 2014 it became apparent that the economic landscape had improved somewhat, leading to a turnaround in the State finances. The slowly-recovering economy saw wages and commodity prices increase and therefore opportunities for substantial savings starting to diminish. While the mission had not changed, in this context, the broader benefits of the OGP had to be evaluated. In January 2015 the leadership team undertook a “re-baseline”, outlining a changing business case: the OGP would still be in the business of saving money, but would also add value by building commercial capabilities, procurement expertise and, through procurement centralisation, would systemically look to mitigate and substantially reduce the risk of fraud and corruption (CPO, 2016).

The OGP closed the year behind target in both procurement savings and their own spending, largely due to slower than expected recruitment: only two-thirds of expected staff were on board at the end of 2014 (Watt, 2015) so although they were carrying a “saving” of €6 million into 2015, in the sense that they hadn’t spent their full year budget, this was earmarked for recruitment and investment in reaching the ambitious savings targets mentioned above.

Despite the challenges ahead, the OGP had achieved a great deal and the efforts and impact of that first year had not gone unrecognised: the European Commission (2014) commended the increased professionalisation, cost-effectiveness, and streamlined services and regulations (European Commission, 2016b).



5. Open for Business

2015 was the first full year of operation and the public procurement reform programme savings target was €150M: €80M to be generated from the OGP sourcing activity over the eight central categories and €70M to be generated from Health, Education, Local Government and Defence sectoral procurement (Public Accounts Committee, 2015).

OGP was becoming recognised for its competence, professional delivery and delivering on commitments made (Department of Public Expenditure and Reform, 2016) but the challenges of delivering on such ambitious targets in a public service system were becoming more apparent. Early successes convinced the management team that a customer service culture was key and so the drive to get the right people on board continued (OGP staff, 2016). However, the absence of a dedicated HR department presented challenges, not just in terms of recruitment but also in relation to organisation design and development (OGP staff, 2016). There was also the geographic and logistical challenge of several locations and offices: until October 2015, when all Dublin-based staff moved to one central office in Spencer Dock (OGP Staff, 2016), there were offices in three separate locations in Dublin. In addition, the culture of customer service presented a capacity issue as staff customised frameworks and developed bespoke “mini-competitions” (OGP Staff, 2016).

In early 2015, a senior appointment was made to take on the HR (and finance) function with the aim of addressing some of the people-management challenges emerging in the new organisation to provide support to the management team (OGP Staff, 2016).

There was a fine balance to be maintained: the OGP team was very aware that the organisation had been designed in something of a vacuum while the targets, business model and stakeholder relationships had been in place, the nature of the work, customer demand and



operational workload were still evolving, so the organisational structure had to maintain at least some flexibility. The OGP was applying the 80% rule: happy to have 80% of the structure and staff in place so that the organisation was flexible enough to respond to emerging challenges. This of course presented the OGP's managers with very real difficulties, as operating at 80% staffing capacity and retaining an adaptive mindset while delivering an adequate service to customers was proving challenging (CPO, 2016).



6. Getting Results

By the end of 2015, the OGP was gaining traction with its work, procuring common goods and services across the public sector in a more “joined-up” model for government procurement and putting sectoral or whole-of-government arrangements into place (e.g. professional services, ICT, facilities, travel and HR Services) which increased consistency, managed risk and leveraged economies of scale (Watt, 2015).

In the three years to the end of 2015, the OGP in partnership with sector sourcing organisations in Health, Education, Local Government and Defence enabled procurement savings estimated in excess of €160 million (Department of Public Expenditure and Reform, 2016a).

Recognising the size and employment power of SMEs (99.7% of all enterprises employing more than 70% of private sector workers) (Department of Jobs, Enterprise and Innovation, 2015), Circular 10/14 was published to support SME participation and by March 2015, the OGP reported that analysis of the data it had gathered indicated that 66% of the State’s procurement was with SMEs (Watt, 2015). Government had become a much better buyer, in terms of being more professional in dealing with suppliers, negotiating and managing contracts and delivering value for money (Department of Public Expenditure and Reform, 2016). There were also efforts to progress environmental, innovation and social policy goals through procurement, for example building in green targets into energy contracts or considering SMEs and jobs when setting the size of contracts, e.g. regional versus national (European Commission, 2016b).

In 2015, frequent communication events – attended by approximately 4,000 people – were launched to build awareness and participation in public procurement. These events included “Taking Care of Business”, (for small and start-up business), “Meet the Buyer”, (for suppliers to



meet major public sector buyers) and “Go-2-Tender” workshops (to support SMEs with tender development) (Department of Public Expenditure and Reform, 2016c).

By the end of 2015, the OGP was also building a reputation for efficient, centralised service, procurement expertise and negotiation, and was invited to contribute to major purchasing decisions, such as on modular housing in Dublin and drug cost negotiations with the pharmaceutical industry (Department of Public Expenditure and Reform, 2016). Even as the OGP was becoming more valued and successful, achieving the intended results was becoming more difficult. The entrepreneurial spirit of the first year that led to so many early achievements, had now come back to haunt the team and some of the early trade-offs had resulted in legacy issues:

- Getting the job done and delivering on commitments at the cost of developing processes and systems.
- Over-reliance on a few key people, rather than investing in developing a talent pipeline; managers getting “stuck in” at the cost of planning and delegating to build capability and to create pipeline of managers ready to step up into more senior roles (CPO, 2016).
- The organisation had never been fully staffed, (interview with Department of Education, 2016) and the “busyness” of the management team had affected communication. These issues were in turn exacerbated by increased staff attrition, gaps in data and customer demand (OGP staff, 2016).
- About 80% of customer needs could be incorporated in the published schedule, but “bespoke” mini-competitions stretched already tight resources (OGP staff, 2016).
- There was also the question of balancing value for tax-payers’ money while improving SME access to and participation in public procurement. Some suppliers had lost out, but many had gained



(OGP staff, 2016). The challenge posed by this balancing act was the subject of EU Directives, Oireachtas debate (see Exhibit 12.9) and Public Accounts Committee examination, with on-going concerns that SMEs lose out where public procurement is centralised, despite data contradicting this view (in 2013 66% of the spend analysed went to SMEs) (Public Accounts Committee, 2015).



