Mapping Public Procurement in Ireland

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1. Introduction

This study reports on the results of a nationwide survey of public procurement in Ireland, carried out against a backdrop of central government reform initiatives. The survey was designed to address a knowledge deficit among academics, policy makers and practitioners on the form and functioning of public procurement in Ireland. Thus, a mapping of public procurement was undertaken in 2011 in conjunction with the National Procurement Service (NPS) of Ireland. The population of suppliers and public sector procurers registered on Ireland's national e-procurement portal was requested to participate in this exercise by completing an online questionnaire. This yielded an extensive dataset relevant to understanding the Irish public procurement market. That data was obtained from both suppliers and public sector procurers allows for comparisons to be made across a range of variables, which is a novel addition to research in the public procurement field. The significance of the research and its findings go beyond Ireland. Contemporary issues of international concern, such as the marketplace impacts of migration to e-procurement, initiatives to create a 'level playing field' for small and medium sized (SMEs) enterprises, and the effects of European Union directives, are analysed and their importance discussed. In the next section the policy environment as it pertains to public procurement in Ireland is described. The design of the research is explained in section three and the survey findings are detailed in section four. These findings are subject to further examination and contextualisation in section five.

2. Policy Context

In Ireland, as undoubtedly in many other countries, interest in public procurement appears to be inversely related to the fortunes of the economy. In times of economic prosperity the procurement of goods and services by public sector organisations has tended not to be a primary consideration for politicians, policy makers or industry representative groups. However, in recent years public procurement has moved centre stage for both the public and private sectors of the economy. For central government, the strategic management of procurement across the public sector has assumed priority status. Expenditure by public sector organisations on a range of goods and services is coming under increasing scrutiny with a view to realising cost savings.[1] The establishment of the NPS in 2009, which is mandated to negotiate framework agreements on behalf of the public sector, is indicative of the political desire for strategic sourcing and increased procurement professionalism.[2] Business and industry representative associations have been equally active in seeking to reform how the market for public sector contracts operates. This heightened interest stems in large part from limited opportunities for growth in the private sector and a belief that

[1] M. O'Halloran, "State bodies warned to observe purchasing regulations", The Irish Times, June 18, 2011.

[2] National Procurement Service, *Strategy Statement: National Procurement Service: 2010-2012* (2009), available at http://www.procurement.ie/publications/nps-strategy-statement-2010-2012 (accessed 09 August 2012).

public procurement ought to be better leveraged to inject demand into the national economy. [3]

In parallel to political efforts to effect cost savings through more astute purchasing and lobbying by industry interest groups for more 'business friendly' procurement practices, another force is shaping the contours of the public procurement landscape in Ireland. This relates to a trend of aligning public procurement to overarching economic, social and environmental policies. In policy lexicon this is referred to as 'joined-up' governance. [4] In the context of public procurement, 'joined-up' governance has principally taken expression in creating a 'level playing field' for SMEs to compete for public sector contracts. Thus, public procurement is recognised as having a role to play in supporting a culture of enterprise and underpinning a more sustainable domestic economy. To this end a suite of measures to facilitate SME participation was rolled out in 2010, including: a reduction in the threshold for the open advertising of contracts from €50,000 to €25,000; ensuring financial and insurance capacity criteria are proportionate to the value of the contract; and breaking contracts into lots where practical.[5] These measures are aimed at affording SMEs new

[3] Previous research by Greer (1999) on the Irish public procurement market has shown that, traditionally, large public procurement contracts have tended to be awarded to foreign-based suppliers. H. Greer, *Small Firms and Public Procurement in Ireland: A Study for the Department of Enterprise, Trade and Employment* (Network Resources Ltd, Dublin, 1999). *Trade and Employment* (Network Resources Ltd, Dublin, 1999).

[4] National Public Procurement Policy Unit, *Improving SME Access to Public Procurement* (Department of Finance, 2010), available at http://www.etenders.gov.ie/guides (accessed 10 August 2012)

[5] Department of Finance, *Circular 10/10: Facilitating SME Participation in Public Procurement* (Department of Finance, 2010), available at http://www.procurement.ie/publications/circular-1010-facilitating-sme-participation-public-procurement (accessed 10 August 2012).

opportunities for growth and are a response to the SME sector's contribution to the Irish economy falling five percentage points from 53% to 48% between 2007 and 2010.[6] These SME-friendly measures are not legally binding, however, and do not affect EU law on public procurement as transposed in Ireland.[7]

Leveraging public procurement expenditure for the benefit of small indigenous suppliers is a continuation of Irish government policy that targets the 'buying of innovation' from dynamic small firms in technology intensive sectors.[8] More recently, environmentally sensitive procurement has emerged onto the Irish policy agenda[9]. Furthermore, the possibility of linking job creation to the award of public sector contracts has also been mooted as one means to tackle the 14% unemployment rate in Ireland.[10] It is within this economic and policy context, itself a subset of EU policy and EU procurement directives, that Irish public

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[6] European Commission, *SBA Fact Sheet – Ireland - 2010/2011,* (European Commission, Brussels, 2011) available at http://ec.europa.eu/enterprise/policies/sme/facts-figures-analysis/performance-review/files/countries-sheets/2010-2011/ireland_en.pdf (accessed 10 August 2012).

[7] P. McGovern, "Ireland: Government administrative measures to support SMEs in public procurement: Circular 10/10 issued by the Department of Finance of Ireland, August 13, 2010" (2011) 20(1) *Public Procurement Law Review* NA6-8.

[8] Department of Enterprise, Trade and Employment, *Using Public Procurement to Stimulate Innovation and SME Access to Public Contracts: Report of the Procurement Innovation Group* (DETE, Dublin, 2009) available at http://www.djei.ie/publications/trade/2009/procurementinnovationgroup.pdf (accessed 10 August 2012).

[9] Department of Environment, Community and Local Government, and Department of Public Expenditure and Reform, *Green Tenders: An Action Plan on Green Public Procurement* (2012) available at http://www.procurement.ie/publications/green-tenders-action-plan-green-public-procurement (accessed 10 August 2012).

[10] F. O'Connor, "Changes to EU public procurement rules could help job creation in Ireland", The Sunday Business Post, May 27, 2012.

sector organisations procure their goods and services. Equally, this is the commercial environment that suppliers must negotiate if they are to be successful.

