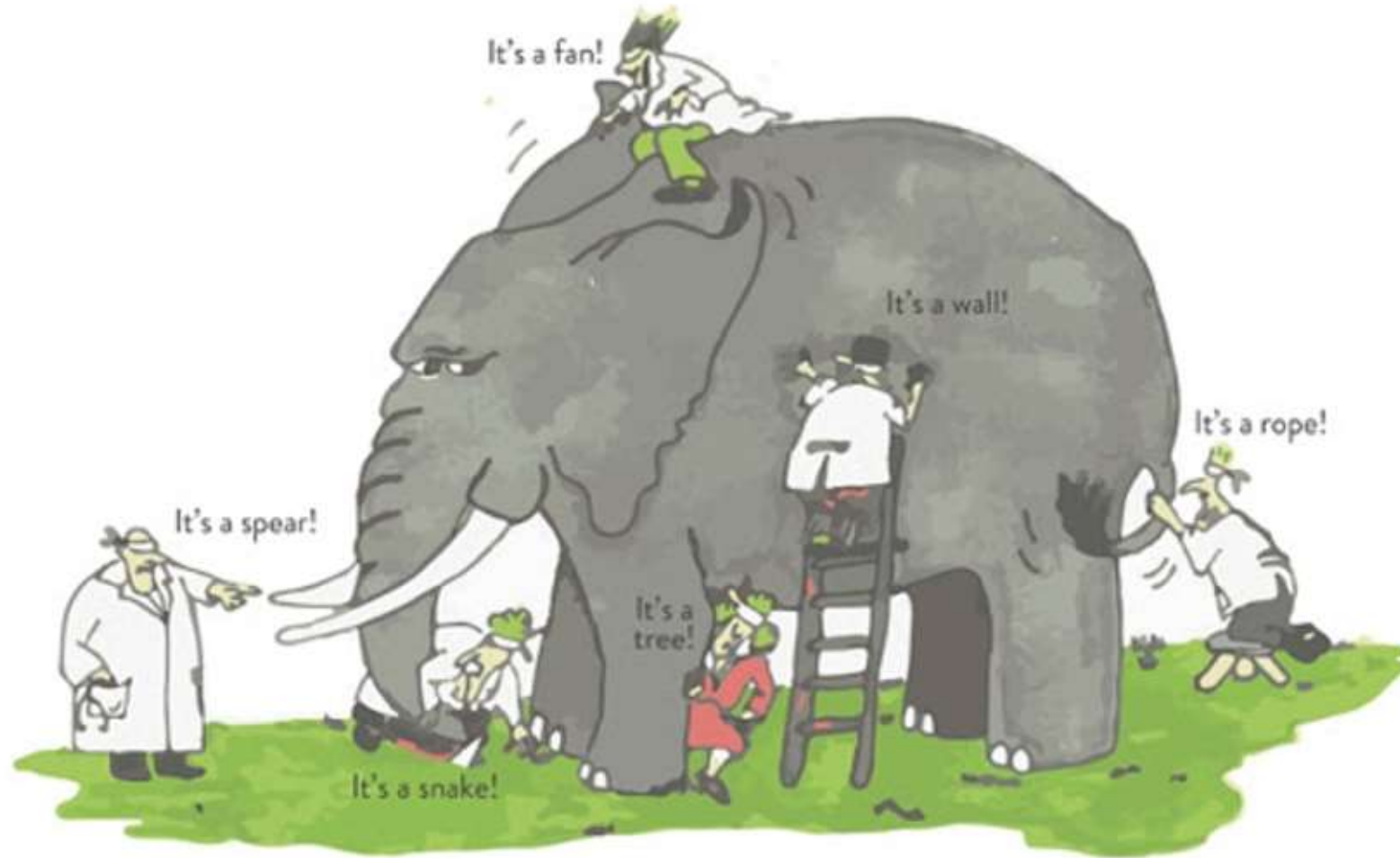


# The challenging task of public procurement



# Position is everything



# My positions – my perspective

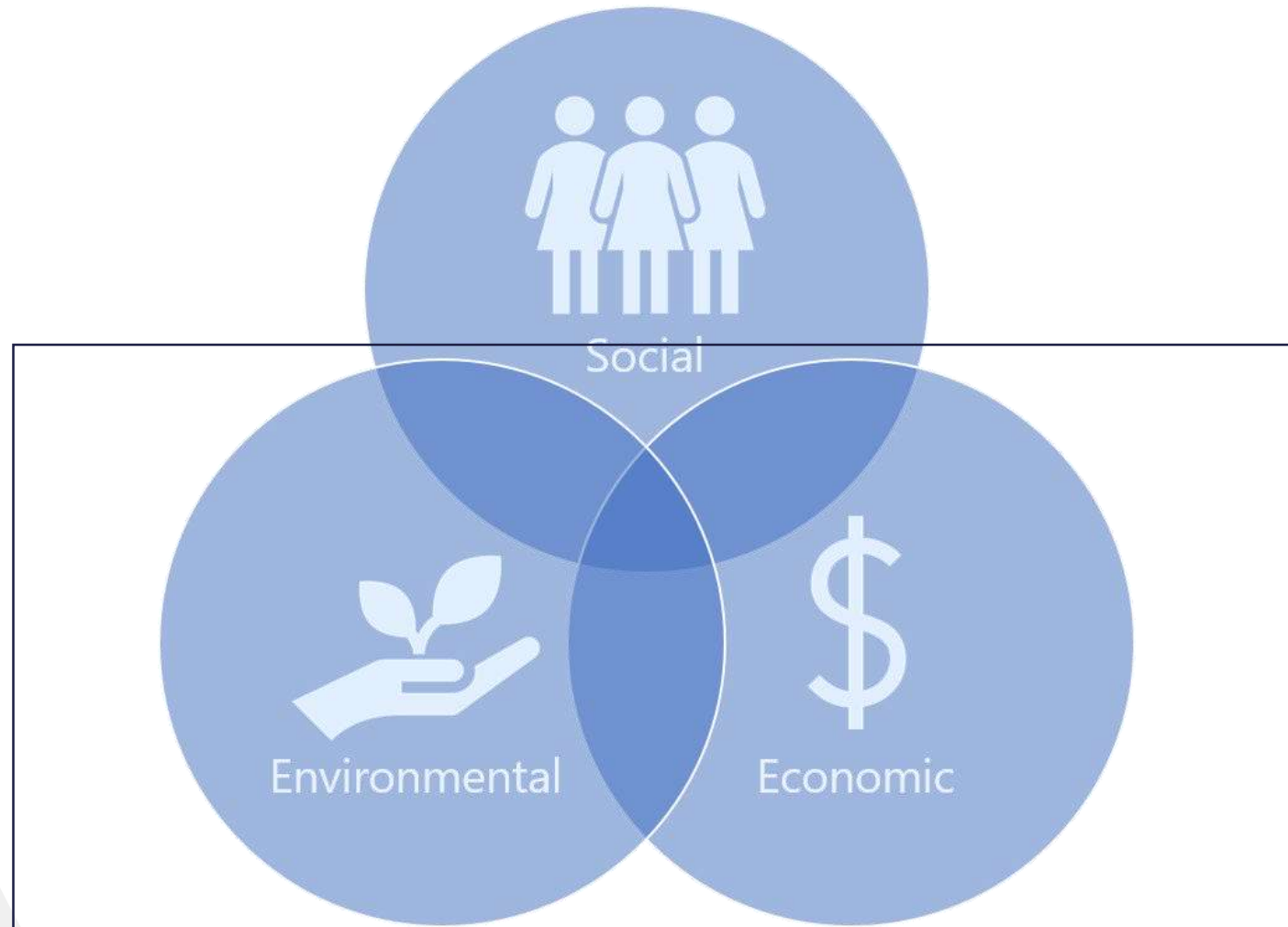
- Chief of supply Fællesindkøb Midt. Purchase community of 4 municipalities with a combined yearly spend of 0,7 billions euros deriving from 390.000 invoices generated by more than 1.000 purchasers.
- Chairman of IKA – an association of ordering parties (municipalities, regions, ministries, universities, the utility sector). Presently app. 900 paying members.
- Member of the governance structure of SKI regarding the cross-sector program of binding framework agreements. (SKI is the main danish public procurement serviceorganization).