7. New Challenges

In the summer of 2016, the OGP was one of the largest centralised public service procurement organisations in Europe, with a target headcount of 240 people and an established rhythm of working and doing business. According to the OGP, the public service procurement function accounts for approximately €1 in every €12 spent in Ireland and the OGP estimates that it manages approximately 50% of the entire goods and services spend.

By mid-2016 the OGP had arrangements in place for much, if not all, of that spend, although full compliance with those arrangements remained a challenge. DPER had sought mandatory compliance with NPS frameworks. However Circular 06/12, which made certain central frameworks mandatory, was amended in Circular 16/13 (Department of Public Expenditure and Reform, 2013) on foot of a legal challenge (Copymoore Limited & Ors –v- the Commissioners of Public Works) What and how the OGP bought had implications for buyers, vendors, industries and the economy (CPO, 2016).

The OGP had the know-how and a good reputation, but it was not “humming” yet (CPO, 2016). As a smaller economy, Ireland has an advantage over other countries such as Italy and Germany, where the scale of such an operation and the level of engagement required to sustain it, would make it untenable (CPO, 2016). There was no replicable model to learn from, although Value Wales was one useful comparator. There were many challenges that had to be looked upon as “growing pains” and addressed as they arose rather than anticipated and planned for.

After three years of operation, the OGP’s target of 80% of procurement serving 80% of its client base was still to be realised. The challenges facing the organisation now were largely related to:



- Ensuring the business model was sufficiently robust to continue anticipating, understanding and managing (or mitigating) external demands (economic recovery, new EU directives, integrating policy promotion into procurement operations, risks such as fraud or corruption); while
- Remaining a facilitator for service-wide cross-cutting change strategies; and resolving internal challenges (such as leadership roles, autonomy and retention).

External Pressures

The demands on the OGP were likely to continue as Irish procurement continued to keep up with EU directives and take opportunities to use procurement to facilitate policy implementation (e.g. the green agenda or job creation). As always, spending public money had to contend with the challenges of transparency and minimising the risks of fraud or corruption (GAN, 2016), although fraud and corruption have not historically been a major issue in public procurement in Ireland (see Exhibit 8).

The continuing tension between value for money and supporting smaller organisations (such as SMEs and MicroEnterprises) could not be ignored and the question of whether Circular 10/2014 (Department of Public Expenditure and Reform, 2014) goes far enough remains: should there be more targeted interventions to support these companies through training and communications? (Flynn and Davis, 2016).

Economic recovery (even modest) is highly likely to affect commodity prices and wage inflation and, as a consequence, opportunities for making cost savings. In addition, the impact of any falling momentum in the euro area would also have to be considered (Magone, Laffan and Schweiger, 2016). Finally, the possible implications of a shifting EU landscape in the wake of the Brexit vote is also an important issue.



Internal Challenges

HR/Organisation Culture/Structure Issues

If the OGP is to achieve its objective of developing as a high-performing organisation, then further investment in culture, capacity and capability is essential (Department of Public Expenditure and Reform, 2016d), while at the same time attracting, developing and retaining talent is an on-going issue (OGP staff, 2016).

The internal challenges in relation to retention, leadership and culture might simply relate to organisational growth or could be symptomatic of talent shortages, in circumstances where attracting and retaining qualified procurement practitioners presents a challenge across the EU (European Commission, 2016b). The leadership team was philosophical about the recruitment challenge because it allowed for continuous structural review and organisational flexibility: as new demands were placed on the OGP it could be reconfigured to meet them (CPO, 2016). But it was not simply a numbers game as there was an over-reliance on key people (OGP staff, 2016) and managers were reluctant to let go (OGP staff, 2016) and push autonomy to the next level (CPO, 2016), which may account for slightly lower than civil service average scores for autonomy, job skills match, and competence in the Civil Service Employee Engagement Survey 2015 (see Exhibit 12.7).

During the summer of 2016, the OGP commenced a programme to clarify and codify the OGP's values and behaviours, consulting with every team at every level facilitated by a colleague from DPER's Learning and Development team. This work identified three values:

- To communicate openly and honestly;
- The capability and engagement of OGP people is the key driver of the OGP service; and
- To plan effectively to deliver service and take responsibility for results.



This was quickly followed by facilitated workshops to expand these value statements into clear expectations of staff. Although not formally based on the “values fit” principles (value for the tax-payer, accountability, customer focus) of the early recruitment phases, this exercise was intended to drive consistency in managerial behaviour and so address some of the people-management challenges (CPO, 2016).

Focussing on learning and development by moving towards a 70:20:10 model⁷ would move the OGP closer to a “factory for talent” as part of an on-going commitment to contribute to the procurement talent pool in the civil service but also the country (CPO, 2016). With ever-increasing demands on their time, did managers really have the support to grow, engage and challenge the talent in the organisation so that not only would people stay with the OGP, but the OGP itself would develop into the high performing organisation envisaged in the 2016 business plan?

Procurement & Business Model

The OGP model worked: it had a “firm footprint” (Department of Education and Skills staff, 2016) and a proven track record. Not only had the OGP and its sector partners enabled savings of €160 million in its first three years, but it was continuing to build credibility with its client base (Department of Public Expenditure and Reform, 2016) and had built a professionalised procurement resource for the Public Service. It might not yet be “humming” (CPO, 2016), but the office paid its way, “and then some”. What remained now was to ensure that those civil and public service bodies that had not optimised the benefits of the OGP were encouraged to do so, while recognising that the mandatory model had been legally challenged in the *Copymoore* judgment (See Circular 16/13, Exhibit 12.10) (Department of Public Expenditure and Reform, 2013).

⁷ 70:20:10 learning and development formula recommends 70 per cent of their knowledge from job-related experiences, 20 per cent from interactions with others, and 10 per cent from formal educational events. (OGP, 2016)



Three years on, there is an opportunity to evaluate the model from a stakeholder and operational perspective (OGP staff, 2016). The systems used have “some bugs to work out” (Department of Public Expenditure and Reform, 2016) and both tasks and processes need to be simplified and centralised onto a database as they are still MS Excel-dependent (OGP staff, 2016). Resolving these internal process issues and simplifying tasks (OGP staff, 2016) would be key to coping with increased levels of demand and reducing staff attrition.⁸

There is also the question of on-going value for money – SME challenge: despite evidence of increased participation and success (66% of State procurement (Watt, 2015)), on-going political lobbying on behalf of smaller, indigenous organisations remained a feature of the landscape, with little change between 2014 and 2016 in the focus and tone of their concerns (see Exhibit 12.10 for a selection of the range of issues addressed by TDs). Ensuring the best price through economies of scale might not always be achievable (or even desirable) if local suppliers of, for example, heating oil and pest control services need to rely on public contracts to survive. Overall, the OGP had certainly been successful as part of a broad and deep cross-cutting change strategy within the Irish public sector, moving beyond earlier shared services initiatives which were largely within organisations to affect many public bodies in sector-wide change (Kuipers et al., 2014).