3. Research Design

A survey-based methodology was employed for the purposes of this research. Its aim was to baseline public procurement in Ireland by profiling the individuals and organisations actively involved in tendering for or procuring goods and services. No nationally representative survey of public procurement in Ireland had ever been attempted and, as such, there remained a dearth of understanding on the form and functioning of the marketplace for public sector contracts. As has been outlined in Section 2, public procurement in Ireland is undergoing reform. Hence, a survey of the public procurement landscape is timely and germane to assessing the impacts of recent policy changes affecting all public procurement actors.

The creation of an internet-based portal for public procurement in Ireland - www.etenders.gov.ie - and the widespread adoption by public sector organisations of e-procurement practice presented itself as an opportunity to comprehensively survey suppliers and public procurers. It is estimated that approximately 4,000 public sector employees with involvement in procuring and approximately 60,000 suppliers, both Irish and international, are registered on www.etenders.gov.ie. In December 2011 a questionnaire was electronically distributed to all registered users on www.etenders.gov.ie. The questionnaire was emailed a second and final time exactly one week after the initial mailing. The distribution of the questionnaire was timed to coincide with the year's end when recipients were in a position to reflect on their procurement-related activity throughout 2011.

Six hundred and two (602) usable responses were obtained from public sector procurers. This represents a response rate of approximately 15%. Four thousand one hundred and seventy two responses were obtained from suppliers (4172), representing a response rate of approximately 7%. With response rates to surveys in supply chain management research in decline, the respondent interest in this research is all the more satisfactory.[11] As the population characteristics of public procurers and suppliers remains unknown, the representativeness of the survey respondents is impossible to verify. Therefore, a caveat must be attached to the findings and their extrapolation to the wider population of public procurers and supply firms. Limitations notwithstanding, this research represents one of the largest and most comprehensive surveys of public procurement undertaken in Europe to date.

4. Research Findings

Findings from the survey data is organised as follows. A profile of suppliers, procurers and the organisations in which they are employed is analysed to begin with. The tendering practices of suppliers and the procurement practices of procurers are each examined. This is followed by the experienced impacts of migration to e-procurement. Initiatives designed to facilitate SME access to the public procurement marketplace are then analysed. Barriers to procurement are identified, issues surrounding the provision of feedback are looked at, and,

[11] S. Melnyk, T. Page, S. J. Wu, and L. Burns, "Would you mind completing this survey: Assessing the state of survey research in supply chain management" (2012) 18 *Journal of Purchasing and Supply Management* 35.

to conclude, knowledge of EU directives and their perceived marketplace impacts is assessed.

4.1 Profile of Suppliers and Public Procurers

The profile of supply firm respondents active in tendering for public sector contracts is found to be one of considerable experience, high educational attainment and predominantly male. Approximately 42% of respondents are employed in their current position for 10 years or more; just under 50% are holders of third level degree qualifications or higher; and 74% are male. A previous employment record with the public sector is claimed by 22%. In ascertaining their level of involvement in tendering, it is observed that fewer than 5% of the individual respondents are occupied solely in a tendering role (table 1). Over 58% describe tendering as forming a major part of their work role and a further 32% state that tendering for new business forms a minor part of their role.

Supply firm respondents were also requested to identify the precise tasks that make up their tendering role (figure 1). Not surprisingly, searching for new contracts, form filling, communicating with prospective clients, receiving feedback and managing contracts feature prominently. However, researching the needs of prospective clients is a dimension of tendering that is undertaken by a minority only. The level of experience that supply firm respondents claim to have in tendering for public sector contracts shows considerable variation (table 2). Approximately 33% has over 10 years experience, with the remainder having fewer than 10 years experience. Finally, the extent to which they undertook tendering training or engaged a tendering consultant within the last three years was probed (table 3). Twenty seven percent answered in the affirmative for the former and 21% for the latter. In gauging how proactive suppliers were in engaging with the marketplace for public sector contracts, respondents were questioned if they or a colleague had attended a 'meet the buyer' event in 2011. Only 15% attended such an event.

Table 1: What is your role in tendering?

Role Description	**% of Respondents**
My sole role in the firm is to tender for new business	4.9
Tendering for new business forms a major part of my role	58.4
Tendering for new business forms a minor part of my role	31.9
My role does not involve tendering for new business	4.8
Total	100.0

Table 2: Experience of tendering for public sector contracts

Number of Years	**% of Respondents**
Less than 1 year	9.9
1-2 years	14.9
3-4 years	19.4
5-6 years	13.9
7-9 years	8.9
10 + years	33.0
Total	100.0

Table 3 External assistance in tendering for public sector contracts

Form of External Assistance	Yes%	No%	Total%
Undertook training related to tendering in the last 3 years	27	73	100
Engaged the services of a Tendering consultant in the last 3 years	21.3	78.7	100

Public sector respondents are shown to have high levels of experience and educational attainment. Almost 35% have worked in procurement or have some involvement in public procurement for 10 years or more (table 4). Public sector respondents are well educated, 70% are degree holders or higher, with only 10% not claiming to have some type of third level qualification. Only 12% define their role solely in terms of procurement and there is an even split between the 86% who state that procuring forms a major part of their role and a minor part of their role (table 5).

The tasks that public sector procurers perform as part of their procuring role are depicted in figure 2. For tasks associated with the pre-contract award, 92% are involved in creating tender documentation, 88% serve as a contact point for suppliers, 89% decide on qualification criteria, 89% deciding on weightings, and 85% have some responsibility for awarding contracts. Likewise, the majority of respondents are involved in post-contract tasks. Hence, 89% are responsible for providing feedback to unsuccessful applicants and 84% are responsible for managing contracts.

Further analysis reveals very little in the way of role demarcation between pre and post contract award tasks. To illustrate, of those public sector employees responsible for creating tender documentation, 93% and 87% are also involved in providing feedback to suppliers and managing contracts respectively; in the case of deciding qualification criteria, 93% and 89% are involved in feedback provision and managing contracts respectively; and across those who award contracts, almost all claim involvement in providing feedback (97%) and 91% are responsible for managing contracts after their award to suppliers. Notable also is the significantly lower percentage of public sector employees involved in the pre-tender stage of procurement. Sixty seven percent state that they liaise with other functional departments or divisions within their organisation for the purposes of identifying required goods and services. An even lower percentage of 53% include researching the supply market place as a task that forms part of their procurement role.

