



Creating future.

# Modernisation of public procurement and good governance

High Level Tripartite Strategic Forum, 14.4.2016

Matti Mannonen, Finnish Association of Consulting Firms SKOL

# Main points of presentation

- Public procurement is extremely important part of economy, and tool for improving efficiency
- New procurement directive guides towards better quality, innovation and sustainability
- Good procurement practices create value to Client
- Focusing on quality and innovation pays back
- Cooperation and transparency improve performance
- Success cases

# Public procurement has vast impact

- Finnish public sector procures over 35 billion € worth of works, services and goods annually, 17 % of Finnish GDP.
- Figures in other European countries are comparable – EU average is 14 % of GDP.
- 10 % improvement in the life cycle cost of procured works, services and goods would have dramatic impact on public sector budget balance – e.g. it would solve half of Finland's structural deficit.
- Such increase is **easily** achievable by improving public procurement practices



# New Procurement Directive fosters **quality, innovation and sustainability** in public procurement

- Good quality pays back – many times over.
- Innovations create better efficiency and entirely new ways of achieving goals.
- Sustainability of procurement is an investment to the future.
- Positive cooperation enhances new ideas and innovation - confrontation blocks innovation.



# New tools in the new directive

- Market consultation
- Use of competitive procedure with negotiation and competitive dialogue expanded – standard procedure when buying knowledge-based services
- Innovation partnership
- Simplified procedures for framework procurement
- Selection based on most economically advantageous tender

# Market consultation

- Dialogue with potential tenderers before writing the tender invitation
- To find out:
  - what is possible in the market
  - what kind of skills/equipment/other resources are required
  - how to write requirements so that they are understood correctly
  - what is a realistic time frame for procurement and implementation
  - what should be left open for innovation etc.
- Info to suppliers about forthcoming procurement to increase interest
- Does not exclude participating tenderers
- Tenders more responsive to Client's needs and comparable with each other

# Competitive procedure with negotiation - standard procedure in the new directive

- Client defines general objectives and needs, general evaluation criteria and minimum requirements
- Preliminary proposals form basis for negotiations (with each bidder separately –confidentiality).
- Proposals and objectives can be developed, so that the Client's needs and goals are fully covered and understood by the tenderers.
- Remaining bidder(s) give their final proposal, and Client selects the winner.

# Competitive dialogue

- When Client doesn't know exactly what is required
- General description of needs/requirements, award criteria and indicative timeframe in contract notice.
- Open dialogue with candidates to identify and define the means best suited for satisfying the needs.
- All aspects of procurement can be discussed.  
Confidentiality.
- When best solutions are found, remaining candidates submit tenders based on them.
- Choose best value tender and finalise contract.
- Compensate (prizes or payments) the participants of competitive dialogue.