Much had been achieved in less than three years and the OGP had become recognised not only as a key contributor to cost savings and cost avoidance, but also as a source of procurement support and expertise. And all this in an office that had never been fully staffed (CPO, 2016): looking over the ambitious goals in the final draft of the 2016 business plan, the OGP could not ignore internal and external challenges⁹, and knew they presented very real operational tests for its

⁸ Department of Education and Skills staff, 2016

⁹ OGP Business Plan 2016



managers, but perhaps opportunities as well (CPO, 2016). Building on successful foundations, the future looked bright, but rising attrition, customer demands and political pressures while implementing EU directives and coping with increased demand meant the future was not going to be easy.



8. Centralised Procurement in Practice - The Education Sector: An Example of the Impact of the OGP

The education sector is made up of more than 4,000 organisations of varying sizes, acting independently or as members of specialised buying groups. Higher education institutions¹⁰ and Education and Training Boards (ETB)¹¹ had more experience of centralised buying with established offices/teams coordinating procurement. The Education Procurement Service (EPS) was the higher education procurement shared service, coordinating university and Institutes of Technology purchasing before the implementation of the OGP model, it has since become the education sector sourcing hub under the OGP model (Education Procurement Service, 2016). Since 2011, all sixteen ETBs have used national contracts and frameworks to centralise procurement activity in areas such as energy, stationery and office supplies (Education and Training Boards Ireland, 2016). In contrast, in the rest of the schools sector (some 3,600 schools) most procurement is done at individual school level, much of it low-value purchasing under €5,000 (well below the €25,000 limit set out in the general procurement guidelines). The OGP was established at a time of major cutbacks for educational institutions, where all were feeling pressure to make major cost savings on top of earlier budget cuts, and so it was important to position it as a resource to help education organisations cope within budgetary constraints, to “live within their means” rather than a mechanism for imposing further cuts (Department of Education and Skills staff, 2016).

The Department of Education and Skills (DES) engaged at Executive Committee and Steering Group levels of the OGP and has developed a

¹⁰ Universities and Institutes of Technology (IOT)

¹¹ In July 2013, the 33 Vocational Education Committees (VECs) were dissolved and replaced by 16 Education and Training Boards (ETBs) which manage and operate second-level schools, further education colleges, pilot community national schools and a range of adult and further education centres (<http://www.education.ie/en/>).



range of structures to support procurement reform. These include high-level strategic programmes such as establishing the Education Procurement Network (EPN), which co-ordinates the work of education procurement representatives from schools, ETBs, higher education institutions and DES, and establishing the EPS, as the education sector's procurement hub, serving the public sector for specified categories of goods and supporting the education sector's specific procurement needs. The education sector was the first sector to get Category Councils up and running because the EPS team had already been in place serving the Higher Education sector and they rapidly repurposed their work, phasing out procurement on behalf of the Higher Education sector and taking on the work for the specified categories. There were also tactical measures in the form of workshops, newsletters, emails, web pages and network briefings to promote procurement reform, providing expertise and data to develop category strategies at Category Council level.

For school principals, the OGP's Category Councils were "a new tricky concept" and their roles and functions were not easily understood, so in 2014 the Department established a Schools Procurement Unit (SPU) of 4 people to liaise between the OGP and its clients, highlighting the value of centralised procurement and the substantial savings potential for those who signed up (e.g. electricity was the first major central contract for DES).

There has been slow steady growth in centralised procurement, although the savings haven't yet been as big as predicted. For example, while it was expected that the EPS would make savings of €2.8M in 2015, the actual savings for that year were €1.27M. However, the relatively slow pace of adoption has allowed the OGP to partner more effectively with clients. There are still challenges, however; for example, the misalignment of the academic and financial years makes for occasional missteps as contract gaps can arise when an OGP contract ends without



an immediate replacement or new frameworks are not established in time. The latter happened in early 2015 when the early termination of the OGP office supplies and stationery contract required the collaboration of SPU, EBTI¹², DES and EPS to devise and deliver a new contract to primary and post-primary schools (interview with Department of Education and Skills staff, 2016).

In spite of these challenges, school energy contracts provide an example of how successful centralised arrangements have become: as of 2015, approximately 250 ETB schools and 1,500 non-ETB schools are on central electricity contracts. This equates to approximately 45% of all schools, and includes 100% of ETB schools. A further 1,600 schools have expressed interest and are potentially positioned to join an OGP contract in 2016.

The 2015 OGP Multi-Supplier Framework Agreement for the Supply of Natural Gas, at an estimated value of €40 million for schools and the higher education sector should bring an estimated saving of €6.6 million over 30 months (approximately a 16% saving against their current rates) (Department of Public Expenditure and Reform, 2015b). Similarly, through DES/OGP collaboration, hardware for digital communication graphics studies with a value of €7M has been sourced and a tender for a schools broadband support service desk has been awarded with an annual value of €433,000. The SPU continues to work with the OGP to streamline processes and increase uptake of central frameworks, with further clarity provided in the form of a circular (56/2015) the main provision of which is that central procurement arrangements are targeted at securing best value for money. School management have the choice to undertake procurement individually, but must ensure that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant

¹² EBTI is an association established to collectively represent education and training boards (ETB) and promote their interests (<http://www.etbi.ie/>).



procurement guidelines, policy and legal obligations in order to achieve and demonstrate better value for money (Public Accounts Committee, 2015).¹³ By the end of 2015, the EPS had achieved savings in the region of €1.27M for the year and the sector had made further savings through participation in central OGP categories such as utilities. In 2016, EPS expects to exceed its target savings of €2.5M and the sector will also save through the other central categories managed by the OGP.

The education sector has played a strategic and driving role supporting and implementing procurement reform by engaging at steering levels of the OGP and orchestrating intra and inter sectoral responses to procurement challenges and opportunities. Early emphasis on cost savings has evolved into a more strategic focus on value for money and cost avoidance, where the OGP provides a valuable and valued service to the sector (interview with Department of Education and Skills staff, 2016).

