



EIP Smart Cities and Communities

The Action Cluster Business Models, Finance and Procurement welcomes you to the webinar on

Joint Cross Border Procurement

02 May 2017



Introduction on how to attend to the webinar

In order to ensure the proper functioning of the system and a clear understanding of the presentation, we kindly ask all the participants to respect the following rules:

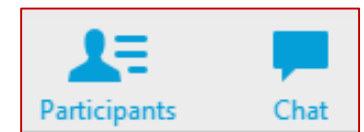
- Please disable your camera and microphone

Click on the following icon to turn off the devices



- In order to ask questions, use the chat in the bottom right corner. We will answer these at the end of the presentations during the Q&A session.

You can find the chat icon on the top right side of the screen





The webinar will last approximately one-hour. It consists of:

- **10 minutes introduction:**
 - a brief introduction given by Anja De Cunto on the EIP SCC AC Business Models activities and events; and
 - an introduction on the cross-border procurement study, by Ivo Locatelli, DG GROW.
- **25 minutes presentation:** Mrs Mitea will present her study on cross border procurement, covering different models and types of procurement.
- **25 minutes of Q&A:** during the Q&A session you are all invited to use the chat to write questions to the presenters. You are all very welcome to ask for any clarifications.



Introduction





What is the EIP-SCC?

The EIP-SCC is an initiative supported by the **European Commission**.

Aiming at overcoming market fragmentation, the EIP-SCC brings together **cities, industry and citizens** to improve urban life through more sustainable integrated solutions.

Its Market Place has already **4.700 members from 31 countries** and 370 commitments.



Headline targets for 2016

100 cities collaborating to bundle demand for tested solutions

100 key industry partners cooperating with these cities in developing innovative solutions, business models and innovative financing solutions.





The EIP Initiatives

Citizen Focus

Citizen Centric approach to data

Citizen City: tools for citizen engagement

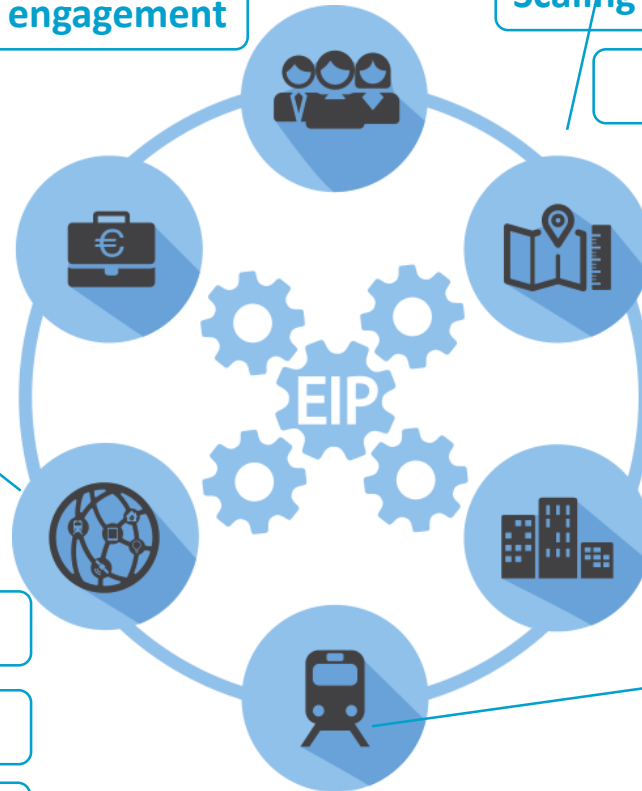
**Business Models,
Finance and
Procurement**

Integrated Infrastructures

Humble Lamppost

Urban Platform

Cross-city transformation



Int. Planning, Policy & Regulation

Tools for decision making and benchmarking

Scaling up & replication of smart city plans

From Planning to Implementation

Governance for Cultural Heritage

Cross-Nations Exchange

Sustainable Districts

Small Giants

Positive Energy Blocks

Sustainable Urban Mobility

Electromobility

New mobility services



Existing business models, finance & funding instruments and procurement schemes do not fit today's challenges **within our cities and urban communities.**

There is a strong need for knowledge sharing, innovation and expertise on business models, finance & funding and procurement.

Cooperate with key initiatives like the **smart cities lighthouse projects.**



Create pace, scale and impact by acting along three interconnected axes: Business Models, Finance & Funding and Procurement

Under the initiative **Innovative Business Models Use Cases**, the AC aims to support the work of Smart City initiatives in economic aspects by:

- Making available knowledge about innovative business models, financing and funding models and procurement models.
- Engaging the financial community.





Create pace, scale and impact by acting along three interconnected axes: Business Models, Finance & Funding and Procurement

Consult our funding and financing interactive guide
<https://eu-smartcities.eu/funding-guide>

Consult our smart cities business models library (currently being built)

Participate to our webinars and events:
next event planned for 20 June in Brussels





The study on Joint cross-border procurement





- Objectives
 - Strong internal market dimension
 - Potential to foster innovation
 - Reduced corruption
 - Fitting for innovative cross-border services

- Buyers
 - Regions/cities near the border
 - Cross-border services (satellite apps)
 - Public procurement of innovation
 - Central Purchasing Bodies

- Surprising interest



Opportunities

- Higher bargaining power
- Learning effect
- Increased competition
- Aggregation of PP expertise
- Risk sharing in innovation PP
- Strengthening of the SM