The public sector population was also questioned on their professional credentials, experience and professional development (table 6). Twenty-two percent of respondents hold a procurement-related qualification and less than 10% can claim membership of a professional procurement institute. However, 54% of respondents have undertaken procurement-related training within the last three years. The percentage of public sector respondents claiming that they or a colleague attended a ‘meet the buyer’ event in 2011 is 28%.

Table 4: Procurement experience of public sector respondents

Procurement Experience	% of Respondents
Less than 1 year	8.9
1-2 years	9.2
3-4 years	14.6
5-6 years	16.4
7-9 years	16.1
10+ years	34.8
Total	100.0

Table 5: What is your role in procuring goods and services?

Role Description	% of Respondents
My sole role in the firm is to procure	11.9
Procuring forms a major part of my role in	43.3
Procuring forms a minor part of my role in	43.1
My role does not involve procuring	2.7
Total	100.0

Table 6: Credentials of public sector procurers

Professional Credentials	Yes %	No%	Total%
Private Sector Experience	31.7	68.3	100
Procurement Qualification	22.4	77.6	100
Member of	9	91	100

Professional Procurement Institute			
Undertook Training in last 3 years	53.7	46.3	100

Figure 1: Tendering activities

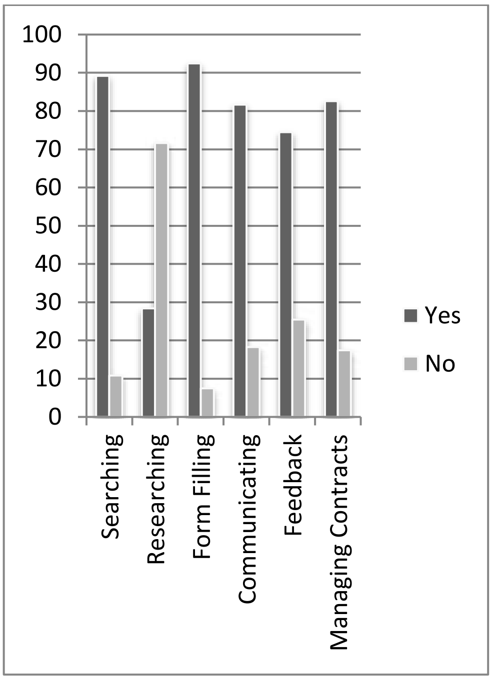
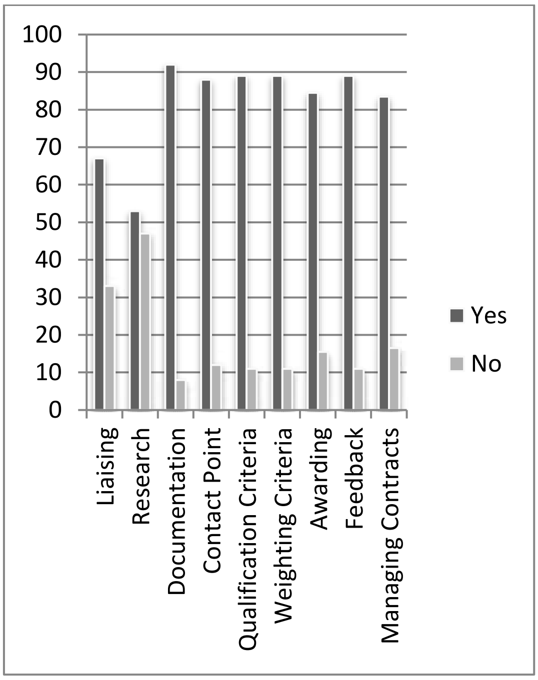


Figure 2: Procuring activities



4.2 Characteristics of Supply Firms and Public Sector Organisations

Supplier respondents are spread across the industry spectrum. The top three industries are Professional & Consultancy Services (31%), Construction (18%), and Information Technology (12%). Exactly 75% of supplier respondents are classified as limited companies, 18% are sole traders, and partnerships account for 6%. In terms of firm size, just over half are micro-enterprises, defined as having between 1-9 full-time staff and less than €2 million in annual turnover (table 7). Over 20% fall into the category of small enterprise, and the remainder are either medium or large in size. In determining their geographic location(s), 80% are found to be Irish-based, a further 10.5% based in Northern Ireland and 17% based in mainland Britain. Furthermore, for 80% of supplier respondents, their focus of operations is on the Irish market at a national, regional or local level (table 8). The remaining 20% are focused on international markets, in the main.

Table 7: Size of firm (No. of employees and turnover)

No. of Staff	**%**	**Euro**	**%**
1-9 full-time staff	51.2	< 2 million	62.6
10-49 full-time staff	23.7	2 -10 million	17.5
50-249 full-time staff	13.4	10 -50 million	10.5
250+ full-time staff	11.7	50 million +	9.3
Total	100		100

Table 8: Jurisdiction(s)* and market focus

Jurisdiction(s) based	**%**	**Market Focus**	**%**
Ireland	80	Local (i.e. 30km of your base)	13.3
Northern Ireland	10.5	Regional (i.e. 120km of your base)	17
Britain	17.3	National	49.7
EU	7.5	International	20
Outside EU	8.4		
Total	100		100

*Suppliers can have a base in more than one jurisdiction

At 31%, central government employees constitute the largest cohort of public sector respondents. This is followed by local government authorities at 27%. State agencies account for 20%, and the remainder are employed in utility companies, commercial semi-state companies, education institutions and in the public health sector. It is found that for 37% of respondent organisations their span of operations is within a single town or city; 11% operate on a regional level and just over 52% operate at national level. The structural characteristics of procurement across the respondent organisations reveals that category management is widespread (table 9); centralised procurement much less so, however, with only 36% of respondent organisations adopting this approach. This is reinforced by the finding that in over 58% of cases procurement is dispersed across geographic locations. Lastly, a corporate procurement strategy is identified as being in place in 74% of public sector organisations.

