

Danilo Broggi

CONSIP: THE VALUE OF AN EXPERIENCE

Theory and practice between e-Procurement and e-Government

Foreword by **Antonio Tajani**

Preface by **Vincenzo Fortunato**

Including articles by

Luigi Fiorentino, Carlo Pelanda,

Fabio Roversi Monaco, Giulio Sapelli, Paolo Savona



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Contents

Foreword by <i>Antonio Tajani</i>	page	7
Preface by <i>Vincenzo Fortunato</i>	»	11
Consip S.p.A.: a story going back 10 years	»	13
The “Theory” behind Consip	»	23
e-Government	»	29
The unique nature and value of the Consip model	»	30
Modernisation of the Public Administration based on a real, concrete approach to Change Management	»	34
The presence of areas of excellence dotted around the Public Administration	»	38
e-Procurement	»	41
Opening up markets and mitigating monopolies	»	42
Contribution to the country’s industrial policy lines	»	46
Skills enhancement in an international framework	»	54
The Consip model: evolving profiles by <i>Luigi Fiorentino</i>	»	59
Evolution of Consip by <i>Carlo Pelanda</i>	»	71
Consip: legal definition in the context of a State made up of autonomous regions by <i>Fabio Roversi Monaco</i>	»	79
Opening markets, development and new organisation: Consip’s Sisyphean task by <i>Giulio Sapelli</i>	»	91

The market, the “Consip model” and economic policy

by *Paolo Savona*

page 109

Tables

Table 1 – Framework Contracts System, 2001-2007 indicators	»	123
Table 2 – Framework Contracts System, analysis of 2007	»	124
Table 3 – Electronic Marketplace of the Public Administration, 200-2007 indicators	»	126
Table 4 – Electronic Marketplace of the Public Administration, analysis of 2007	»	127
Table 5 – Management and development of information system of the MEF and the “Corte dei conti” (Italian Audit Office), 2001-2007 indicators	»	128

Foreword

E-Procurement in the EU economy

Public procurement is a key sector of the economy of the European Union (EU), since government contracts amount to more than 16% of the EU's gross domestic product (GDP)¹, and in general are the single largest public expenditure item in national budgets. Indeed, the total public procurement value typically counts for 10 to 20% of the EU Member States' GDP.

Experience shows that traditional procurement processes and cycles harbour substantial inefficiencies that can be removed by e-Procurement systems. In financial terms, the benefits of introducing e-systems in appropriate areas have proven to be significant.

Modernising procurement markets through the expansion of electronic procurement is therefore crucial to EU's competitiveness and for creating new opportunities for EU businesses. Greater competition and efficiency in public procurement markets can have major impact – directly and indirectly – on the whole economy and may play an important role within the current worldwide economic context, since it may represent one of the most effective tools available to governments to booster their national economy.

Indeed, according to Commission estimates, if online procurement is systematically implemented, governments can save up to 5% on expenditure and up to 50-80% on transaction costs for both buyers and suppliers. E-Procurement systems enable public authorities to make better purchases and get better value for money. At the same time, they increase competition and make it much easier for companies to apply for public contracts, reducing corruptive, fraudulent, collusive, and even coercive practices.

¹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, *Public procurement for a better environment*, of 16 July 2008 COM (2008) 400 final.

In this respect, using information technology appropriately can also contribute removing barriers to trade.

In addition, an efficient e-Procurement system is particularly beneficial to small and medium-sized enterprises (SMEs), as they will more easily have access to information and participate to public tenders. At present, although accounting for 67% of employees in the business sector and 58% of turnover in the EU, SMEs gain only 42% of government contracts. Many European companies, especially SMEs, miss out on this substantial business because of the extensive paperwork required for bidding for government contracts, particularly across borders.

By levelling the playing field for SMEs, the backbone of EU's economy, e-Procurement can guarantee unhindered access to the market of public services to the benefit of the entire economy.

Expansion of e-Procurement has been one of the EU's political targets since 2004 and is still a top priority in its political Agenda.

The EU has indeed adopted two Directives (2004/18/EC and 2004/17/EC), as part of the public procurement legislative package, which aim at computerising traditional procedures for the award of contracts and at introducing both new purchase techniques and new instruments gained through the technology and Internet last developments.