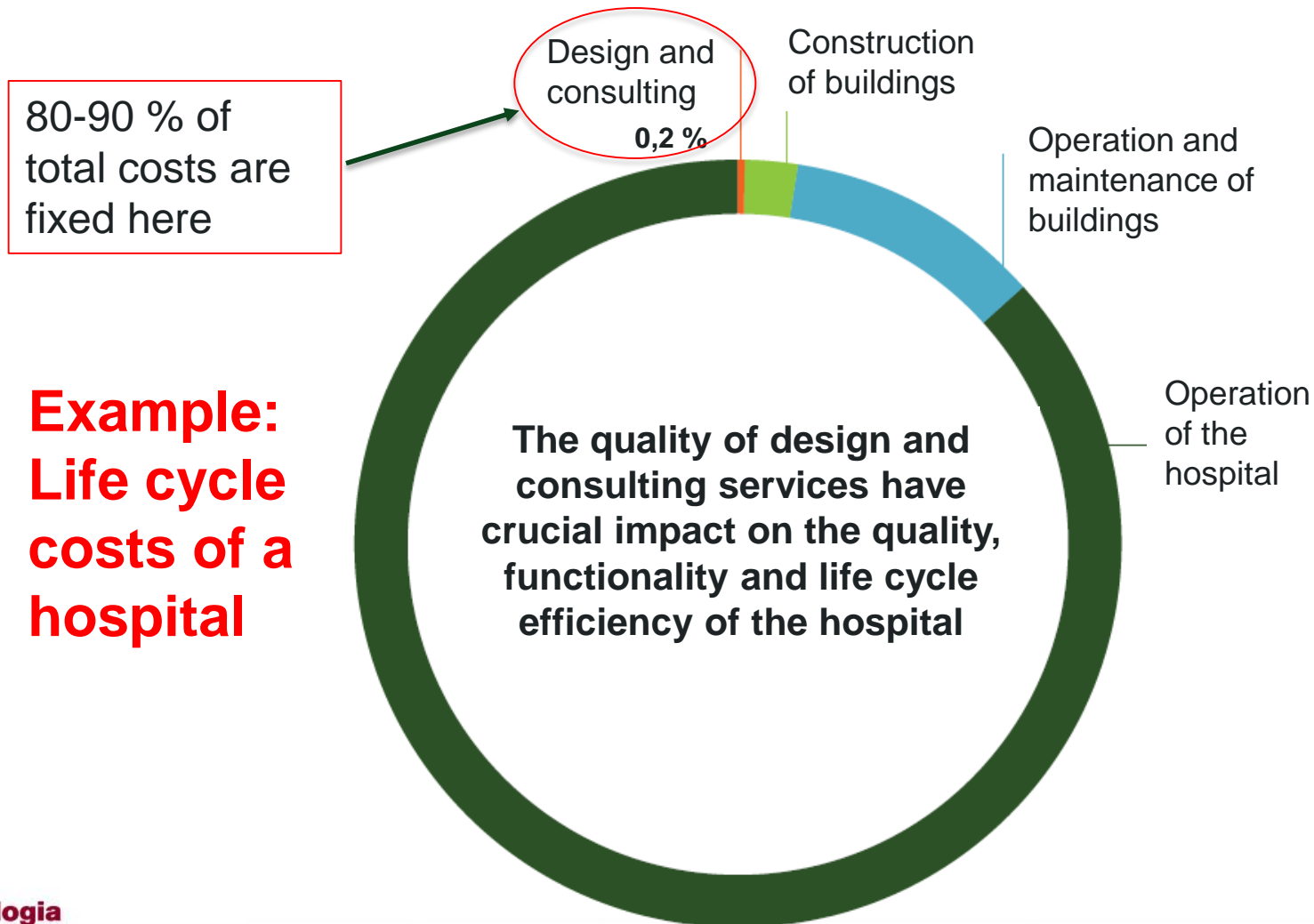
# Transparency of processes => more competition, better efficiency

- Professional project management with adequate resources
- Procurement plans and contract forecasts well in advance
  - companies can follow-up and be prepared
- Market consultation and open information to bidders
- Clear evaluation and award criteria, focus on quality and life cycle costs
- Public shortlists, evaluation results and awards systematically
- Restricted or negotiation procedures in design and consulting tenders and complex assignments
- Encourage innovation and new sustainable solutions
- Avoid national registration, certification or other administrative burden.

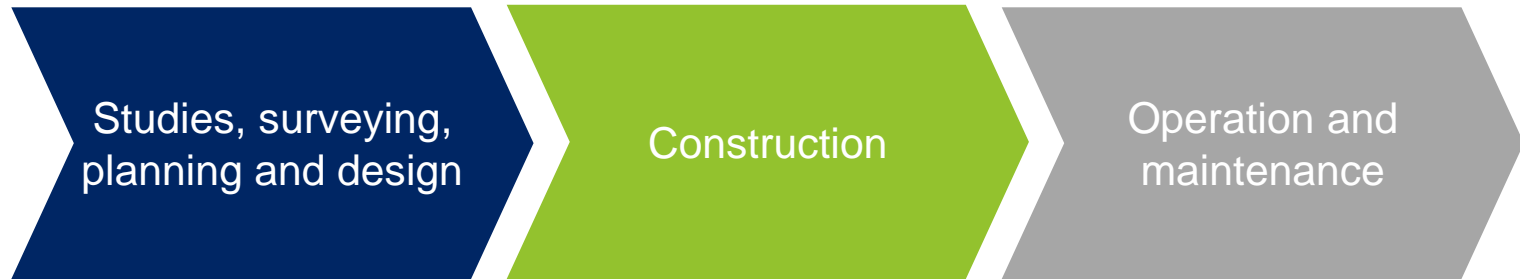
# Quality based selection - positive impact on outcome