Table 9: Structural characteristics of procurement in public sector organisations

Structural Chars.	**Yes%**	**No%**	**Total%**
Procurement is managed by category	64.5	35.5	100
Procurement is centralised in one department	36.3	63.7	100
Procurement is dispersed across different geographic locations	58.6	41.4	100
Corporate Procurement Strategy in place	73.7	22.3	100

4.3 Tendering Practice

Forty-five percent of suppliers have tendered for one-nine public sector contracts in the last three years (table 10). In contrast, only 25% have tendered for 21 contracts or more over the last three years. In determining how the tendering process works in private sector suppliers, the following results were obtained. In just under 50% of suppliers there is only one person responsible for tendering. In the case of 30% there is a team responsible for tendering and in 23% of suppliers everyone in the firm shares responsibility for identifying and completing tenders. The success rate of suppliers in winning public sector contracts shows considerable variation (table 11). Exactly half of suppliers can only claim to have a success rate of 10% or less. This is in comparison to the 16% of suppliers who were successful in winning more than half of the contracts for which they competed. The typical value of a contract tendered for provides further insights into the nature of the Irish public procurement market (table 11). One in four suppliers typically tender for contracts valued at €25,000 or less. A further 37% typically focus on contracts valued between €25,000 and €125,000. In only 5% of cases are suppliers targeting contracts valued at €1 million or more.

Table 10: No. of tenders submitted

No. of Contracts Tendered For in Last 3 Years	**% of Suppliers**
0	8.9
< 10	44.8
10-20	20.8
21-50	13.7
51-100	5.7
101+	6.2

Table 11: Success rate/typical value of contract

Success Rate in Winning Public Sector Contracts in Last 3 Years	% of Respondents	Typical Value of a Public Sector Contract Tendered For	% of Respondents
0%	28.7	<25,000	25.4
1-10%	21.3	25-125,000	37.4
11-20%	11.5	125-250,000	12.2
21-30%	11	250,-500,000	7.5
31-50%	11.5	500-1,000,000	4.4
51-75%	9.2	1,000,000+	4.9
76-99%	4.4	All of the above	8.3
100%	2.3		
Total	100		100

In respect of future tendering intentions, the indicators are clear that competition for public sector contracts will intensify in 2012. It is found that 40% of suppliers intend to increase their tendering activity in 2012 relative to 2011 and a further 43% will keep their tendering activity constant at 2011 levels. Just over 16% will reduce their tendering activity in 2012 or desist from tendering altogether.

4.4. Public Procurement Practice

Compliance with Irish national guidelines for public procurement practice was examined in detail. Consistent with State guidelines, approximately 86% of public sector representatives claim that they advertise contracts for the supply of goods and services valued at €25,000 or more on Ireland’s national e-procurement website. An even higher percentage, 92%, e-advertise contracts for works and related services valued at €50,000 or more. With regard to tendering procedures used, four categories of contracts were examined. The results are contained in table 12. For supply and services contracts worth less than €25,000, the most common procedure is to request three quotes from suppliers. For contracts over this value, the open procedure is the choice in 83% of cases. For works contracts valued below €50,000 and for works contracts valued above €50,000, the open procedure is used by 57% and 71% of public procurers respectively.

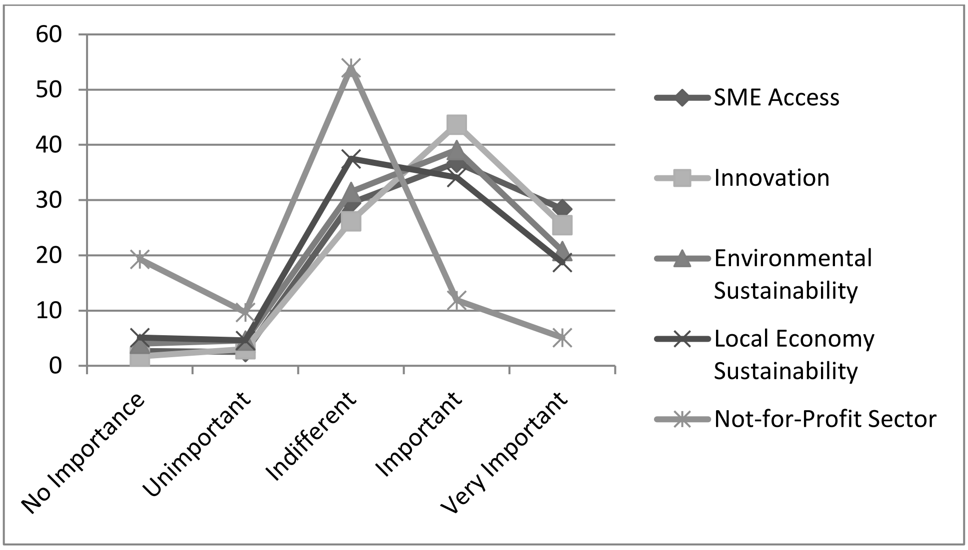
Table 12: Tendering procedures used

Tendering Procedures Used	**Open**	**Restricted**	**Negotiated**	**Competitive Dialogue**	**Other (3 quotes)**	**Total**
Supply & Services < €25,000	36.1	7.4	3.1	1.2	52.2	100
Supply & Services €25 - €125,000	83.2	9	4.6	.6	2.5	100
Works & Related Services < €50,000	57.2	13.2	3.8	.7	25.2	100
Works & Related Services €50-€250,000	71.6	19.9	5.1	.7	2.8	100

Public sector organisations were also questioned on recourse made to Accelerated Procurement Procedures. Ten percent of respondents admitted making use of the Accelerated Procedure in 2011. Of these, the vast majority used the Accelerated Procedure one-two times. For the evaluation of tenders it is found that Most Economically Advantageous Tender (MEAT) is most commonly used. For supply and general services as well as for works and related services, MEAT is the preferred approach for 84% and 83% of public sector procurers respectively.

The relative importance of five factors to public sector organisations when procuring goods and services was also tested. These five factors are SME access to the market for public sector contracts; innovation; environmental sustainability; local economy sustainability; and engagement with not-for-profit suppliers. The results show public procurers attach importance to facilitating SME access, innovation and environmental sustainability, but less so to local economy sustainability, and are largely indifferent to engaging with not-for-profit entities (figure 3). Sixty nine percent of public sector respondents state that innovation is an important or very important consideration for them when buying, closely followed by 65% who say the same about SME access. Approximately 60% identify environmental sustainability as important or very important when procuring goods and services and 52% identify sustainability of the local economy in which they are embedded as important or very important. However, 54% consider engaging with the not-for-profit sector as neither important nor unimportant and only 17% consider this dimension to be important or very important.