Barriers

- Language
- Legal
- Cultural aspects
- Administrative effort
- E-procurement issues
- Scarce awareness

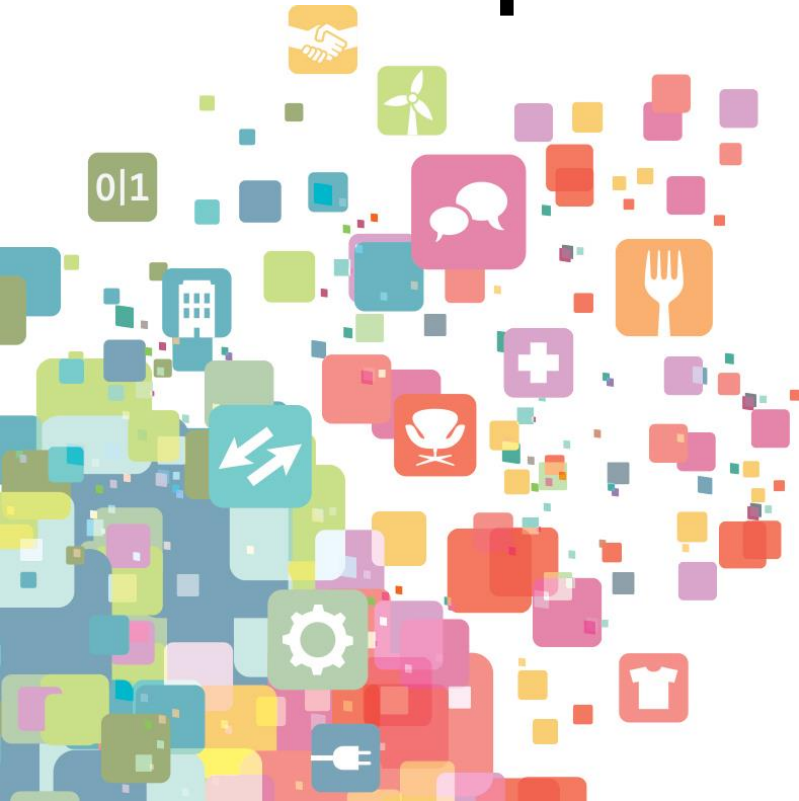
- Purchasing alliances expanding
- Why?
 - Strengthen procurement power
 - Reduce costs
 - Change behaviours

Feasibility study: joint cross-border procurement

02.05.2017

Dana Mitea

Markus Theiner



Feasibility Study

**Support of the internal market policy for growth:
feasibility study concerning the actual implementation
of a joint cross-border procurement procedure by
public buyers from different Member States**



Content

1. Methodology
2. Main findings (per project)
3. Conclusions
4. Recommendations



1. Methodology



Methodology, 3 Phases

■ 1. Preparatory research phase:

- identification of relevant studies, mapping of relevant stakeholders and analysis of the existing legal, administrative and organizational framework for joint cross-border procurement

■ 2. Case study phase:

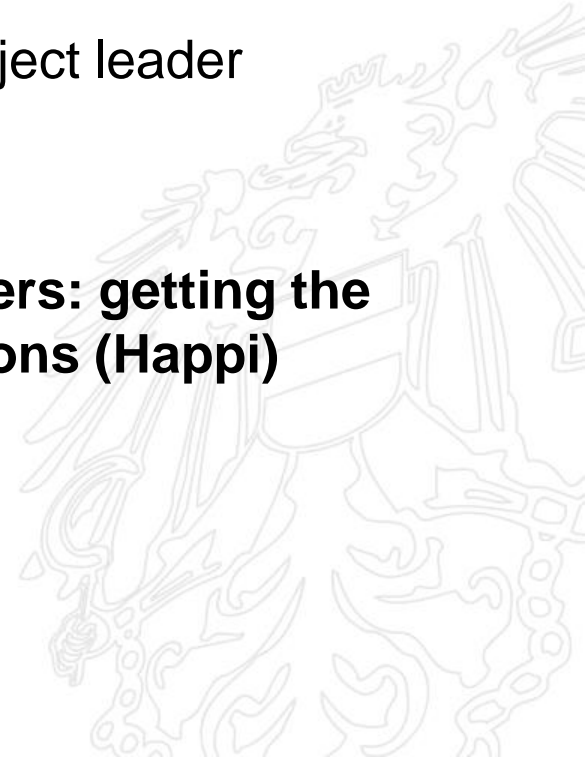
- data collection phase in the selected case studies with the aim to assess the role and impact of legal, procedural and policy-based tools in order to enable and strengthen joint cross-border procurement with regard to the stakeholders involved

■ 3. Analysis of data, including cost-benefit analysis

- development of an analysis guideline
- analysis strategy by which qualitative data were segmented, categorized, summarized, and reconstructed/compared in a way that captures the important concepts within the data set
- examination of the data and drawing conclusions