- Quality based selection leads to:
  - Offering best qualified experts/services to Client
  - High quality work plan
  - Adequate resources to carry out the work, e.g.
    - Resources to comparing solutions and finding the best
    - Resources to interaction with Client, other actors, stakeholders, affected parties etc.
- Client gets better offers and can buy high quality services.
- Good interaction ensures smooth and agile execution.
- Outcome fulfils or exceeds the targets of the Client.

# Better planning and design always improves life cycle efficiency of an investment



# LIFE CYCLE thinking improves transfer of knowledge and creates value to Client



*Partial optimization, everyone is "on his own"*



*Cooperation between parties. Transfer of knowledge throughout the Life Cycle*



# Finnish government fosters innovation in public procurement

# How to foster innovation

- Focus on quality of offered services and life cycle efficiency of end product
- Performance requirements => bidders can offer their own (new) solutions
- Communicate needs to market => bidders develop suitable offering (and are paid for that)
- Small and quick projects to test the suitability of a new idea – it is OK to fail
- Open public big data to market => bidders develop new services and products to Client (and others)
- Use knowledge of all parties: interactive project preparation, design and implementation
- Integrated project implementation models (e.g. alliances)
- Performance based contract models

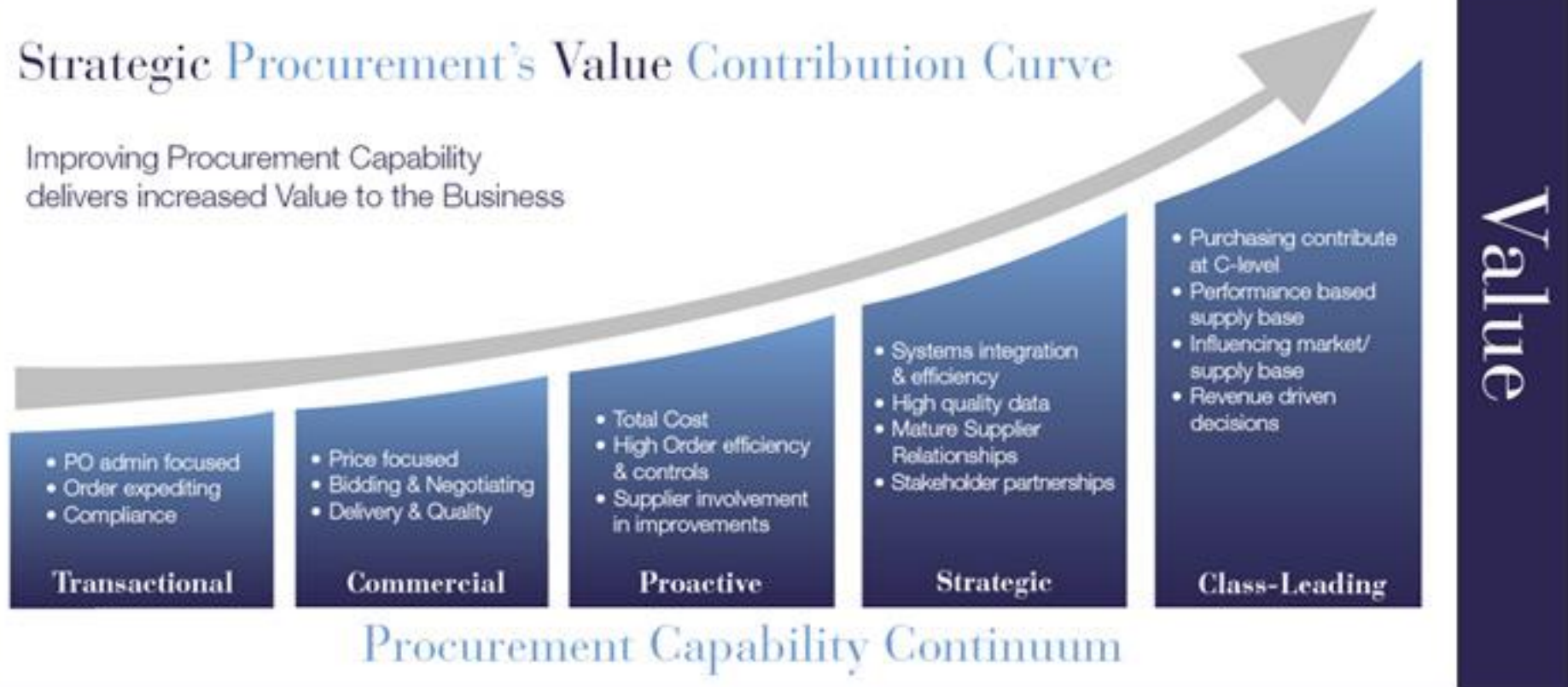
# Innovation partnership

- One procurement covers both research and development to create new product or services, and the production of such product or service
- One or several partners
- When the product or service does not exist on the market
- Experience in R&D prequalification criteria
- Phased process, intermediate goals
- Can be terminated after each phase
- IPR issues must be agreed clearly