Figure 3: Economic, social and environmental considerations



4.5 e-Procurement

The application of information technology and information systems has come to define public procurement practice in Ireland. It is found that over 93% of respondents use www.etenders.gov.ie to search for public sector contracts. ‘Word of mouth’ emerges as the second most common means for identifying available contracts at 32%, followed by procurers directly requesting from suppliers a quote for the supply of goods or services. The reported experience of suppliers shows that e-procurement has been a largely positive development. Seventy-seven percent of suppliers are of the opinion that e-advertising has increased the number of business opportunities available to their firm and 65% state that it has increased the frequency with which their firm tenders. Additionally, 60% are of the opinion that e-procurement makes the tendering process easier (table 13).

Table 13: Impact of e-procurement on suppliers

Impact of e-procurement on suppliers	Yes%	No%	Total%
Increased number of contract opportunities available to my firm	76.9	23.1	100
Increased the frequency with which my firm tenders for public sector contracts	65.5	34.5	100
Made the public sector tendering process easier	59.9	40.1	100

For public sector organisations e-procurement is having a significant impact (table 14). Over 68% of public procurers report that the e-advertising of available contracts has resulted in an increase in the quantity of tenders received and 48% state that it has increased the number of overseas-based firms bidding for Irish public sector business. On the plus side, approximately 43% report a lowering of the average bid price but slightly more public procurers disagree than agree with the statement that e-advertising results in them receiving better quality tenders.

Table 14: Impact of e-procurement on public procurers

Impacts	Yes%	No%	N/A	Total%
Impacts of e-procurement on public procurers				
Increase in quantity of	68.6	20.1	11.2	100

tenders received				
Increase in the quality of tenders received	40.4	46.2	13.5	100
Lowering of the average bid price	42.7	41	16.2	100
Increase in the number of foreign suppliers tendering	47.7	40.3	12.1	100

4.6 SME-friendly Procurement

Analysis of initiatives aimed at facilitating SME access to the market for public sector contracts was performed. Suppliers were queried as to their experience of the practise of such initiatives. Supplier respondents are found not to agree that contracts are broken into lots; that public sector procurers are flexible in the type of financial proof accepted; that qualification criteria used are proportionate; and that joint bidding is encouraged (table 15). For example, over 41% disagree or strongly disagree that public procurers are flexible in the types of financial proof they accept while just over 20% express agreement or strong agreement with this same statement. Encouragement for joint bids by two or more smaller suppliers emerges as the least implemented of the suite of SME-friendly initiatives, according to suppliers.

Public sector respondents, on the other hand, claim to implement SME-friendly initiatives to a higher degree than indicated by suppliers (table 16). Approximately 90% agree or strongly agree that they use relevant and proportionate qualification criteria in contrast to the 30% of suppliers who claim experience of same. In the case of breaking contracts into lots and encouraging joint bidding, 28% and 31% of public sector respondents agree or strongly agree that they put these initiatives into practice respectively.

Table 15: Suppliers' experiences of SME-friendly Initiatives

'SME friendly' initiatives	Strongly Agree%	Agree%	Indifferent%	Disagree%	Strongly Disagree%	Total%
Contracts are broken down into lots	2.5	20.9	41.3	22.6	12.7	100
Flexibility in financial proof accepted	1.8	18.3	38.1	27.7	14.1	100
Relevant & proportionate pre-qualification criteria	3.8	26.1	27.2	25.4	17.5	100
Joint bidding is encouraged	1.6	14.2	52.7	20.9	10.6	100

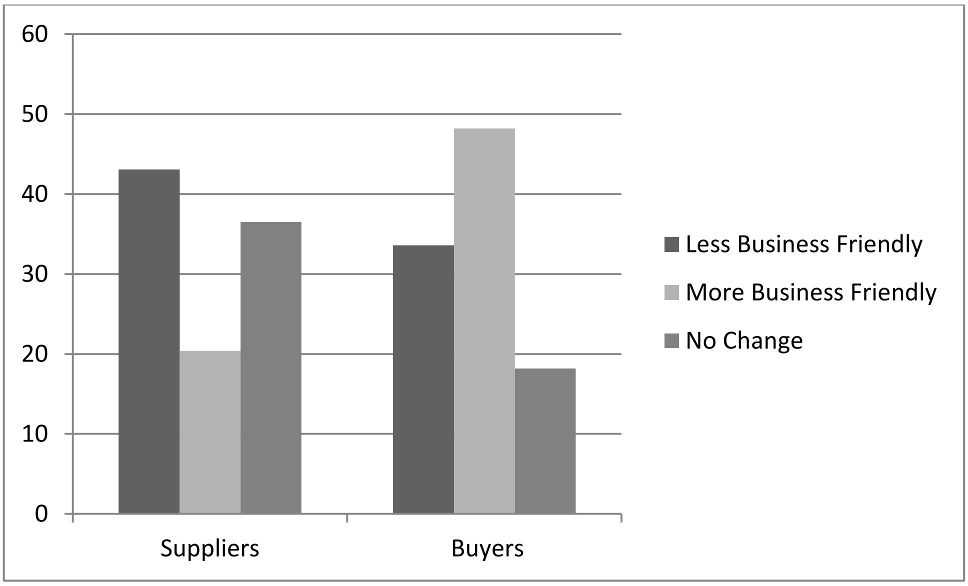
Table 16: Public procurers SME-friendly behaviours

'SME friendly' initiatives	Strongly Agree%	Agree%	Indifferent%	Disagree%	Strongly Disagree%	Total%
I break contracts into lots	6.6	22.2	44	20.9	6.4	100
I am flexible in financial proof sought	10.5	38.2	25.7	20.8	4.8	100
I ensure pre-qualification criteria are proportionate & relevant	41.9	48.6	8.5	.4	.7	100

I encourage joint bidding	9.1	22.4	58.3	7.3	2.9	100

Both supplier and public procurer populations were questioned as to whether they believed that tendering for public sector contracts had become more or less business friendly over the last three years (figure 4). While 48% of public sector respondents are of the belief that public procurement has become more business friendly, only 20% of supplier respondents concur. Instead, public procurement in Ireland is said to have become less business friendly by 43% of suppliers.

Figure 4: Supplier and buyer assessments of changes in Irish public procurement



4.7 Barriers to Procurement

Finding time to complete paperwork associated with tendering for a public sector contract is cited by suppliers as the main barrier with which they must contend (figure 5). The second most commonly cited barrier is a requirement for previous public sector experience, followed by the cost of compiling a tender (incl. labour, materials). The perceptions among public sector respondents of the barriers affecting suppliers are not altogether different from the opinions of suppliers. They adjudge meeting financial capacity criteria as the number one barrier, followed by the costs of compiling a tender, and finding time to complete paperwork for tender submission. Therefore, suppliers and procurers are of similar opinion on two of the three main barriers to procurement that affect firms when tendering for public sector contracts.