These Directives provide a coherent framework for conducting procurement electronically in an open, transparent and non discriminatory way, establish rules for tendering electronically and fix the conditions for modern purchasing techniques based on electronic means of communication.

Consip and the Italian e-Procurement model

Aware that the success of e-Procurement depends also on the adoption of efficient e-Procurement systems by National Public Administrations, the European Commission welcomes Consip initiative – the book *Consip: the value of an experience* – aimed at sharing information on its e-Procurement strategies and techniques.

In the refinement of its competences through the experience gained at national level, Consip e-Procurement system has achieved a high degree of efficiency by means of the optimization of public procurement procedures.

Moreover, in its role of “strategic centre” for public expenses coordination and rationalization, Consip started to introduce green procurement procedures. In this way, Consip has been one of the first public procurement agencies in Europe to adopt initiatives to introduce an environmental

component in the public contracts. In this way, it has significantly contributed to the achievement of the political target of 50% Green Public Procurement (GPP) to be reached by the Member States by 2010, set out by the European Commission in the Communication on “Public procurement for a better environment”² of 16 July 2008.

Towards a widespread EU e-Procurement model

In highlighting the main features of Consip activities, the publication *Consip: the value of an experience* shows how the use of electronic tools can reveal as one of the central components of public sector reform programs, due to its potential development impact.

In reaching such conclusion, the book suggests also that designing innovative e-Procurement solutions, *per se*, does not bring automatically about any change to the economic system. On the other hand, truly effective e-Procurement requests that, along with the acquisition of hardware and software components, reforms occur across areas of personnel, regulations and legislation, operational policies and business behaviour.

In those terms, e-Procurement implies more than a technological development, revealing as a tool towards the substantive reform of public procurement. As pointed out in the book, indeed, to perceive e-Procurement as a purely technological issue would lead to misunderstand its actual reach and relevance.

In light of its content and scope, hopefully the book *Consip: the value of an experience* will then represent a useful tool for EU National Public Administrations in shaping their own e-Procurement systems. On this respect, the publication of Consip e-Procurement and e-Government system represent the first step in ensuring more and effective circulation of best practices around Europe.

Antonio Tajani
Vice-President of the European Commission

² COM (2008) 400 final.

Preface

It is widely recognised and agreed that the use of information technologies can make public administrations more efficient, with knock-on effects throughout the economy and society. Given such widespread consensus on the issue, it makes sense to verify exactly *how* the use of such technologies has yielded useful results, and to what extent.

First of all, it is essential for technological innovation to proceed hand-in-hand with innovation in administration and processes; otherwise it is destined to have limited impact. At the same time, the fragmentation of the administrative structure and the increasingly complex relations between the centre and outlying areas mean that ways to rationalise the system must be studied, taking into account the variety of different situations and needs.

The relations between the various administrations on the one hand, and between those administrations and citizens and businesses on the other, must be coordinated and streamlined, making the best possible use of information solutions and existing knowledge. This, however, requires a single organisation, in order to avoid overlap and to create a network able to foster aggregation.

It is within this framework and with these objectives that Consip operates. The re-engineering of processes within the Ministry of Economy and Finance and the Programme for the rationalisation of public expenditure form the basis of Consip's traditional operations, but over time they have evolved in terms both of form and of substance, demonstrating that taking a front-line role in the world of e-Government and e-Procurement means, first and foremost, taking on increasing responsibility for the modernisation of Italy as a system. With regard to containing public expenditure – one of the institutional missions of the Ministry of Economy and Finance – Consip has succeeded in optimising the supply processes of public administrations, thus reducing expenditure without the need for sacrifices to be made. It has

done this from the very beginning, with excellent results in terms of both market rules and flexibility of use.

On the one hand, an instrument has been set in place which makes it possible to safeguard the independence of local bodies and allows them to see to their own needs and to the type of purchases which extend well beyond what was handled, before the creation of Consip, by the so-called “Provveditorato Generale dello Stato” – a State superintendency in charge of centralised public procurement; on the other, the Framework Contracts System and the Electronic Marketplace of the Public Administration, as well as optimising the supply systems of public administrations, makes the most of the characteristics of a fully competitive market, without distorting it in any way and on a supply and demand basis.