¹³ Public Accounts Committee (2015) 'Matters-for-Examination-04-Consolidated-OGP-Briefing', Lead topic office of government procurement, sub-topic DES circular clarifying PER circular 16/13



9. Lessons Learned

The establishment of the OGP is a significant cross-cutting Public Sector reform initiative. Setting up and rolling out centralised public procurement in Ireland was challenging and exciting, and for the managers, was a demanding experience. The context in which the OGP was established is of importance to understanding the journey taken. The fiscal crisis was essentially a burning platform that created the imperative for change. It was a key enabler for driving change at all levels of the Public Service in respect of centralising the public procurement function. Centralising public procurement has never before been undertaken to this scale, within this timeframe (Interview with CPO).

The most challenging factors were managing external expectations, sourcing suitable and qualified employees, delivering services during start-up and keeping pace with demands.

9.1 Small focused management team

The benefits of having a small core management team driving the project forward are clear. There was a large degree of determination on the part of the management team to see the project through. A certain element of organisational design is at play here, as the team was recruited in part for their experience in understanding the dynamics of organisational change.

9.2 Leadership- managing stakeholders

Communicating with stakeholders, managing expectations and maintaining relationships whilst dealing with shifting power dynamics in respect of financial autonomy and decision making was, at times, challenging and required leadership skills.



9.3 Adaptive leadership

Bringing a leader from outside the Public Service may have had certain advantages, such as bringing a level of independence in how changes could be brought about and to bring disruptive influence to bear. It also required a pragmatic approach, using judgement: to be able to adapt to the system and bring about change effectively.

9.4 Vision and goals

The OGP were set a very ambitious target to generate savings of €500 million. It may have been more useful to have set savings targets lower and focus on tangible realistic immediate/near future savings. The language of "savings" might have also been better positioned as "cost avoidance" or supporting public bodies to "live within their means" to position the OGP as a supportive resource for organisations.

9.5 Culture and ethos

The customer service ethos adopted by the OGP meant that they created many bespoke, mini-competitions, which involved customising frameworks for customers. This impacted on OGP efficiency and created expectations of ongoing customisation rather than encouraging customers to modify requests. Increasing demands for OGP services is likely to put more pressure on existing resources and delivering on expectations will become even more challenging if the current level of customised service is maintained.

9.6 Governance and institutional mechanisms

The supportive institutional arrangements with DPER, the lead Government Department driving public service reform, as well as the strong political support underpinning the reform agenda, were crucial in driving this major public service reform to fruition.



9.7 Managing the needs of a rapidly growing organisation

9.7.1 Recruitment

Staffing shortages have featured from the start, and while this allowed for some flexibility to respond to new challenges (i.e. without a fixed structure it was possible to reconfigure to suit new demands) it has meant that managers from the outset have been very hands-on and now a culture of managing tasks rather than coaching people to deliver tasks has developed. This is a typical feature of new organisations. There are still difficulties in attracting and retaining employees, but there are also challenges related to management style and autonomy (see engagement survey). Perhaps a slower, more low-key start with a fuller organisation chart might have mitigated some of these challenges.

9.7.2 Organisation design

The appointment of a HR manager after the organisation was already established and recruiting staff may underline important learning that some organisational functions, possibly perceived at times as being peripheral, can actually have a big impact on the organisation culture.

9.8 Stakeholder engagement and communication

The OGP have continually focused on stakeholder engagement and communication which has enabled them to grow the numbers of businesses they engage with, thereby potentially developing the pool of competitors for their Government Contracts. It also works towards developing their reputation.

9.9 Stakeholder management

Certain categories and sectors have featured considerably in Parliamentary Questions and press coverage (e.g. stationery contracts in schools), and managing expectations and perceptions related to this commentary requires both pre-emptive and reactive work from an already stretched team. It is not clear how this may be resolved beyond continuing to provide data and research on this issue such as the SME



report (OGP 2015), but clearly the challenge of managing the competing demands and expectations of the various stakeholder groups will constitute a key challenge as the OGP moves forward.



10. Concluding Remarks

The OGP was established at a time of economic upheaval and uncertainty where the driving agenda was cost saving. The imperative was to reform and centralise the procurement function and to make an immediate impact by way of stripping out avoidable or unnecessary costs. However, given the scale of the reform, the complexity involved and the short timeframe, there have been challenges to establishing the capability and capacity of the OGP that with more time for planning, may have been circumvented. However, the primary legacy of the OGP may not be in the savings delivered or the practices introduced but in the significant achievement of creating true cultural and behavioural change within the wider Public Service. The processes, rigour and discipline introduced by the OGP are now embedded in much of the Public Service procurement practice which is a testament to the efforts of all involved.



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Exhibits

1. OGP: Roles & Functions

Office of Government Procurement

Role and Functions

The Office of Government Procurement (OGP) is charged with leading the Procurement Reform Programme (PRP), bringing procurement policy and operations together and focusing on building procurement capacity and capability across the public service. Currently a function within the Department of Public Expenditure and Reform, work is underway to establish the OGP as an independent statutory body.

There are six separate units within the Office of Government Procurement, each based on a specific function.

1. Corporate Office

The OGP Corporate Office is responsible for corporate governance, the OGP Vote and budget, financial management, programme management of the PRP, corporate planning, OGP performance reporting, internal controls and risk management.

2. Policy

The role of the Policy unit is to develop national procurement policy in a manner that is consistent with EU legislation and broader national policy considerations.

3. Systems & Data

The role of the Unit is to provide technology solutions that support the operations of the OGP and sector partners and enable the efficient and effective delivery of OGP objectives. The unit also manages the Government's national electronic tendering portal 'eTenders' (www.etenders.gov.ie).

4. Customer Services

The role of the Customer Service Unit is to promote the customer centred approach of the OGP and sector sourcing organisations. The unit also promotes the work of the Office of Government Procurement, including direct engagement with suppliers through events such as "Meet the Buyer" and "Go-2-Tender".

5. Learning & Development

The Learning & Development unit address the training needs of the organisation, ensuring OGP optimises its knowledge base to provide the best possible platform to continue to deliver sustainable, value for money procurement solutions.