# Partnerships and performance based remuneration create most value to Client

## Strategic Procurement's Value Contribution Curve

Improving Procurement Capability delivers increased Value to the Business

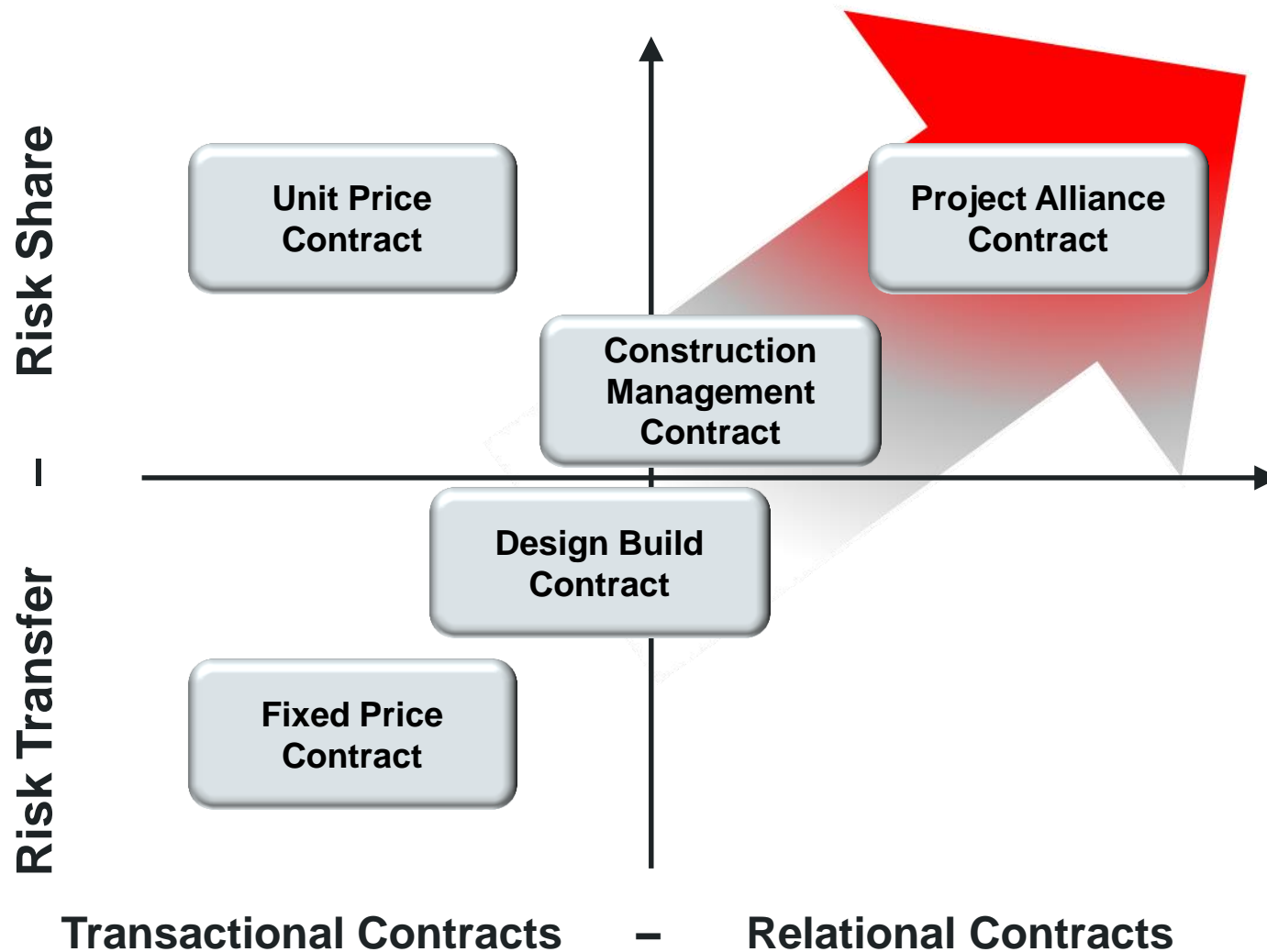






## Cases

# Features of Project Delivery Models



# Procurement "Clinic" a tool for market consultation and interactive development of built environment

- To find out best ideas and solutions, develop most suitable implementation methods and listen to the needs of end users