My perspective is primarily non-legal. And I have blind spots.

# How I move forward - today



# The tectonic plates - the triple bottom lines



# The economic bottom line – building the base

**Economies of scale, standardization and binding framework agreements.**

## **The national level**

- The base built in 2012. Firstly by the yearly agreement on the economy between the government and the municipalities. Secondly by the binding procurement program for the state as a combined entity.
- SKI appointed as the operator of the the cross-sectoral program of binding framework agreements.
- The program extended the following years. Consists today of 29 binding framework agreements. (Beside the cross-sectoral program SKI operates 17 voluntary framework agreements.)

## **The regional level**

- The 5 regions combined in 2014 their buying power in The Regions Joint Procurement.

## **The local level**

- Almost each and every of the 98 municipalities is member of a procurement community.

# Economies of scale – the upper side

- A considerable reduction of the combined transaction cost of public procurement
- A considerable (potential) reduction of the combined cost of public procurement
  - The absence of a control-group and the non-existence of an agreed upon way of determining cost-savings.

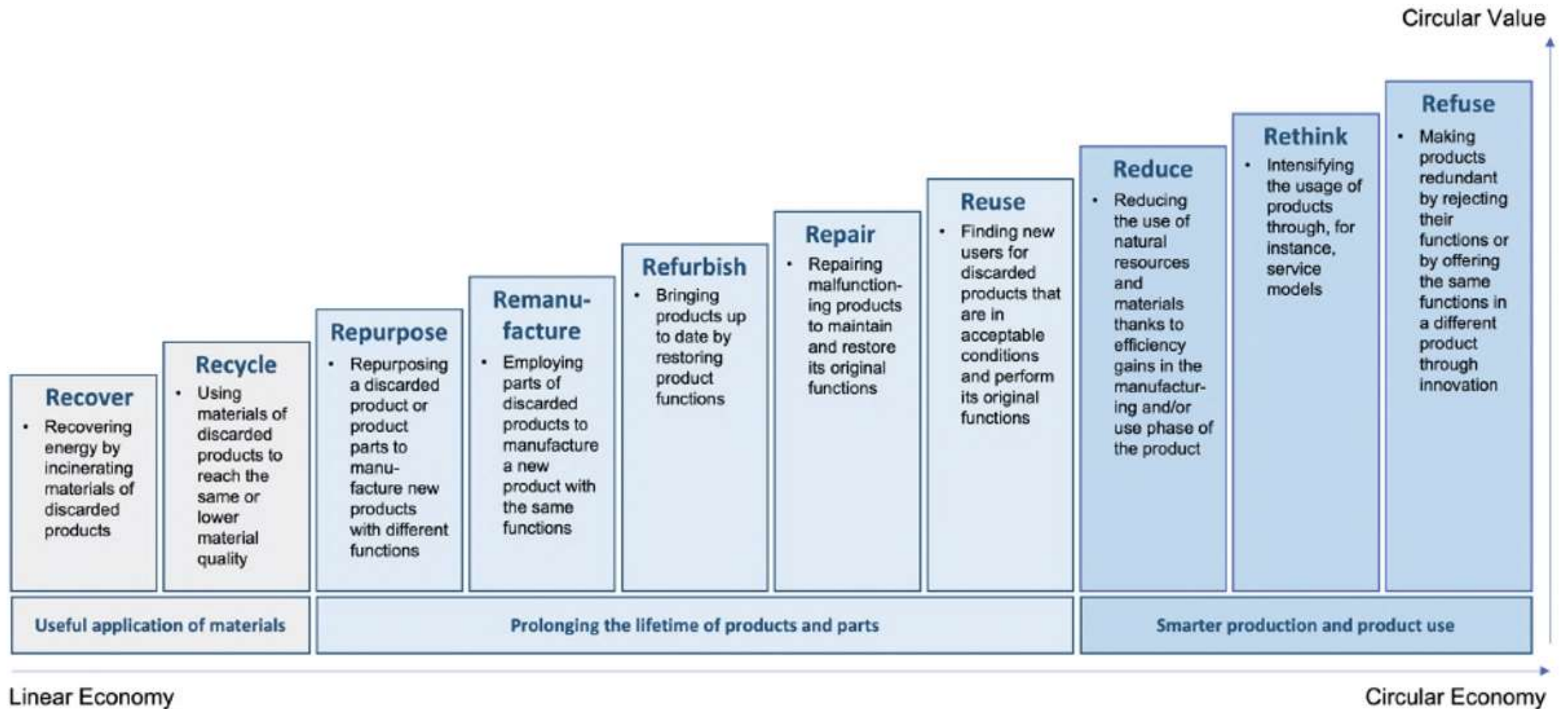
# Economies of scale – the other side of the coin