Figure 5: Barriers to competing

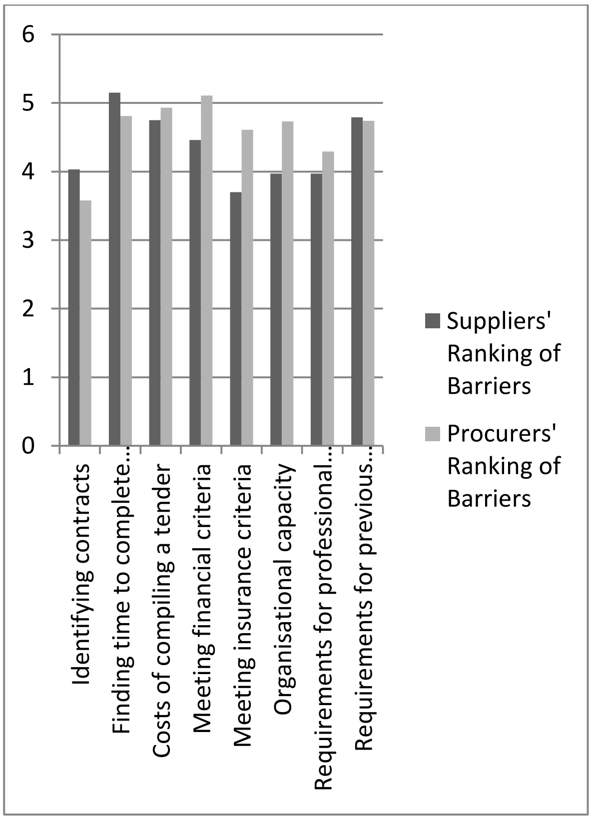
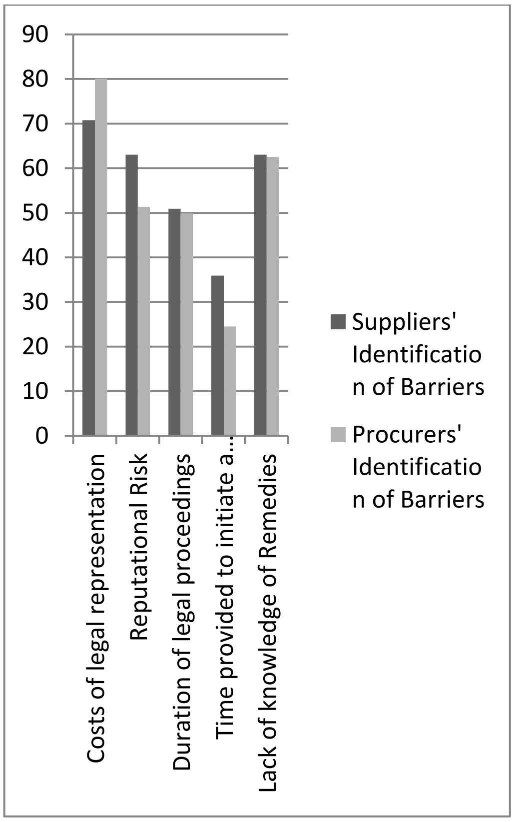


Figure 6: Figure 6: Barriers to initiating legal challenges



4.8 Feedback and the Legal Environment

The supplier and public procurer populations were also surveyed on their practices in regard to seeking or providing feedback. The degree to which suppliers obtain feedback on failed tenders is quite low (table 17). In 43% of cases, respondents claim to hardly ever or never receive feedback from public sector organisations. Only 7% receive feedback on every occasion of a submitted tender. The extent to which procurers offer feedback to suppliers stands in marked contrast to suppliers' experiences. Fifty-seven percent of public procurers state that they provide feedback every time and a further 29% provide feedback most of the time.

The form that feedback takes is detailed in table 18. Only 24% of suppliers state that they have received feedback in person compared to the 75% of public procurers who assert that they have provided face-to-face feedback. Likewise, 38% of suppliers report having received feedback by telephone in contrast to the 87% of public procurers that used this mode of contact. For both suppliers and procurers feedback is deemed to be effective in improving the tendering ability of suppliers (figure 7). This belief is strongly held by procurers, with 90% of respondents agreeing or strongly agreeing with the salutary impact that feedback has on suppliers' ability to tender for future contracts. Less strongly held though still positive, 55% of suppliers are of the opinion that feedback has helped to improve the quality of their firm's subsequent tenders.

Table 17: Feedback

	Supplier %	Procurer%
Every Time	6.8	56.9
Most of the Time	18.1	28.7
Sometimes	31.8	13.3
Hardly Ever	25.6	.9
Never	17.8	.2
Total	100	100

Table 18: Form of feedback

	Supplier%			Procurer%		
	Yes	No	Total	Yes	No	Total
Face-to-Face	23.9	76.1	100	74.7	25.3	100
Email	61.5	38.5	100	88.8	11.2	100
Postal	50.3	49.7	100	82.6	17.4	100
Telephone	38.3	61.7	100	87.3	12.7	100

Lack of awareness is not the primary cause of suppliers not receiving feedback. Rather, suppliers' lack of confidence in the feedback system emerges as the main impediment (figure 8). When questioned on the same topic, 68% of public procurers surmised that fear of jeopardising future relations with public sector organisations acted as the main barrier to suppliers requesting feedback.

Figure 7: Is feedback beneficial?