It is important not to be misled by the use of the “e” (for electronic) in front of Government and Procurement. It is not a case of simply redefining a number of actions/processes of the machinery of the State through the use of electronic means. The use of an innovative new instrument inevitably creates changes to social organisation and the relationship between the State, its citizens and businesses; it also raises a number of questions. In what way can e-Government alter the way in which the individual takes part in collective decisions? Is it possible for modern industrial policy to make growing use of the potential offered by public procurement? Which areas governed by “the rules of the marketplace” can arise within the sphere of action of the public sector? How can coherence be guaranteed between centralised and decentralised decision-making processes?

There are no simple, immediately available answers to these questions, as emerges from the articles included here; there are, however, a series of new interpretations and solutions, as yet unexplored, for the future, which set the pace and direction for the changes which may, indeed perhaps should, characterise the years to come.

It is only by analysing the present that we can create a useful link between the past (what has been done) and the future (what lies in store for us); this is one reason why it is particularly useful to describe the action and the role of Consip as it operates daily in the world of e-Government and e-Procurement.

Readers are asked not to seek conclusions here, because the publication contains none. What we hope is that readers will join us on a journey through what is a part of our recent history.

Vincenzo Fortunato
Head of Cabinet of the Ministry of Economy and Finance

Consip S.p.A.: a story going back 10 years

Consip – a joint-stock company entirely owned by the Ministry of Economy and Finance – operates exclusively in the interests of the State, managing added-value services and projects for the Ministry of Economy and Finance, the “Corte dei conti” (Italian Audit Office) and the other structures of the Public Administration.

This mission is carried out by employing over 500 people – in a range of different roles in the areas of consultancy and technological services and project management – who “give support to the renewal of the organisational processes of the Ministry of Economy and Finance and the “Corte dei conti” (Italian Audit Office), using information technologies” and “identify and promote solutions to rationalise public expenditure on goods and services, also through the use of innovative e-Procurement tools and methods”.

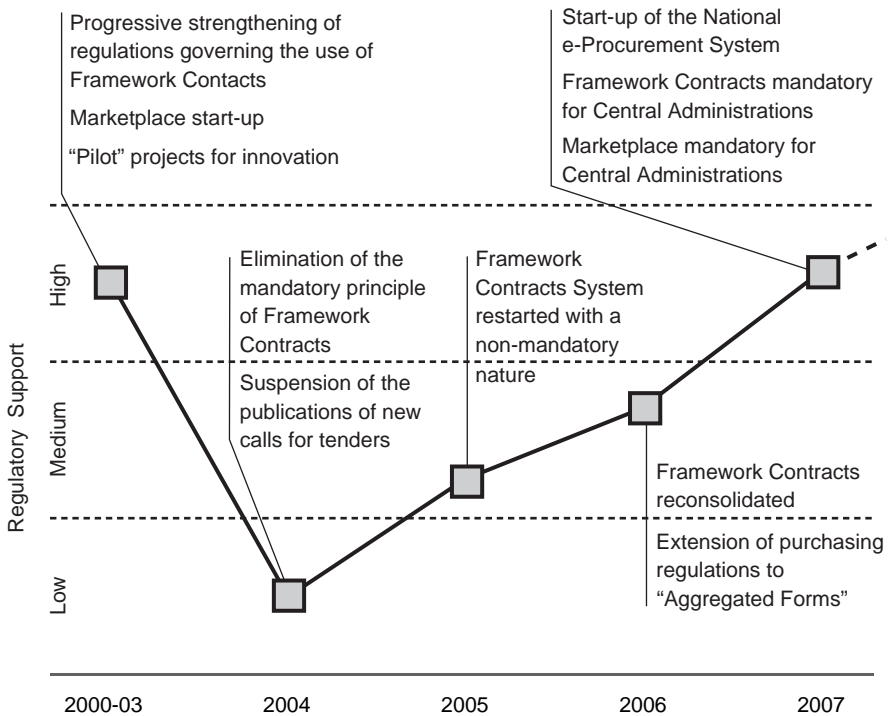
In this introductory chapter we will attempt to describe – by analysing the legal and regulatory framework – “who” Consip is and what Consip does; we will therefore, at least indirectly, be telling the story of the people who make up the company.