Case study phase

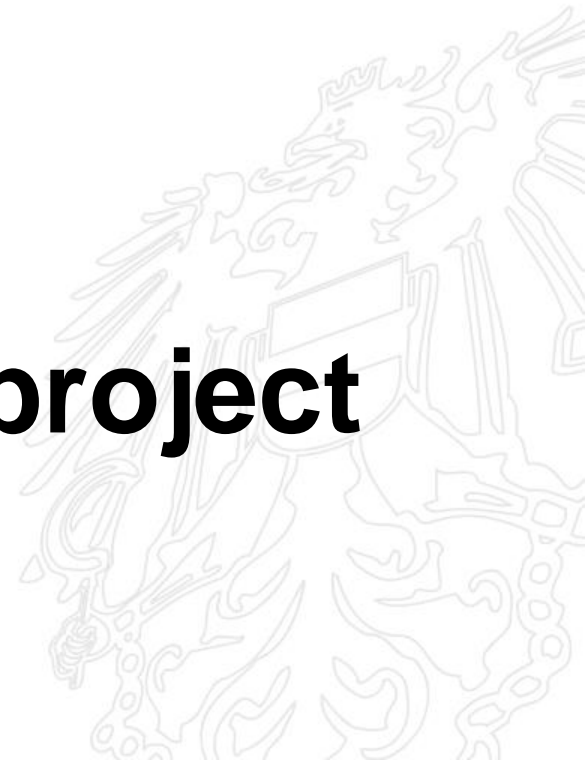
- **4 cases** have been taken into consideration
- **Interviews** with CAs:
 - **10 interviews within 9 buying organisations (lead buyers and participants) and 1 coordinator (EPCO)**
 - Interview partner from each organisation: Project leader
- **Online questionnaires** for EOs
 - **all suppliers and as many as possible bidders: getting the contacts- difficult for data protection reasons (Happi)**



Cost-benefit analysis (CBA)

- Qualitative description of costs and benefits of the project in the interviews
- Factsheet for product prices and incurring costs/hours in different stages of the project (contrasting between 'JCBPP' and 'baseline' scenarios):
 1. Conduct of a quantitative cost-benefit analysis (CBA) within the scope of the JCBPP project
 2. Description of the method that was applied for the CBA
 3. Achieved price/s for the procured product/s
 4. Quantification of the total costs of the JCBPP project for different stages/areas in the procurement process
 5. Expected development of costs in future similar procurement projects
 6. (For lead buyers:) Total value of the goods and services that were procured within the project, and shares of the project partner organisations

2. Main findings per project



Analysed projects

1. HAPPI (Healthy Ageing – Public Procurement of Innovation)
2. Procurement of standard software: EPCO
3. Infrastructure project BBT-SE
4. Citrix licences and Appliances: BBG and SKI

1. HAPPI- Main findings

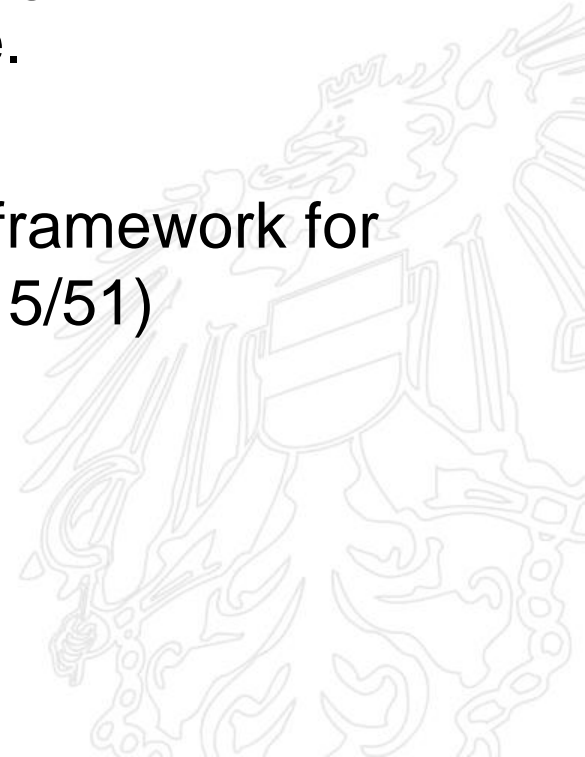
- Coordinator: RESAH, a French CPB operating in the health sector
- **Buying organisations from: F, IT, GB, LUX, B**
- Happi was co-funded by the EC and aimed at creating a network of public buyers of innovation in health.
- Co-funding of coordination activities but also purchasing costs of innovative goods & services
- Project implementation period: 2012-2016.

1. HAPPI- Main findings

- Resah conducted an open procedure under French law and concluded a FA with 3 different technical lots
 - Lot 1: Fall detection and alert system
 - Lot 2: Treadmill for rehabilitation and analysis of walking disorders
 - Lot 3: Walking course for preventing falls
- Call-offs were conducted under the respective national laws
- Award was based on the terms and conditions stated in the FA → 1 supplier/lot (one from NL, two from F)
- Procedure conducted in 3 languages (F, EN, IT)
- CPBs acted as wholesalers