- Set of open workshops, hosted mainly by Finnish property and infrastructure owners' association RAKLI
- Typically start-up seminar, 3-4 workshops, closing seminar
- Over 25 cases implemented, including:
  - Implementation model for underground railway loop in Helsinki
  - Development of new travel center for Turku
  - Outsourcing of building rehabilitation works in Vantaa
  - Retail offering of new township in old harbor area Jätkäsaari
  - Regional renewable energy supply solutions in Östersundom

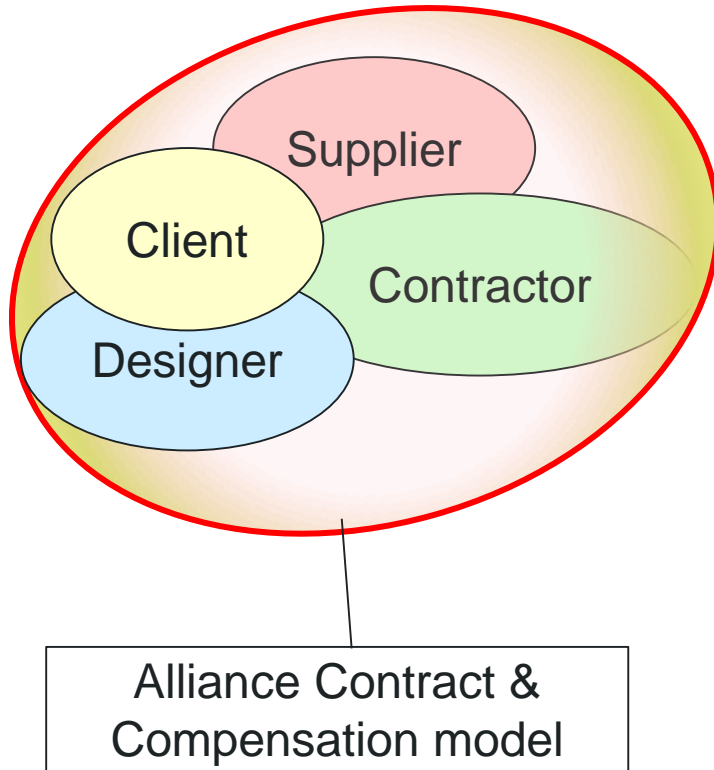
# Pisara railway loop in Helsinki: complex project in built environment