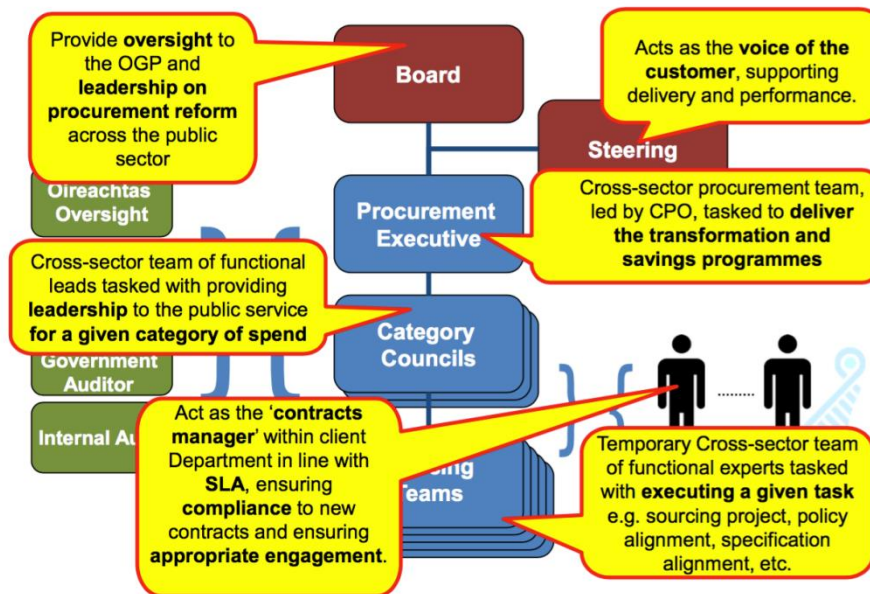
6. Sourcing

The Sourcing team is broken down into a number of portfolios, each dedicated to different categories of spend. Working closely with the Sector Sourcing Organisations, OGP Sourcing implements the Public Procurement Reform agenda.

Source: (Office of Government Procurement, 2016c)



2. OGP Governance Structure (2014)



Source: Figure 1 (Fennelly, 2014)

3. OGP Values



- We communicate openly and honestly
- We believe that the capability and engagement of our people is the key driver of our service
- We plan effectively to deliver our service and take responsibility for our results

Source: (CPO, 2016)



4. Mission, Vision & Strategy

Office of Public Procurement: Vision & Mission

Customers will have easy access to high quality procurement services that they have confidence in and procurement staff are proud to provide.

To deliver sustainable procurement savings for the tax payer by optimising value for money across the public service.

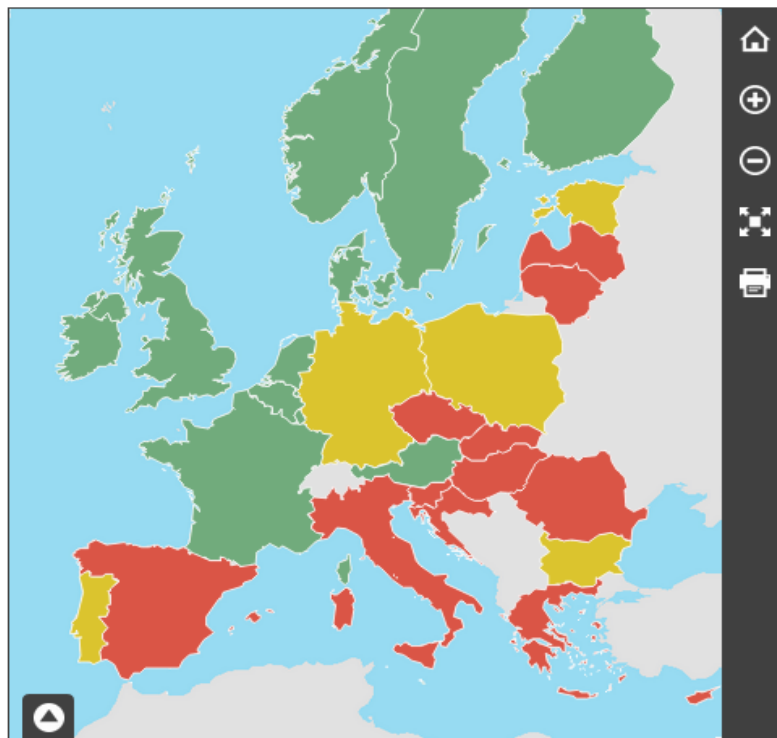
Source: (Fennelly, 2014)



5. Public Procurement Performance: EU Countries Comparisons

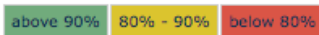
| | | |
|-----------------------|------------|------------|
| [1] One Bidder | ≤10% | > 20% |
| [2] No calls for Bids | ≤ 5% | ≥ 10% |
| [3] Aggregation | ≥10% | < 10% |
| [4] Award Criteria | < 80% | ≥ 80% |
| [5] Decision Speed | < 120 days | ≥ 120 days |
| [6] Reporting Quality | ≤ 3% | > 3% |

2. overall
(all 6 indicators combined)



Leaflet | Credit: EC-GISCO, © EuroGeographics © UN-FAO for the administrative boundaries

Overall performance is a weighted average of all the performance indicators. Triple weight is given to most important indicators: One Bidder and No Calls for Bids.



"Performance" measures whether purchasers get good value for money. The indicators below measure key influences on public procurement performance in a way that is transparent, and easy to understand and compare.

Like all indicators, however, these indicators simplify reality. They are affected by country-specific factors such as what is actually being bought, the structure of the economies concerned, and the relationships between different tendering options, none of which are taken into account. Also, some aspects of public procurement are omitted entirely or covered only indirectly - e.g. corruption, the administrative burden and professionalism. So, although the Scoreboard provides very useful information, it gives only a partial view of EU countries' public procurement performance.