* * *

The Programme for the rationalisation of purchasing in the Public Administration got under way with the 2000 Budget, article 26 of which defined the areas in which action was to be taken and assigned to the Minister of Economy and Finance the task of drawing up a framework contracts for the supply of goods and services to the Public Administration. It was established that procedures to this end were to be made public, and were to be carried out through a company, identified as Consip S.p.A. in the Ministerial Decree of 24th February 2000.

Over the last few years, lawmakers have intervened on several occasions in order to modify both the objective and subjective areas of the rationalisa-

tion programme; these modifications have on occasion been the object of criticism and friction. For sake of brevity, we do not intend to go into them here, as they have been exhaustively covered in another text ¹.



Specifically, the renewal process under way in the Public Administration – as it has to define models able to respond to the demands and the dynamics of an increasingly sophisticated, complex society – has gone through critical phases as a result of the inevitable, physiological difficulties on the part of each stakeholder involved to adapt to changes. This is particularly the case with regard to Consip, since the pursuit of the company objective – what we call mission – runs along a front-line in which the distinctive skills and know-how developing within the company find themselves facing an “environment” made up of supply and demand which is often turbulent and not synchronised with the company management (resistance to change).

¹ D. Broggi (edited by), *Consip: una novità nella Pubblica Amministrazione*, FrancoAngeli, Milan, 2006.

The instruments available: Framework Contracts and the Electronic Marketplace

The Framework Contracts System provides for the drawing up of framework contracts – following a tender – on the base of which the companies that have been awarded the supply contracts undertake to accept – at the conditions and prices established – orders from public administrations, up to a pre-determined monetary amount or quantity of goods or, in any case, until the expiry date of the Frame contract.

Administrations send their orders for supplies (by fax or online) directly to the companies that have been awarded the contracts.

All public administrations can make use of the Framework Contracts, making purchases for amounts which may even be above the EU threshold, without having to resort to tender. Under the provisions of the 2007 Budget, state administrations (excluding schools and universities) are compelled to use Frame contracts for particular categories of goods which are set down every year in a decree issued by the Ministry of Economy and Finance (mandatory Frame contracts).

This system presents a number of advantages for administrations: the simplification of purchasing procedures; the elimination of costs connected to tendering and the definition of contracts; the reduction of unit prices; the reduction of supply times. It also guarantees greater transparency and fairness for market competitors, as it widens the use of public tender procedures.

The aim of the Electronic Marketplace of the Public Administration is to support purchases below the EU threshold and to encourage the participation of small and medium enterprises in the Purchasing Programme.

This is an authentic electronic marketplace, which can be found on the web-portal run by Consip (www.acquistinretepa.it), where authorised suppliers can offer their goods and services directly online. Public Administrations that are registered can consult the catalogues for offers and make purchase orders or offer requests directly online. In order to conclude transactions, both the administrations and the companies must have a digital signature (as well as, obviously, a computer and an internet connection).

This channel is designed to complement the Framework Contract System, and is suitable for the purchase of goods and services that are not suitable to be purchased through the Framework Contracts System as a result of their particular features (e.g. non-standardisable goods) or of the type of need they are designed to satisfy (e.g. frequent, fragmented purchases, for small quantities, with specific service options).

This framework, which we can define as multi-speed and multi-directional, therefore, requires a series of “strategy variations” in order to allow Consip’s working model to evolve continuously and appropriately, in such a way as to satisfy the requirements of all the parties involved, applying innovations smoothly and gradually, and investing steadily-growing resources in informing, engaging, and making all of them aware of changes and the advantages they may bring.

It is my view, therefore, that the reader’s attention should be brought to the 2008 Budget, which – coherent with the spending-review guidelines of the Economic and Financial Planning Document for 2008-2011 – has devoted various articles to the Programme for the rationalisation of public expenditure on goods and services, an examination of which will (indirectly) enable us to understand its working model.