# Alliance contracting

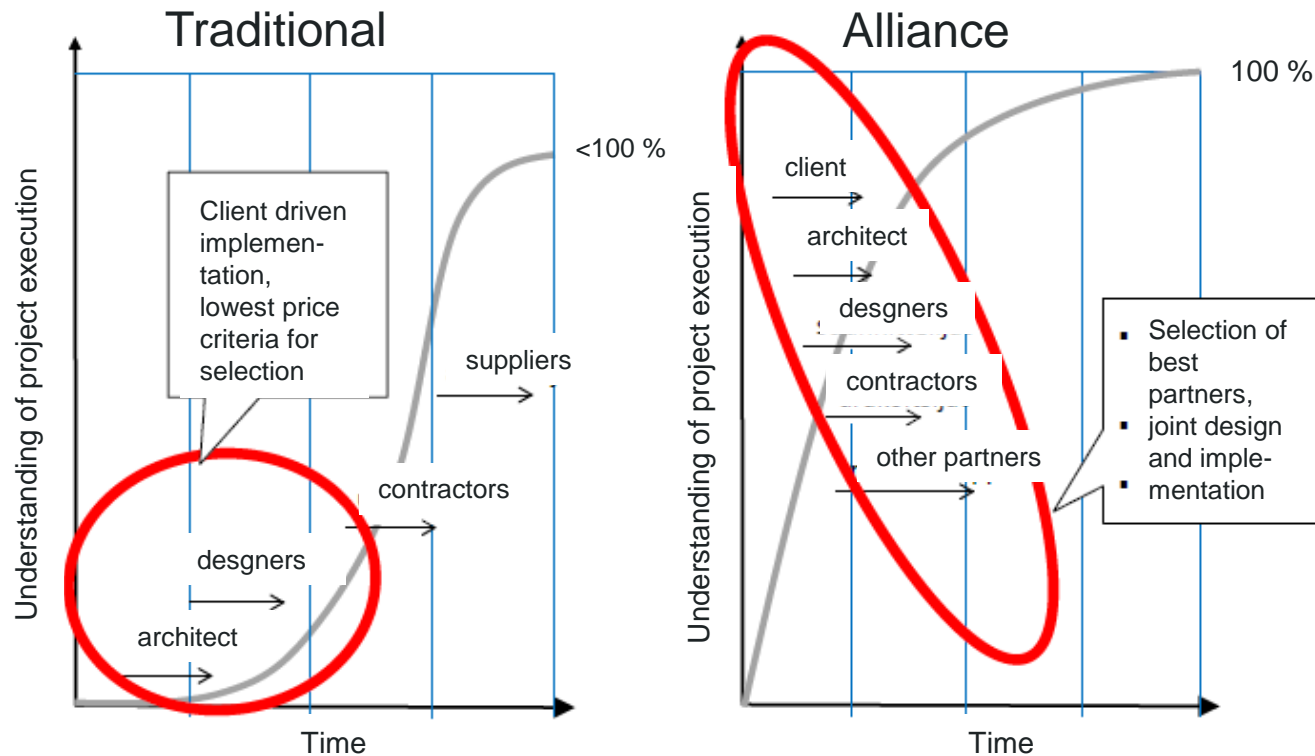
- Formed between the owner (Client) and service providers (consultants, contractors, suppliers)
- The project is performed as an integrated team
- All parties win or lose together, risks are shared
- All decisions are made "best-for-project" unanimously
- All parties work for continuous improvement because it benefits everyone
- Especially suitable for complex projects