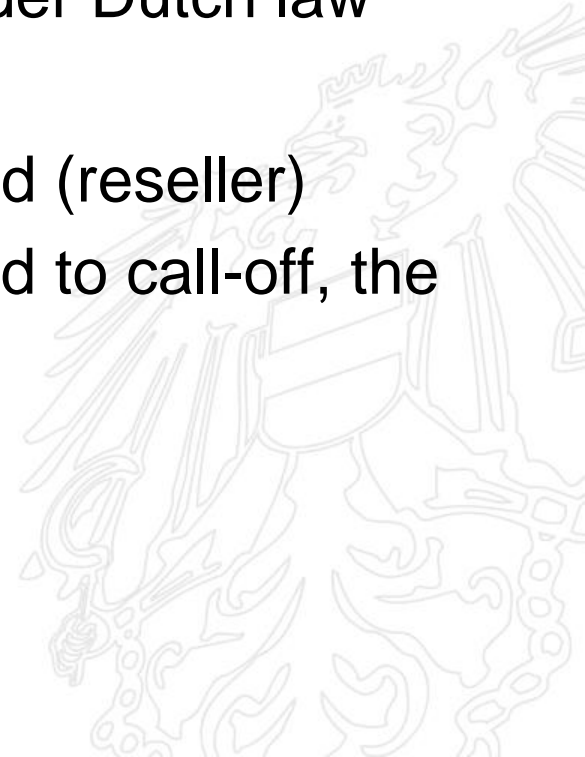
2. EPCO- Main findings

- Contracts and FA are centrally managed by the lead Central Bank or by EPCO, but implemented (ordered and paid for) by the participating Central Banks.
- EPCO focuses on getting the participating banks to commit to a certain procurement volume.
- Particular EPCO legal situation
- Decision ECB/2008/17 laying down the framework for joint Eurosystem procurement (ECB/2015/51)



2. EPCO- Main findings

- Procurement of standard software 2011
- Lead buyer: Dutch National Bank
- 14 Central Banks participating
- FA awarded in a restricted procedure under Dutch law
- Call-offs under Dutch law
- Only 3 offers received, 1 supplier awarded (reseller)
- Non exclusive FA: only the DNB is obliged to call-off, the others not!
- Contract volume: max. € 50 mil.



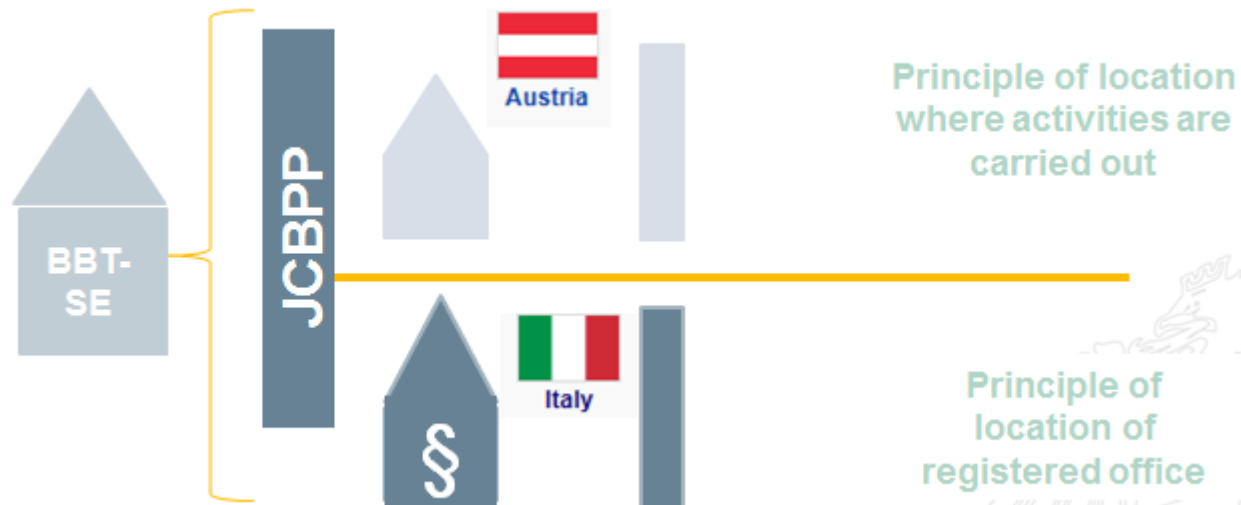
3. BBT-SE

- The founding of the BBT SE is based on a State Treaty between Austria and Italy, 2004
- SE: 50% Austrian Railways Company ÖBB & 50% TFB, IT
- Treaty includes no provision on how PP procedures will be conducted → the General Assembly decided on applicable rules
- Registered office of the SE in the planning phase in Innsbruck with branch in Bolzano and during execution phase, in Bolzano with branch in Innsbruck.
- BBT SE is a sectorial CA → dir. 25/2014

3. BBT-SE

Applicable PP rules:

- Procurement for services carried out in AT, under AT law
- Procurement for services carried out in IT, under IT law
- JCBPP under IT law



3. BBT SE

- Open procedure to award a contract with a single economic operator, no division into lots
- **Participants:** 1 joint entity owned by 2 MS
- the contract was managed under Austrian law for the services provided in Austria and under Italian law for those provided in Italy.
- **Procurement volume:** EUR 3.4 million
- **Number of bidders:** 5