Source: (European Commission, 2016d)



6. Procurement in Europe

Key survey results

Background

Context and objectives of the study

Objective: Gather comparative information on day-to-day practices across all 28 MS from as many procurement practitioners as possible

Targeted respondents: procurement professionals within ESI Funds beneficiaries, Managing Authorities and Audit Authorities

Topics covered: main difficulties and needs for support, human resources, capacity building and training, supporting documents and on-demand support, data collection and monitoring, e-procurement

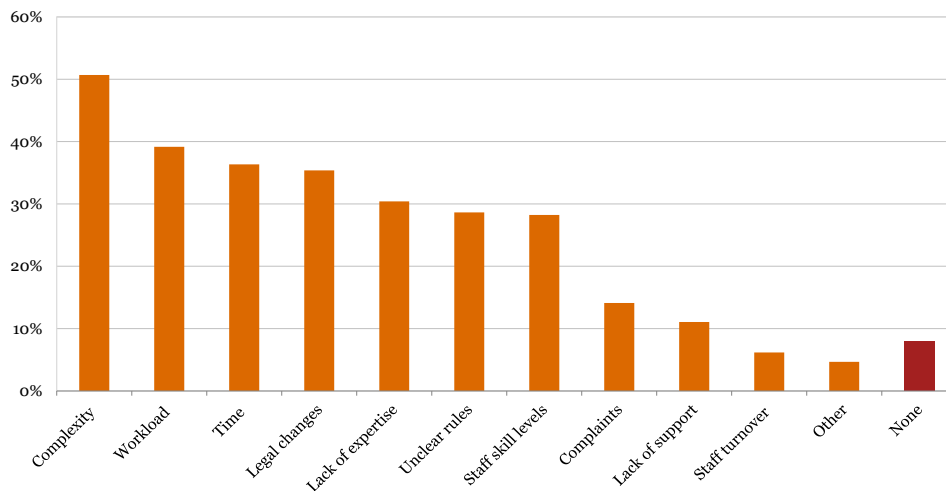
Respondents

2,385 - total respondents

Average of 85 responses per MS

Key survey results

Main difficulties for practitioners



Source: PWC presentation (25/02/2016) of European Commission (2016), Stocktaking of administrative capacity, systems and practices across the EU to ensure the compliance and quality of public procurement involving European Structural and Investment (ESI) Funds, Brussels



7. Engagement Survey Summary

| Office of Government Procurement- Difference with Mean Civil Service Score | | | Overall Civil Service Scores | | |
|--|------------------|--|------------------------------|------|---------|
| Theme | Department Score | Difference with Mean Civil Service Score | Maximum | Mean | Minimum |
| Coping with Change | 74 | + 5 | 74 | 69 | 63 |
| Well-Being | 73 | - 2 | 83 | 75 | 60 |
| Competence | 73 | - 7 | 86 | 80 | 73 |
| Employee Engagement | 71 | + 1 | 80 | 70 | 54 |
| Social Support | 70 | 0 | 81 | 70 | 61 |
| Commitment to Change | 69 | +11 | 69 | 58 | 45 |
| Identification with the Civil Service | 67 | + 5 | 68 | 62 | 47 |
| Civil Service Renewal | 65 | +10 | 69 | 55 | 31 |
| Manager Career Support | 64 | + 8 | 71 | 56 | 31 |
| Citizen Impact | 63 | - 5 | 81 | 68 | 44 |
| Meaningfulness | 63 | - 2 | 77 | 65 | 52 |
| Learning and Development | 60 | + 8 | 72 | 52 | 26 |
| Performance Standards | 59 | +15 | 68 | 44 | 25 |
| Autonomy | 57 | - 2 | 75 | 59 | 39 |
| Work Intensification / Job Demands | 56 | + 5 | 60 | 51 | 27 |
| Job Skills Match / Skills Utilisation | 55 | - 3 | 73 | 58 | 46 |
| Perceived Organisational Support | 53 | + 9 | 70 | 44 | 26 |
| Leadership | 52 | + 2 | 73 | 50 | 27 |
| Innovative Climate | 51 | + 6 | 67 | 45 | 28 |
| Career Development and Mobility | 50 | + 6 | 63 | 44 | 27 |
| Commitment to the Organisation | 48 | 0 | 63 | 48 | 41 |
| Your Pay | 46 | + 4 | 57 | 42 | 32 |
| Involvement Climate | 41 | + 5 | 55 | 36 | 17 |
| Public Perception | 37 | + 4 | 42 | 33 | 18 |

Colour Key

- Score over 67%
- Score between 45% and 67%
- Score under 45%

Note: This table is ordered from the highest value in the 'Department Score' column

Source: CSEE Departmental survey report, 2015- supplied by Office of Government Procurement 19/05/2016



8. Procurement in Ireland

Public procurement – Study on administrative capacity in the EU
Ireland Country Profile

IRELAND

KEY FACTS AND FIGURES

| Key Facts and Figures in Ireland | | | | | | |
|---|---|--------------------------|---|--|--|---|
| Overview | Total procurement 15,540,000,000€ | | Procurement % GDP 9% | | 2013 GDP 174,791,300,000€ | Contracting authorities 3,319 |
| Procedures applied | Open 68% | Restricted 14% | Negotiated procedure with call no call 15% 0% | | Competitive dialogue 1% | Direct award 0% |
| Share of contract notices by buyer | National 34% | | Regional/local 11% | | Body governed by public law 40% | Other 15% |
| Contract type | Services 61% | | Works 9% | | Supplies 30% | Framework agreement 24% |
| Ex ante conditionality criteria as of 2014 | EU rules Fully met | | Transparency Fully met | | Training Fully met | Admin. capacity Fully met |
| E-procurement adoption | E-notification Mandatory | | E-access Mandatory | | E-submission Voluntary | Uptake rate 22% |
| Perceived corruption | Corruption widespread in society Businesses 49% | | Individuals 81% | | Corruption widespread in procurement At national level 39% | At local/regional level 39% |
| TED indicators | Value of tenders 2,434,831,083€ | | Of total procurement 16% | | # contract notices 1,279 | # contract awards 763 |
| Other indicators | Received single bid 8% | | # days for decision 147.9 | | Price only criteria 16% | MEAT criteria 84% |
| | Won by foreign firms 11% | | Related to EU funds 2% | | Joint purchase 9% | Central purchasing Yes, NPS |

Figure 2 (European Commission, 2016e)

Classical Directive 2014/24/EU

| | | |
|---------------------------------------|---|------------|
| Central Government authorities | Works contracts, subsidised works contracts | €5 225 000 |
| | All services concerning social and other specific services listed in Annex XIV | €750 000 |
| | All subsidised services | €209 000 |
| | All other service contracts and all design contests | €135 000 |
| | All supplies contracts awarded by contracting authorities not operating in the field of defence | €135 000 |



| | | | |
|--|--|---|------------|
| | Supplies contracts awarded by contracting authorities operating in the field of defence | Concerning products listed in Annex III | €135 000 |
| | | Concerning other products | €209 000 |
| Sub-central contracting authorities | Works contracts, subsidised works contracts | | €5 225 000 |
| | All services concerning social and other specific services listed in Annex XIV | | €750 000 |
| | All other service contracts, all design contests, subsidised service contracts, all supplies contracts | | €209 000 |