- (Too?) much at stake for the bidding parts
  - Pre-assignment transaction costs – number of questions asked by the potential bidders despite dialogue and a formal hearing process
  - The consideration whether even minor adjustments must result in annulment if they come in large numbers?
    - Annulment as a “better be safe than sorry-strategy”
  - A linear relationship between the estimated value of the (binding) framework agreement and the significance of the juridical integrity of the procurement process (limelight effect)
  - “Low-balling” (strategic bidding)
  - (Potential) post-assignment transaction costs: handling of requests of access to documents; a complaint to the procurement review board.
- The consolidation of the market on few dominant actors.
  - The legislative respons: The “subdivide or explain” article §49, stk. 2 in the Danish Public Procurement Act
  - Subdivision as a default setting in the binding framework agreements operatede by SKI and The Regions Joint Procurement
- Pyrrhic victory: Too cheap prices – even without low-balling?





# Turning circular principles into practice – a framework



# Enablers to overcome barriers to circularity (non-exhaustive)

- Design for circularity
- Foster circularity through legislation
- Change the narrative surrounding circularity
- Implement circular purchasing practices
- Increase take-back programs (urban mining)

# Public procurement as a lever

Conditions – closed doors

- Design for circularity? (Physical durability, ease of maintenance and repair, upgradeability, recycling, remanufacturing)
  - Is (or where is) public procurement a key?

Possibilities – open doors

- Certified green products
- Implement circular purchasing practices
  - Refurbishing, repairing, reusing
- Changing the narrative - nudging
- Take back programs (urban mining)



# The balancing act

## Framework agreement



As good as it is presently and as we can describe in amendmets clauses

Economies of scale

Low(er) tranaction costs

## Dynamic procurement system



As good as it gets – always

Subdivision and potential multiple winners

# Groundlevel enabling – potentials and challenges (1/2)



# Groundlevel enabling – the municipality of Horsens

First step. The municipality of Horsens has extended the time-of-use of company portables with one-year.

**Just do it!**

Next step. Another one-year extension of the time-of-use.

**Just do it!**

The big step. Extending the time-of-use by refurbishment.

Potential challenges/barriers

- Pyrrhic victory: Too cheap prices in the linear supply chain? No pricing of the climate externalities of the linear supply chain and its use of virgin materials
- Portables as up-to-date products (“fashion electronics”) – premature replacement due to perceived obsolescence?
- The narrative of inferiority of refurbished portables

**Look into it!**

# Groundlevel enabling – potential and challenges (2/2)





# The strive for changing behavior without cancelling the autonomy

**The setting:** The two yearly two-days IKA-conferences with a combined number of participants of app. 800. At each conference there is a networking dinner day 1.

**Previously:** The default setting regarding the menu served at the networking dinner was a main course with typically beef or pork. The vegearian course was the opting in

**As it is now:** Reversed default setting. A main course with meat is the opting in. And beef and pork has been opted out due to the climate footprint-profile

## **The challeing results:**

2022: 70% opted the meat-course in

2023: 80% has of now opted the meat-course in

## **To-be:**

- Remove the veil from the eyes and thus postponing the chocie of menu until the menu is set
- Make use of the documented effectiveness of the "But You Are Free" nudging-technique

# At the end of the day.....