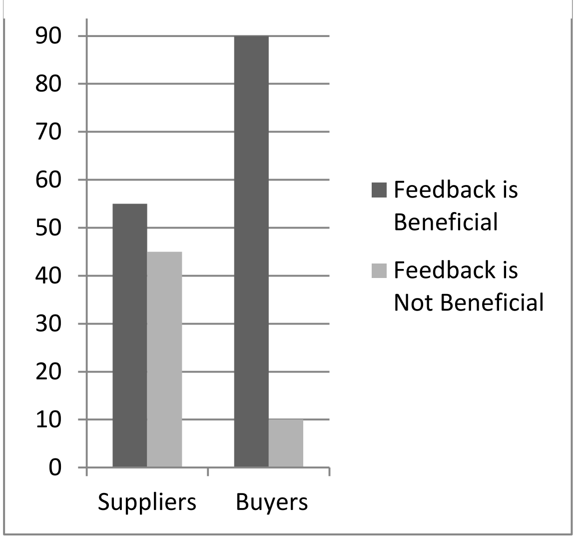
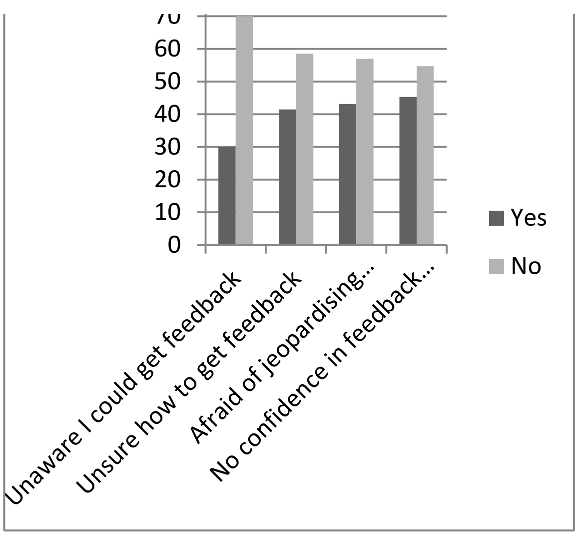


Figure 8: Reasons for not getting feedback



It is clear that suppliers compete in the public procurement market with a very low level of knowledge of EU public procurement law. Specifically, just over 10% of suppliers have a good or excellent knowledge of Directives 2004/17[12] and 2004/18[13] and just over 7% have a good or excellent knowledge of Remedies Directive 2007/66[14] (table 19). To be expected, a much higher percentage of procurers are knowledgeable on the legal aspects of public procurement. Exactly 52% of public sector employees judge themselves to have a good or

[12] Directive 2004/17/EC of the European Parliament and of the Council of 31 March 2004 coordinating the procurement procedures of entities operating in the water, energy, transport and postal services sectors (OJ L 134, 30.4.2004, p. 1–113).

[13] Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts (OJ L 134, 30.4.2004, p. 114–240).

[14] Directive 2007/66/EC of the European Parliament and of the Council of 11 December 2007 amending Council Directives 89/665/EEC and 92/13/EEC with regard to improving the effectiveness of review procedures concerning the award of public contracts (OJ L 335, 20.12.2007, p. 31–46).

excellent knowledge of Directives 2004/17 and 2004/18 and 42% have a good or excellent knowledge of Remedies Directive 2007/66.

Following on from assessing knowledge of EU procurement directives, the perceived impact of these same directives on a range of issues was investigated. Suppliers are largely unaware of the impacts of Directives 2004/17 and 2004/18 or 2007/66 on transparency in procurement, clarity of the procurement process, SME participation, competition between suppliers, and the costs involved in the procurement process (table 20). Public procurers are more knowledgeable on this subject. The majority of public procurers are of the opinion that transparency and clarity in public procurement has improved as a result of their transposition. However, only 20% assert that SME participation has benefited, 18% are of the opposite opinion and 34% do not consider any affect to have come about either way. In reference to fostering competition between suppliers, 33% contend that the directives have been beneficial but 37% believe that there has been no discernible impact either way. Lastly, 42% of public procurers assert that procurement costs have been negatively impacted by the directives in contrast to the 12% who think otherwise (table 21).

Table 19: Knowledge of EU law on public procurement

Suppliers' Level of Knowledge	**No Knowledge**	**Limited Knowledge**	**Some Knowledge**	**Good Knowledge**	**Excellent Knowledge**	**Total**
EU Procurement Directives (2004/17/EC &	37.6	30.5	21.2	8.5	2.1	100

2004/18/EC)						
EU Remedies Directive (2007/66/EC)	46.5	28.5	17.9	5.5	1.7	100
Public Procurers' Level of Knowledge						
EU Procurement Directives (2004/17/EC & 2004/18/EC)	5.4	16.1	26.5	40.9	11.1	100
EU Remedies Directive (2007/66/EC)	11.4	20.2	26.4	32.5	9.5	100

Table 20: Impact of directives - suppliers

Suppliers' Assessment	Made better	Made worse	No change	Don't know	Total
Transparency of procurement	18.3	6.6	27.7	47.4	100
Clarity of procurement	18	9	26.4	46.7	100
SME participation	11.6	12.8	25.3	50.3	100
Competition between suppliers	12	13.6	26.9	47.6	100
Costs involved	5.9	23.3	25.1	45.7	100

in procurement					

Table 21: Impact of directives - procurers

Procurers' Assessment	Made better	Made worse	No change	Don't know	Total
Transparency of procurement	68.7	3.4	11.6	16.4	100
Clarity of procurement	58.4	8.7	16	16.9	100
SME participation	19.5	18	33.6	29	100
Competition between suppliers	32.8	6.6	36.7	24	100
Costs involved in procurement	11.6	41.5	22.9	23.9	100

Similar views are expressed by both suppliers and procurers as regards the barriers to suppliers seeking redress under Remedies. For both groups, it is the cost of legal representation that is deemed to be the primary stumbling block to initiating a legal challenge in respect of the award of a public sector contract (figure 6). Furthermore, only 1.5% of suppliers are found to have initiated any legal challenge under Remedies.

5. Discussion

Drawing together the characteristics, perceptions and behaviours of suppliers and public procurers, the research findings enable a comprehensive baselining of the market for Irish public sector contracts. Among the key strengths of this research is the bringing together of both supplier and public procurer data, which allows for a more rounded and balanced understanding of how the market operates and in what areas it can be improved. Emerging from the research are new insights into the role of both suppliers and public procurers; for example, 43% of public sector employees with an involvement in procuring goods or services describe this as a minor role for them, indicating that procurement is still dispersed across organisational divisions or departments and falls to a range of individuals therein. This inference is further supported by the finding that only in 36% of public sector cases is procurement centralised in one department. Moreover, less than 25% of public procurers are professionally qualified.