Source: [Directive 2014/24/EU on public procurement: from https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/thresholds_en](https://ec.europa.eu/growth/single-market/public-procurement/rules-implementation/thresholds_en) accessed July 29th 2016

State aid and public procurement

3.4 State aid & public procurement

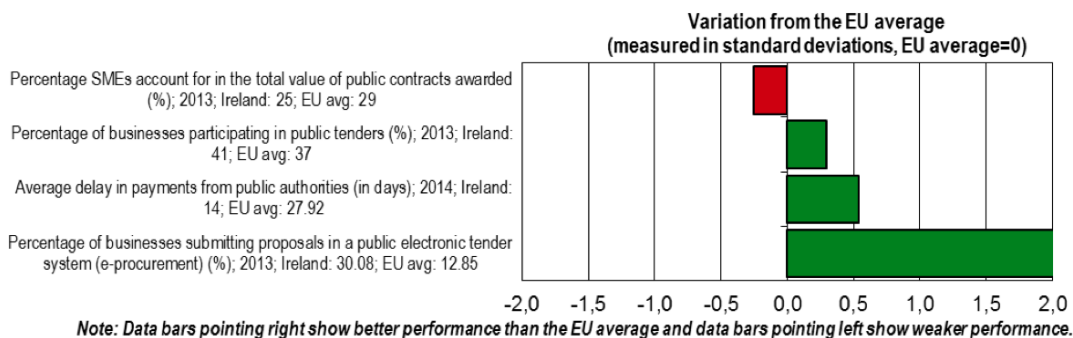


Figure 3 (European Commission, 2016f)



OGP Circulars



Ref: DPE108/001/2014

16 April 2014

To Heads of Departments¹

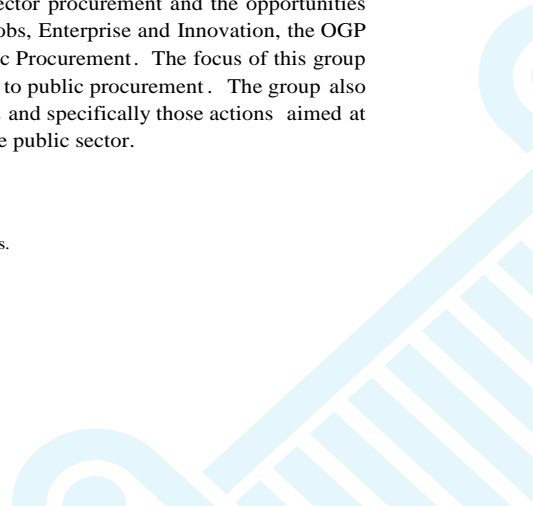
Circular 10/14: Initiatives to assist SMEs in Public Procurement

A Dhuine Uasail,

1. In the context of the reform of the Public Service and the establishment of the Office of Government Procurement, it has been decided to update and strengthen measures aimed at facilitating SME participation in Public Procurement in order to reinforce their application across the public sector. This circular therefore replaces Department of Finance Circular 10/10 and applies to all public sector bodies. The Capital Works Management Framework (CWMF) suite of guidance, standard contracts and generic template documents will continue to apply to works and works related services as set out in Circular 06/10. They are available to download from the website www.constructionprocurement.gov.ie.

2. The Programme for Government identified the role public procurement can play as an instrument to support innovation and allow greater access for SMEs, including Micro-Enterprises, to the public sector market. As part of the Public Service Reform Plan, the Government established the Office of Government Procurement (OGP) to drive a new consolidated and integrated approach to public procurement. The OGP is committed to ensuring that SMEs are fully engaged with public sector procurement and the opportunities presenting. In conjunction with the Department of Jobs, Enterprise and Innovation, the OGP has set up a high level group on SME access to Public Procurement. The focus of this group is to develop and monitor strategies for SME access to public procurement. The group also has regard to the Government's Action Plan for Jobs and specifically those actions aimed at maximising procurement opportunities for SME in the public sector.

¹ The term "Department" encompasses Departments and Offices.





3. The guidance in this circular is designed to further enable SMEs in competing for public contracts. This is in line with EU policy on increased SME participation in public procurement. At all times this guidance is to be implemented by buyers in accordance with the principles of EU law, and in a manner that is fully compliant with EU public procurement law and national guidelines. All public sector procurement contracts within the EU, irrespective of value, are covered by the principles set out in the Treaty on the Functioning of the European Union (TFEU) of non-discrimination, equal treatment, proportionality and transparency. Regulations, circulars, guidelines and standard forms in relation to procurement of goods and general services are available on the OGP website at: www.procurement.ie and for construction works and related services at www.constructionprocurement.gov.ie.

4. As a general principle, the guidance sets out positive measures that buyers should take to promote SME involvement in public sector procurement.

4.1 Market Analysis

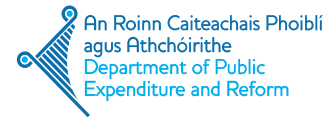
Buyers should undertake market analysis prior to tendering in order to better understand the range of goods and services on offer, market developments and innovation, what commercial models are available, the competitive landscape, and the specific capabilities of SMEs etc. Initial consultation with the market should not have the effect of precluding or distorting competition. To ensure transparency, any information provided by the buyer during this process should be circulated to any potential tenderer.

The OGP has established Category Councils for 16 categories of goods and services bought by the Public Service². Details of the categories are set out in Appendix 1. The role of each Category Council is to develop commercial strategies for sourcing goods and services in their category in line with the needs of customer organisations and in the context of obtaining best value for money. Each council is made up of members who are nominated by the departments and agencies that are the main users of the category. This initiative strengthens the professional approach that Government is now attaching to public procurement. Buyers can contact the Category Council lead (support@ogp.gov.ie) to understand how their needs align to the Category Council strategy or may be met by an existing framework or contract.