In particular, in order to correctly plan for the needs of the administrations, article 2, paragraphs 569, 570 and 571 provide for the adoption of a system for identifying the needs of State Administrations not only on the basis of what they have spent in the past, but also by carrying out an analysis of the needs that are functionally linked to activities to be carried out in the public interest. To this end, it has been made mandatory for State Administrations to send yearly information to the Ministry of Economy and Finance regarding the goods and services they envisage they will require, following the methods indicated on the website www.acquistinretepa.it. The Ministry, with the aid of Consip, will then identify – and make available to administrations – sustainable purchase indicators to satisfy the needs functionally linked to the activities to be carried out, taking account of the consumption characteristics of the specific categories and of the size of the individual administrations, as well as of what they have actually spent.

In order to guarantee the effective application of article 26 of law number 488/1999 on the use of the price/quality parameters of the Framework Contracts drawn up by Consip, paragraph 572 was added, stipulating that the Ministry, through Consip, must create and make available to administrations a series of tools to help them evaluate and compare the goods and services to be purchased and to correctly identify and apply the Consip benchmark.

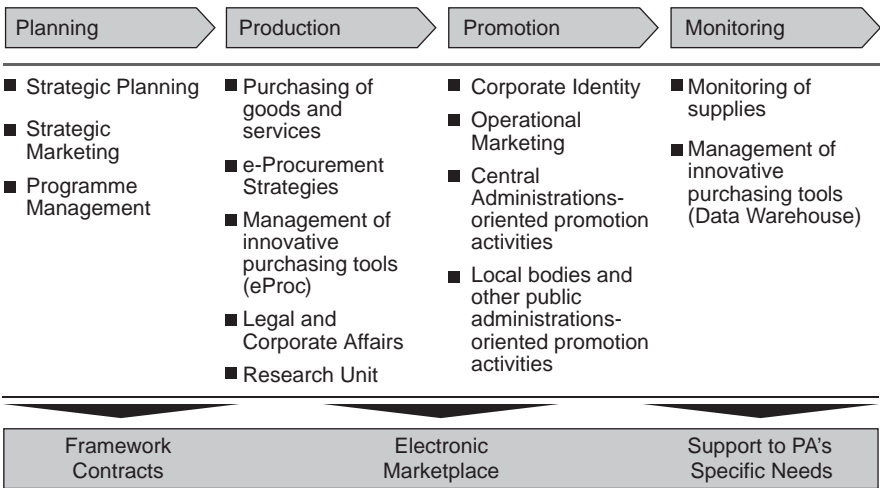
Paragraph 573 of the law widens the range of subjects entitled to make purchases through the Framework Contracts System drawn up by Consip to the contracting authorities, as per article 3, paragraph 25 of the Code for public contracts relating to works, services and supplies (public law bodies).

The efficacy of the Programme is further strengthened by the provisions of paragraph 574, in accordance with which the Ministry, based on the reports as per the preceding paragraph 569, issues an annual decree identifying the type of goods and services that are not the object of Framework Contracts drawn up by Consip but for which State Administrations are obliged to have recourse to Consip, in its role as public central purchasing body, in order to fulfil the tender and the framework agreement, also using electronic systems.

Finally, according to article 3, paragraph 15, the purchase of goods and services by companies controlled by state administrations shall comply with quality and price parameters comparable to those made available to the administrations by Consip.

More generally, it is clear that in the overall context of the reference framework of the Programme, as outlined above, it is important to point out that the Code for public contracts relating to works, services and supplies (which came into force under Legislative Decree No. 163 of 12th April 2006) provides not only for thorough, systematic regulation of the issue of public tendering, but also for recourse to new instruments for choosing contractors, such as competitive dialogue, framework agreements, dynamic purchasing system and electronic auction.

This brief examination makes it clear, then, that the “purchasing” activity of Consip has an impact throughout the whole of the procurement value chain – from the “industrial” planning of the requirements of public administrations to sourcing activities, from promotion according to a market approach to monitoring and control of supplies – also thanks to the support provided by new information technologies.