# Possibilities and elements of Project Alliance



- ✓ Early involvement
- ✓ Joint organization
- ✓ Shared objectives
- ✓ Shared risks and rewards
- ✓ Alliance contract
- ✓ Commercial compensation model
- ✓ Fully open-book commercial transactions
- ✓ Commitment on continuous improvement to achieve outstanding outcomes
- ✓ Target value design – no overruns

# Early integration of parties => full utilisation of all expertise

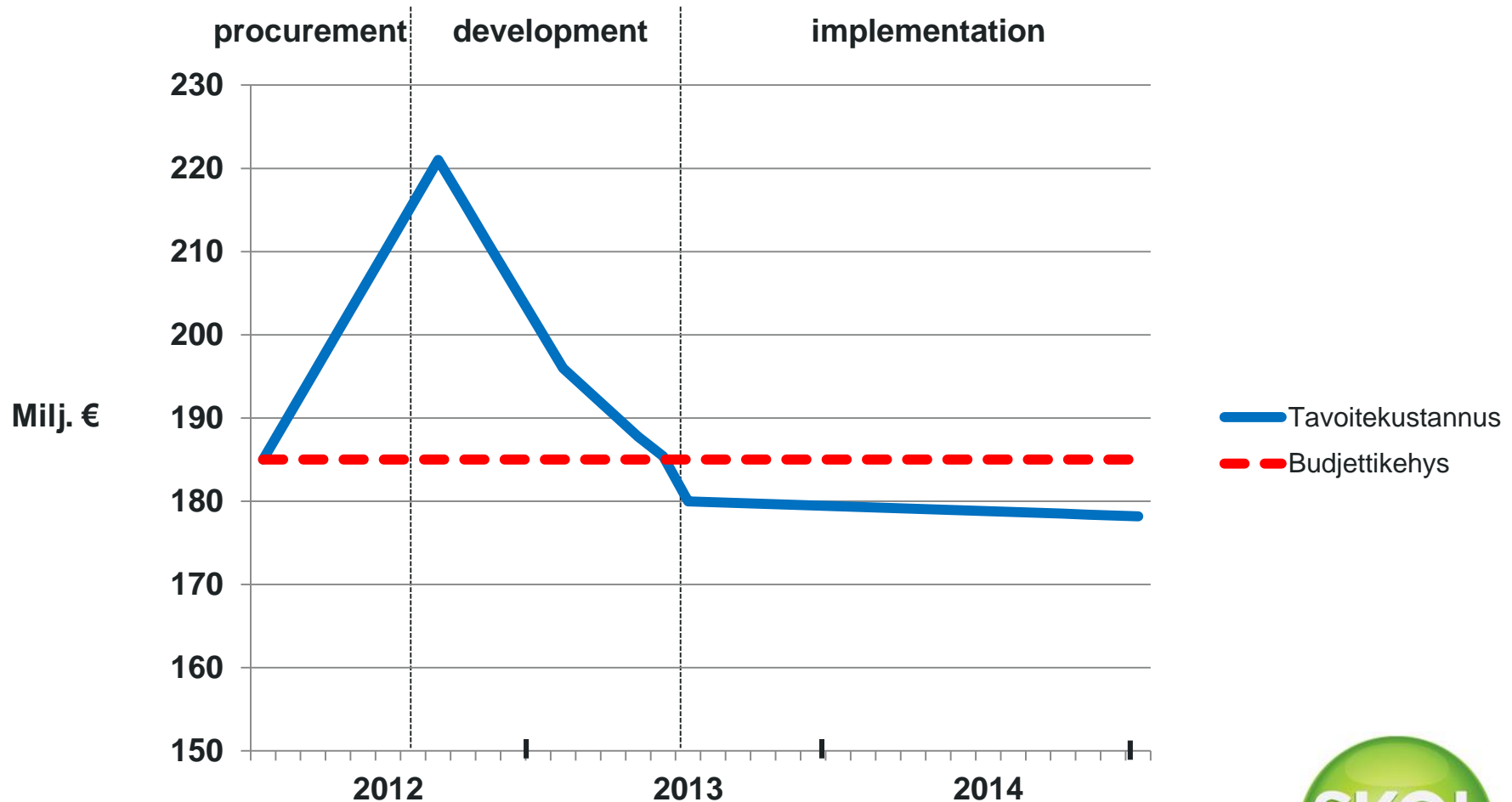


Source: 12.2.2015 • Jani Saarinen

vison.fi