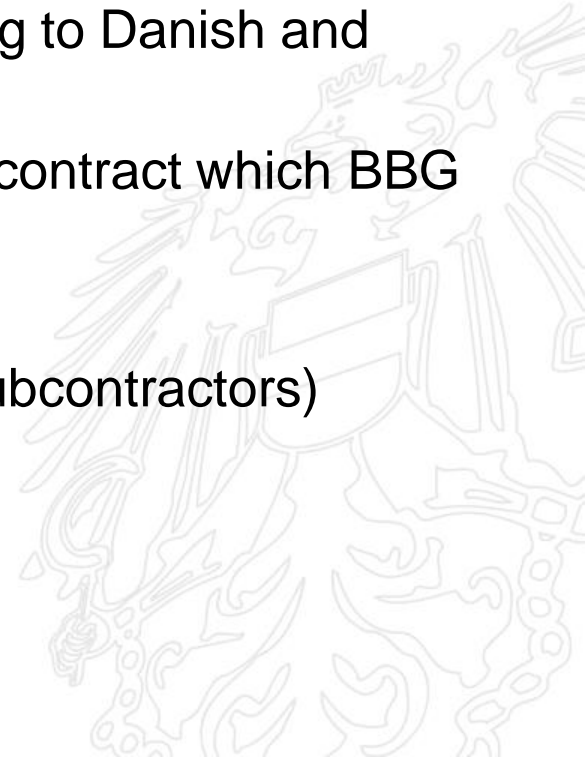
4. BBG-SKI-Main findings

- 2 CPBs: BBG from Austria and SKI from Denmark
- JCBPP for the purchase of Citrix software licenses and appliances
- Time frame: 2015 – 2016
- Outside any EU financed project



The set-up

- FA with 3 suppliers in an open tender procedure.
- Call offs are based on either a direct award for contracts below € 50k or mini-competition for contracts of € 50k or above
- Joint award of the FA based on Austrian law
- Subsequent mini-tenders are conducted according to Danish and Austrian law
- Bidders are asked to offer discounts on the base contract which BBG and SKI have negotiated with Citrix
- Total volume: € 32 Mio
- 4 offers received (Austrian bidders with Danish subcontractors)
- 3 suppliers were awarded



3. Conclusions

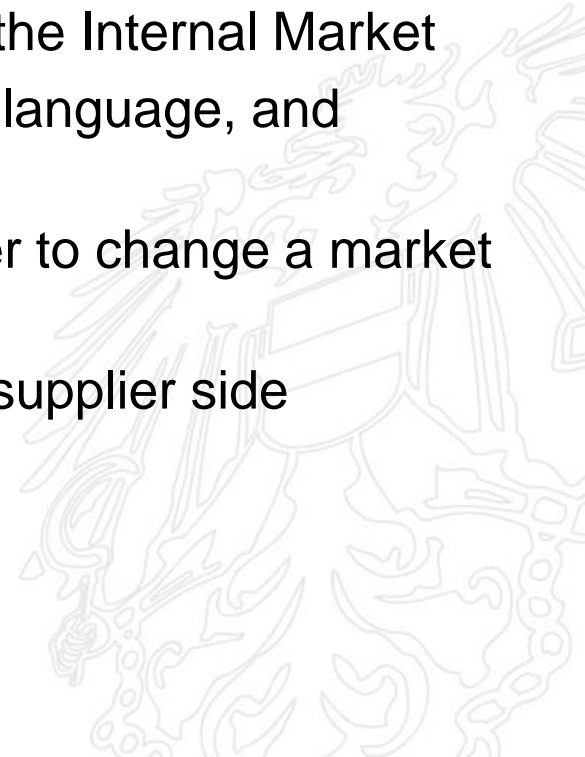


Conclusions

- All projects have been implemented before the transposition of the new directives but anticipating the possibilities provided for in art. 39
- The implementation of the projects showed that JCBPP is **possible** and now, with the new provisions, there is a legal basis!
- JCBPP initiatives are not necessarily only a risky endeavor, but open up possibilities to explore the various ways the several layers of legal provisions involved interplay and which opportunities they provide for optimally achieving the goal of enhancing efficiency in PP
- It is possible to conduct a JCBPP in different ways (even without EU financing)

Conclusions

- Different motivation but common targets
 - Achieving better prices and improved conditions
 - Reducing process costs through aggregation of procedures
 - Exchanging best practice with other similar institutions
 - Creating networks and using the potential of the Internal Market
 - Improving knowledge of market, procedures, language, and “thinking outside the box”
 - Availing of possibility to work together in order to change a market strategy (pricing)
 - Encouraging innovation on the procurer and supplier side
 - Gaining access to new markets



Main Challenges

1. **Legal complexity:** Provisions in national PP legislation and national contractual provisions, product specific legislation
2. **Reaction of the market:** rigid market structures and pricing policies
3. **Complexity** in terms of **invested time in coordination of partners**
4. **E-procurement tools** can be a challenge as they have been designed for national procedures/language only (e-signature, publication platform)
 - Official information/tools may only be available in one language
 - EU Official Journal: no possibility to upload tender documents
5. **Language:** challenging but was not identified as the main barrier
 - Using EN proved to be the most efficient solution.
 - Legal English: there is no European legal language