4.2 Sub-dividing Contracts into Lots

The sub-division of contracts into lots facilitates access by SMEs, both quantitatively (the size of the lots may better correspond to the productive capacity of the SME) and qualitatively (the content of the lots may correspond more closely to the specialised sector of the SME). Lots may be also decided on a geographic basis, a work package basis, an internal organisation structure basis, etc. Buyers should, where reasonable

² The CWMF will apply to the Category Council for Minor Works and for construction-related services procured by the Category Council for Professional Services.



Ref: DPE033/005/12

28 September 2013

To: Heads of Departments / Offices

Circular 16/13: Revision of arrangements concerning the use of Central Contracts put in place by the National Procurement Service

(This Circular replaces Circular 06/12 concerning Public Procurement (Framework Agreements))

A Dhuine Uasail

Purpose

1. The purpose of this Circular is to inform all public bodies the importance of maximising the value for money achievable when procuring any commonly acquired goods or services. In this regard the central procurement frameworks and contracts established by the Office of Government Procurement (OGP) / National Procurement Service (NPS) are designed to optimise benefits to the public service through the strategic aggregation of its buying power.

2. Public bodies are reminded that such central procurement frameworks are targeted at securing best value for money and facilitating contracting authorities to deliver services within their budgetary constraints. In this regard, public bodies should encourage and promote the use of central frameworks by the public bodies under their remit. The benefits arising from these central procurement frameworks include: cash savings; administrative savings from reduced duplication of tendering; greater purchasing expertise; improved consistency; enhanced service levels and legal certainty. Officials are also reminded that it is Government policy that public bodies, where possible, should make use of all such central arrangements.

Role of Accounting Officers and Accountable Persons

3. Accounting Officers and Accountable Persons are reminded that systems of internal control within public service bodies should support compliance with the requirements of this Circular. Procurement practices are subject to audit and scrutiny under the Comptroller and Auditor General (Amendment) Act 1993 and Accounting Officers are publicly accountable for expenditure incurred. Management in Government Departments and Offices should ensure that there is an appropriate focus on good practice in purchasing and that procedures are in place to ensure compliance with all relevant guidelines.

Tithe an Rialtais,
Sráid Mhuirfeán Uacht,
Baile Átha Cliath 2,
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www.per.gov.ie



4. Where public bodies do not utilise central procurement frameworks they should be in a position to provide a value for money justification. Value for money justifications should take into account the full costs of running a public procurement competition. Public bodies must comply with their obligations under national law and guidelines.

5. The functions of the NPS and the National Public Procurement Policy Unit are to transition to the OGP on 1 January 2014. The OGP will embark on a series of reforms aimed at assisting the wider Public Sector to deliver much needed public services in an efficient and cost effective manner. In this regard, the OGP will be issuing further Circulars on aggregated arrangements such as central procurement frameworks, as these measures are put in place.

Dissemination

6. You are requested to bring this Circular to the attention of –

- all staff in your Department/Office who might be involved in procurement of goods and services, and,
- all contracting authorities under the aegis of your Department/Office and to ensure that arrangements are put in place to implement its terms in the areas under the aegis of your Department/Office.

Queries

7. Any queries in relation to the operation of this circular should be addressed to the OGP helpdesk which can be contacted at nps@opw.ie. Queries in relation to specific central procurement frameworks should be channelled through www.procurement.ie. Any issues in relation to the policy underpinning this Circular should be addressed to the Department of Public Expenditure and Reform at procure@per.gov.ie.

Mise le meas,

Paul Quinn
Chief Procurement Officer



Sample PQs relating to SMEs

PQ Ref: 23894/16

TD Asking: Martin Heydon

Question

To ask the Minister for Public Expenditure and Reform the reason an updated procurement policy for pest control providers was required; if he is aware that many small providers who currently provide pest control services to local schools in their areas, will not now qualify to supply these services, even though their customers are satisfied with their services and would like to retain them; if this issue can be addressed, to allow these providers to continue providing these services in their local areas; and if he will make a statement on the matter.

PQ Ref: 22183/16

• **TD Asking:** Niall Collins

Question

To ask the Minister for Public Expenditure and Reform if all provisions from EU Directives pertaining to increasing the share of public procurement contracts by SMEs have been implemented; and if he will make a statement on the matter.

PQ Ref: 4196/14

• **TD Asking:** Dara Calleary

Question

To ask the Minister for Public Expenditure and Reform if small and medium enterprises represented an increased proportion of companies tendering for public contracts in 2013; if they represented an increased proportion of awarded companies; the number of SMEs that were awarded public sector contracts; and if he will make a statement on the matter.



PQ Ref: 5377/14

- **TD Asking:** Andrew Doyle

Question

To ask the Minister for Public Expenditure and Reform in regards to the practise in relation to awarding 12% of Government tenders to foreign companies, if he will state the monetary value of these tenders and the impact to the Exchequer and job creation for our small and medium enterprises; and if he will make a statement on the matter

PQ Ref: 13177/14

- **TD Asking:** Stephen S. Donnelly

Question

To ask the Minister for Public Expenditure and Reform if the proposed working group on the public procurement opportunities for small and medium enterprises has been established, as per Action 241 of the Action Plan for Jobs; if it has not been established, will its establishment be hastened in view of the recent comments by Professor Morgan Kelly on the precarious situation facing these entities over the coming period; and if he will make a statement on the matter.

PQ Ref: 26508/14

- **TD Asking:** Terence Flanagan

Question

To ask the Minister for Public Expenditure and Reform the changes that have been made to the rules regarding the tendering process for public contracts in order that small sole traders and small and medium enterprises are able to compete and offer tenders; and if he will make a statement on the matter.



PQ Ref: 43308/14

- **TD Asking:** Éamon Ó Cuív

Question

To ask the Minister for Public Expenditure and Reform if his Department keeps any record of the proportion and value of public contracts won by Irish based enterprises for services to the public sector; if there has been any change in the past two years in this proportion and value; the steps being taken to ensure with new procurement procedures and more centralised procurement that the small and medium enterprises sector may compete on a fair basis; and if he will make a statement on the matter.

PQ Ref: 16068/15

- **TD Asking:** Tom Fleming

Question

To ask the Minister for Public Expenditure and Reform if he will review the centralisation of purchasing, and aggregation of requirements, resulting in bigger contracts, thereby excluding small and medium size enterprises from the tendering process; his plans to amend the policy of dealing with fewer suppliers as part of public purchases, which is hugely detrimental to small businesses; and if he will make a statement on the matter.