# Alliance case: Motorway tunnel, Tampere

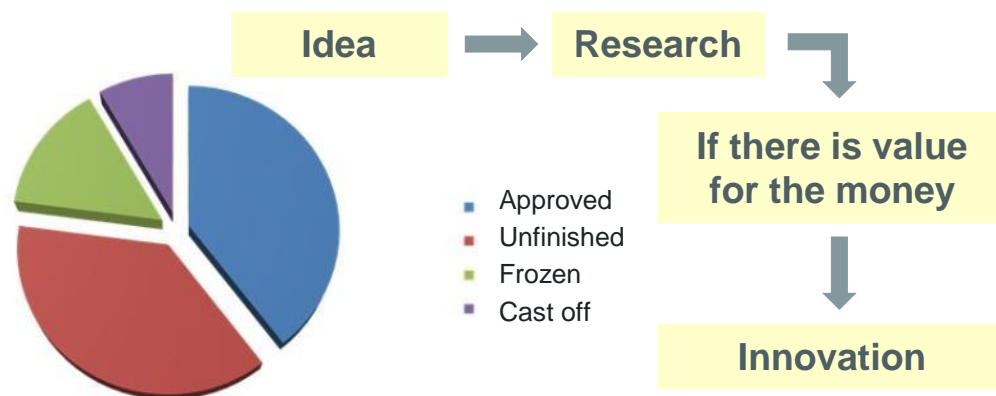
## Final cost 20 % below tender price



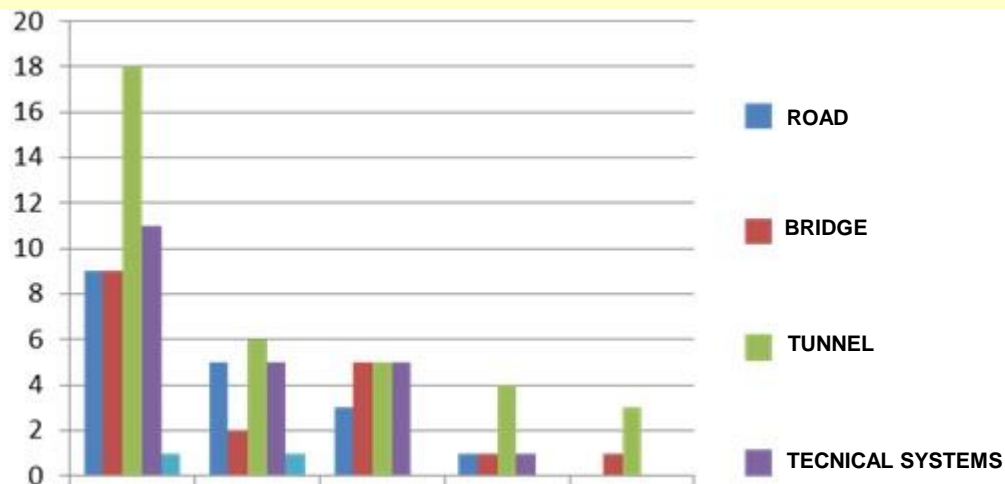


# Lessons learned in Tampere

- Alliance promotes innovation
- Explore the ideas and innovations systematically
- Enables right action at right time → Time table can be kept
- Big room method is fruitful
- Organise a workshop rather than a meeting



More than 50 ideas → More than 20 innovations  
Technology groups explore the new ideas





Luo uutta.

Thank you!