Main benefits in JCBPP Procedure

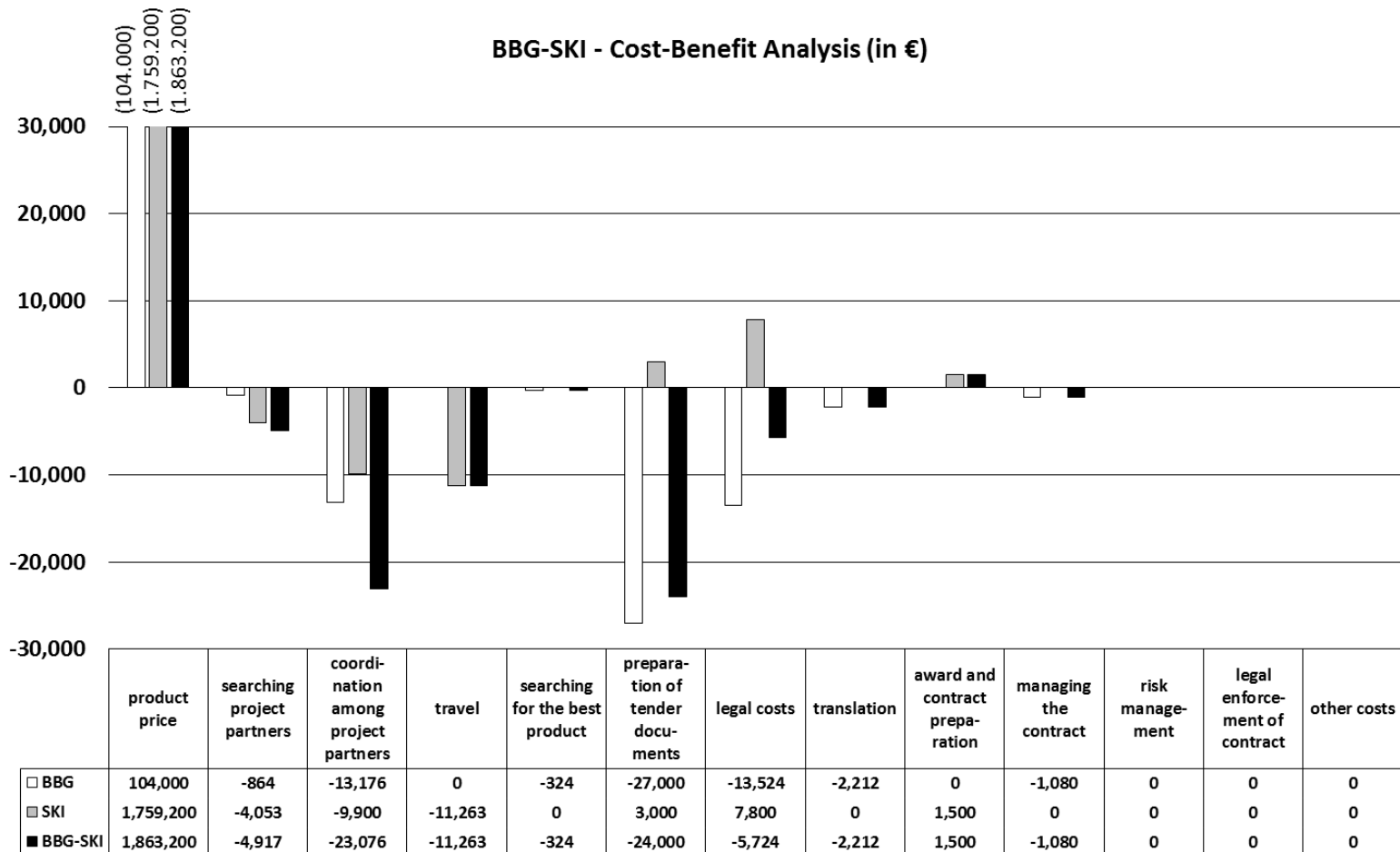
1. **Monetary savings (see CBA)**
2. In “difficult” markets: possibility to work together in order to **change a market strategy** (pricing)
3. CAs gain **access to other markets**
4. **Steep learning curve** on: market, procedures, language, “thinking outside the box”
5. **Exchange of good practice** with CAs from other MS
6. **Create networks** and use the potentials of the Internal Market (EHPPA)
7. **Help suppliers** to discover new markets

Reaction of the market

- Main reasons for bidding: expected turnover, expected market share, expansion to new markets
- Most of the EOs addressed consider that JCBPP is a **good purchasing procedure** and they would participate in future procedures
- The majority of companies participating in the JCB procedures were SMEs, most of them, medium size
- None of the EOs needed external staff to support the preparation of the tender (not even the SMEs)
- Challenges encountered: language barriers, complexity because of fulfilment of an international contract, question related to review bodies and courts.