In other words, the mission of the rationalisation Programme is to provide Public Administrations with sophisticated, innovative supply models in order to reduce expenditure and optimise processes: the Framework Contract System (for purchases above/below the EU threshold), which encourages the aggregation of demand and therefore consolidates economies of scale vis-à-vis the supply market; the Electronic Marketplace of the Public Administration (for purchases below the EU threshold), which is used as a complement to the Framework Contract System and highlights the territorial dimension of the supply market with regard to fragmented and frequently-repeated types of purchases; the consultancy and support services made available to Public Administrations, which support the needs common to all the administrations regarding the simplification of processes, the rationalisation of organisational processes and the use of electronic purchasing tools.

Date	Event
27 th Dec 1999	The 2000 Budget Law introduce new public administration purchasing methods
24 th Feb 2000	Ministerial Decree establishes the service structure contemplated by art. 26 of the 2000 Budget Law
31 st Mar 2000	Drawing up of the first Framework contract: "Telephone services" (traditional tender)
15 th Sep 2001	First online tender "video projectors for the University of Bologna"
31 st Dec 2001	Ordered value of Framework Contracts: 294 mln/euro
4 th Apr 2002	Presidential Decree 101 defines "criteria and methods for conducting electronic procedures"
31 st Dec 2002	Ordered value of Framework Contracts: 1044 mln/euro
1 st Jul 2003	Start-up of the Electronic Marketplace of the Public Administration
31 st Dec 2003	Ordered value of Framework Contracts: 1959 mln/euro
27 th Apr 2004	First electronic tender
31 st Dec 2004	Ordered value of Framework Contracts: 932 mln/euro Ordered value of Electronic Marketplace: 8 mln/euro
31 st Dec 2005	Ordered value of Framework Contracts: 945 mln/euro Ordered value of Electronic Marketplace: 30 mln/euro
31 st Dec 2006	Ordered value of Framework Contracts: 1315 mln/euro Ordered value of Electronic Marketplace: 38 mln/euro
31 st Dec 2007	Ordered value of Framework Contracts: 1461 mln/euro Ordered value of Electronic Marketplace: 84 mln/euro

The area within which Consip operates on the information systems of the Ministry of Economy and Finance (at that time the Ministry of the Treasury) was defined by a two-fold regulation regarding the information technology activities of the Public Administration, also in financial and accounting terms (Legislative Decree number 414 of 19th November 1997 and Ministerial Decree of 22nd December 1997).

Specifically, according to article 1, paragraph 1 of Legislative Decree No. 414 of 19th November 1997, in the case of confidential and sensitive data, and in order to guarantee security and ensure the continuity of some activities of the State in the area of information technology concerning public accounting, the provision of a number of specific services may be identified as reserved for the State. The same Legislative Decree also established that a subsequent Ministerial Decree from the Ministry of the Treasury (now the Ministry of Economy and Finance) would identify the specific activities reserved for the State, “to be carried out through a joint-stock company whose sole and exclusive function is to serve the State, and which is to operate in accordance with the strategic indications established by the Administration. All shares in such a company are to belong, directly or indirectly, to the State Treasury”.

Pursuant to Ministerial Decree of 22nd December 1997 (provisionally) and the later Ministerial Decree of 17th June 1998 (definitively), “the information technology activities reserved for the State, in accordance with art. 1, paragraph 2 of Legislative Decree number 414 of 1997, are to be carried out by Consip S.p.A., the sole and exclusive function of which is to serve the State, and which is to operate in accordance with the strategic indications established by the Ministry of the Treasury, the Budget and Economic Planning”.

Once the legal and regulatory framework had been defined, the Ministerial Decree of 17th June 1998 identified the reserved information technology activities and services that Consip was to carry out; it also set down regulations governing the relationship between Consip and the Ministry of Economy and Finance.

The strategy of developing information systems is aimed at the creation – through ample recourse to the supply market – of infrastructures and applications able to guarantee flexibility and uniformity in the management of the operative requirements of the various Departments of the Economy area of the Ministry, thus making Consip a centre of excellence in terms of efficiency, quality and innovation, as well as a point of reference for other public administrations.