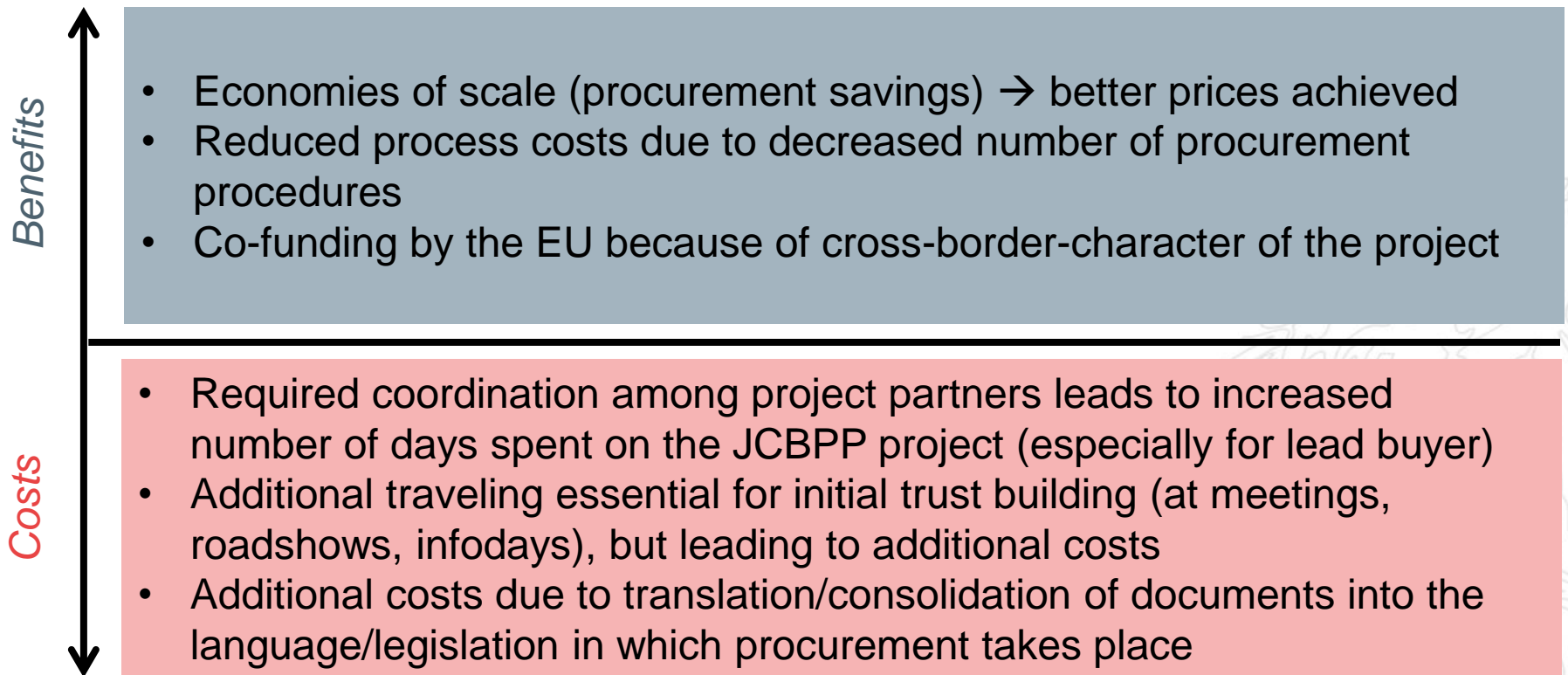
CBA

Quantitative CBA: BBG-SKI



CBA

■ Results from comparison of CBAs of the projects:



CBA

- Savings due to higher volumes (**economies of scale**)
- Generation of **savings of process costs**
 - Decreased number of tenders due to central coordination
- Increased external **(co-)funding**
 - Important role, especially for generating know-how
- **Coordination** and communication among project partners
 - Related to issues like travel, language/translation, integration and consolidation of legal systems/terms from partner organisations
 - Communication and coordination can lead to major risks/costs
 - Depending on Project structures – level of involvement of PO

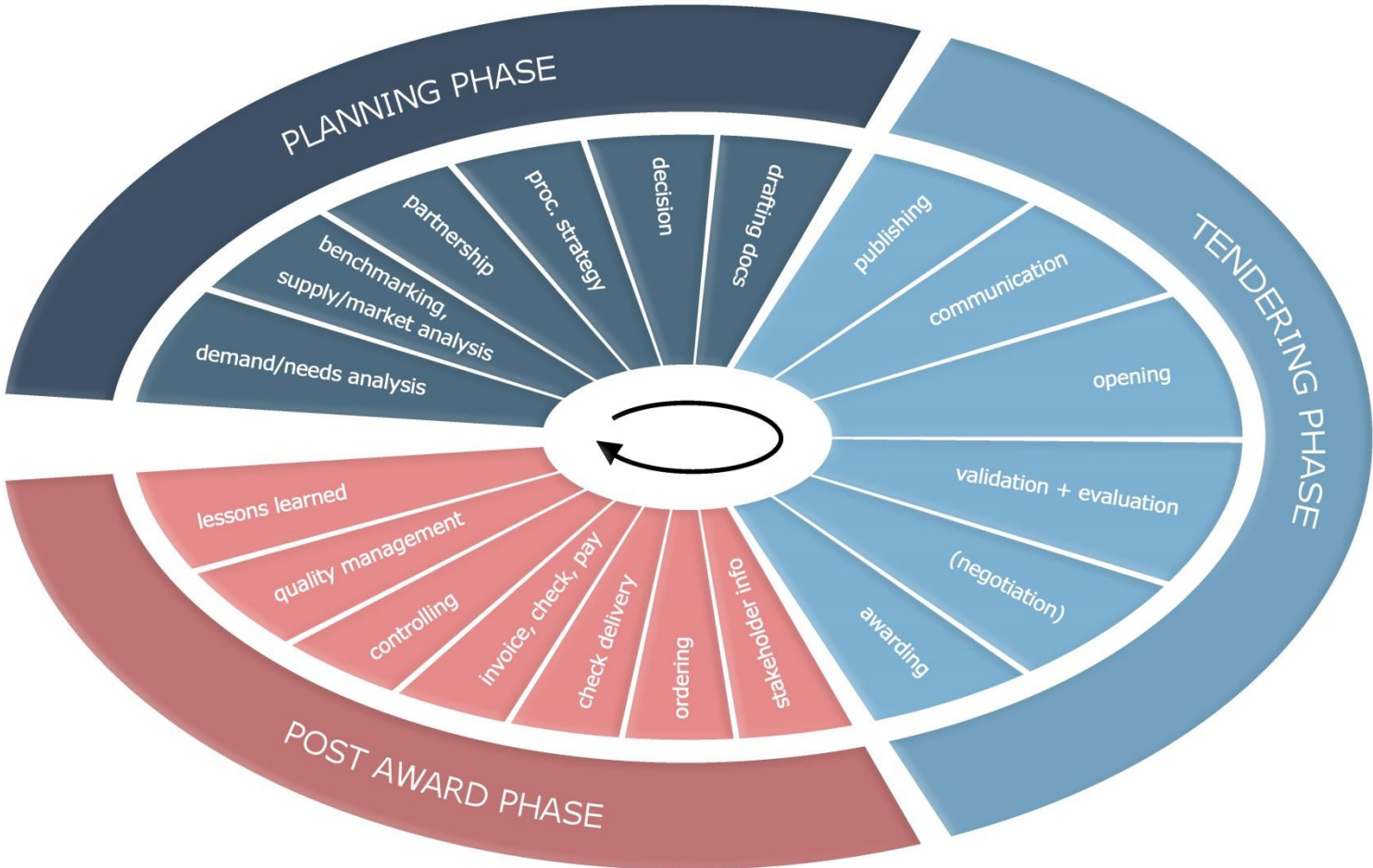
CBA- Organisational perspective on costs and benefits

	Lead buyer	Participating organisation (active)	Participating organisation (passive)	Coordinating organisation	Overall project
Coordination	↘↘	↘	→	↘↘	↘↘
(Co-)funding	↗	↗	↗	→	↗
Economies of scale	↗	↗	↗	→	↗
Savings of process costs	→	↗	↗↗	→	↗
Learning effects	↗↗	↗	↗	↗↗	↗
Total	↗/↘	↗	↗↗	↘	↗

Recommendations

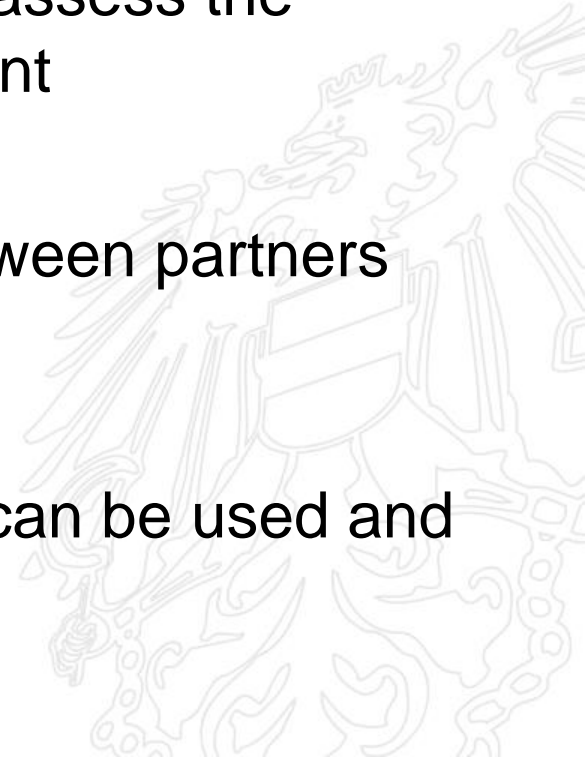


Recommendations based on procurement phases



What is important to consider when conducting a JCBPP Procedure?

- Finding the suitable partner(s): **same needs at the same time**
- Conducting a **benchmarking** exercise to assess the potential benefits in the field of procurement
- Conducting an accurate market analysis
- Setting up a **cooperation agreement** between partners where the modus operandi is defined
- Consider the best cooperation scenario
- Think about **e-procurement tools** which can be used and test if interoperable



What is important to consider when conducting a JCBPP Procedure?

- The more partners, the more complex the procedure → **start small!**
- Having a **coordinator simplifies the administrative work**
- Most probably it is easier to procure in fields where there is no complex **delivery process** (e.g. software)
- Consider standard goods and services which do not involve complicated technical specifications
- Plan longer time when conducting JCBPP for the first time

Thank you for your attention!

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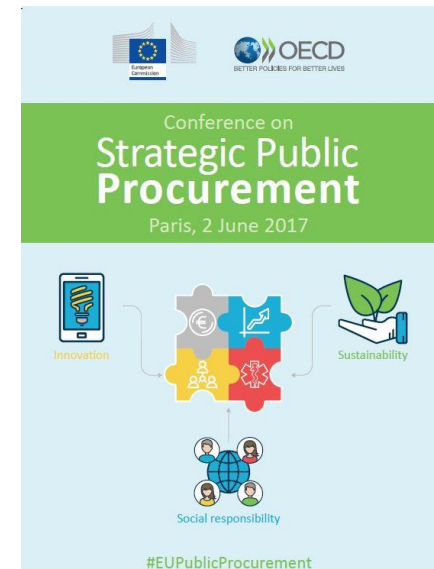


Q&A





- When? **2 June 2017**
- Where? **Paris, UICP (Union Internationale des Chemins de Fer)**
- How to attend? **Registration on line**
 - **Click** http://ec.europa.eu/growth/tools-databases/newsroom/cf/itemdetail.cfm?item_id=9123&lang=en
- What? **Public procurement:**
 - Innovation
 - Social responsibility
 - Sustainability





We are glad to invite you to the next **EIP-SCC Action Cluster meetings**, which will take place in **Brussels on 20th June, 2017**.

Detailed information about the meeting will follow soon via email, Twitter and will be posted on our website <https://eu-smartcities.eu/newsroom/events>.

*Meanwhile, please **'Save the Date!'**, your participation is highly welcome!*

For any questions related to the Business Models Action Cluster, please contact us at businessmodels@eu-smartcities.eu.



THANK YOU!

<https://eu-smartcities.eu>

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