In assessing the tasks that constitute tendering and procuring, several points of interests emerge. Firstly, for public sector employees procurement tasks span both pre and post contract stages. It is shown that those who are involved in creating tender documentation or deciding on qualification criteria, for example, are also involved in providing feedback and managing contracts. Thus, there appears to be little if any separation between responsibility for pre and post contract tendering tasks. Secondly, it is evident that neither supply firms nor public sector procurers devote sufficient time or resources to researching the other side's needs and capabilities. So while over 90% of suppliers exercise some responsibility for completing tender documentation, fewer than 30% claim any involvement in researching the needs and buying patterns of potential public sector customers. Similarly, engaging with the supply marketplace is relegated to a consideration of secondary importance for public sector employees relative to the other procurement tasks.

This disengagement has significant implications for the effective functioning of the market. Previous research has referred to a 'cultural gap' existing between the Irish public and private sectors, resulting in sub-optimal procurement outcomes for both sides.[3] If a majority of suppliers and public procurers fail to research their marketplace and emphasise the transactional over the relational aspects of tendering and procuring, this 'cultural gap' will be perpetuated still further. That low numbers of public procurers and suppliers attended a 'meet the buyer' event in 2011 is further evidence of the arms-length approach that predominates. This suggests the need for greater interaction and dialogue between suppliers and public sector procurers, something which SMEs have expressed a desire for in previous research. [15]

For over half of suppliers, tendering for public sector contracts is an infrequent activity. This is signified by the fact that 45% of suppliers only tendered for one-nine public sector contracts in the last three years. Interestingly, 40% of suppliers intend to increase their tendering activity in 2012 relative to 2011 and a further 43% of suppliers will keep their tendering activity constant at 2011 levels. Such a spike in expected 2012 tendering activity is further indication of public sector contracts assuming a more central role in the suppliers' growth (or survival) strategies. Moreover, it confirms anecdotal evidence suggesting a marked increase in competition for available business opportunities with public sector organisations.

Efforts to facilitate SME access to public procurement are given further justification by the finding that over 60% of suppliers typically compete for contracts valued at less than €125,000. For the majority of active suppliers, it is relatively low value contracts which they are competing to win. Adherence to open advertising of contracts by public procurers is

[15] K. Loader, "Supporting SMEs through Government Purchasing Activity" (2005) 6(1) *International Journal of Entrepreneurship and Innovation* 17.

shown to be high. This is intended to improve accessibility to public procurement for SMEs. In line with official recommendations, the open advertising on www.etenders.gov.ie of goods and services contracts worth €25,000 or more and works contracts worth €50,000 or more appears to be now the norm. Additionally, it is shown that suppliers are responding positively to such measures; migration to e-procurement and e-advertising is found to increase opportunities for suppliers, increase the number of contracts they tender for, and, overall, is making the tendering process easier.

Suppliers' reported experience of SME-friendly measures strikes a negative note, however. It is not their experience that contracts are broken into lots where feasible, or that relevant and proportionate pre-qualification criteria are used, or that joint bidding is encouraged by public procurers to the extent envisaged by policy makers. Procurers say differently, particularly in terms of their application of pre-qualification criteria. These differential claims are further highlighted by suppliers' and procurers' assessments of whether the market for public sector contracts has become more or less business friendly over the last three years. For suppliers, it has become less business friendly. For procurers, the opposite holds true. Whether this is attributable to an increase in competition for contracts among suppliers and concomitant pressure to reduce their bid price - something buyers identified as a benefit from e-advertising contracts - or public sector attempts to formalise and standardise the tendering process is a moot point. As observed in other studies, the crux of the matter could well be the extent to which such SME-friendly measures are vitiated by pressures emanating from central government to reduce expenditure.[16] Negative

[16] K. Loader, "The Challenge of Competitive Procurement: Value for Money Versus Small Business Support, (2007) 27 (5), *Public Money and Management* 307

assessments offered by suppliers must also be seen in the context of demands by central government for public sector organisations to rationalise their supply bases and aggregate demand. This has the effect of favouring larger firms and can preclude small firms from competing.

The primary barriers identified by suppliers also provide us with some clue as to the source of their discontent. Finding time to complete the paperwork associated with tendering emerges as the principal barrier, followed by a requirement for previous experience of supplying to the public sector. This observation is similar to the findings of other investigations into the factors that inhibit SMEs from competing in the public procurement marketplace.[17] The barriers that impact suppliers as perceived by public sector procurers are similar to those identified by suppliers themselves. At the very least it is clear that awareness exists among Irish public procurers on what impedes suppliers, particularly micro and small enterprises, in competing for public sector contracts.

A substantial proportion of suppliers rarely, if ever, receive feedback from failed tenders. This represents a missed opportunity on their part, particularly as over half of suppliers and almost all procurers believe that receiving feedback and learning from past mistakes enhances suppliers' future tendering capabilities. The reasons for supplier reticence appears to stem from a lack of confidence in the feedback system and a fear of jeopardising future relations with public sector organisations than a lack of awareness on the availability of feedback. Lack of understanding and knowledge of the EU Procurement and Remedies

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[17] S. McManus, "Why Businesses are Reluctant to Sell to Governments" (1991) 51(4) *Public Administration Review* 328. R. Fee. A. Erridge. S. Hennigan, "SMEs and Government Purchasing in Northern Ireland: Problems and Opportunities", (2002) 5 *European Business Review* 326

Directives among suppliers is striking. As a consequence, the vast majority of suppliers have no idea what impact the procurement directives are having on issues of consequence to them, such as transparency in the procurement system and SME participation issues. To be expected, public procurers evince a better understanding of the regulatory environment, although many operate only with a basic level of knowledge on the content and application of the directives. Public sector procurers are of the opinion that the directives have had a positive impact on transparency and clarity in the procurement process, have not resulted in major change for SME access and competition between suppliers, and have made worse the costs involved in procurement. The latter point is reinforced in the statistic that only 1.5% of suppliers initiated a legal challenge under Remedies.

At a practitioner level, several points of interest emerge from the survey findings. Evidently, researching the marketplace is a core activity not given adequate attention by public procurers or suppliers. Bespoke training programmes would assist in addressing this deficiency. There remains significant scope for the professionalisation of procurement throughout the public sector. In this vein pursuing industry-relevant and internationally recognised qualifications is fundamental to the reform and strategic deployment of procurement across the public sector. Interaction between public procurers and suppliers outside the commencement of competitions remains limited. Therefore, organising 'meet the buyer' events at local, regional, sectoral and national levels presents itself as one way to engender greater commercial understanding between the public and private sectors. Following this course of action would also help to de-mystify the tendering process for suppliers and afford both parties the opportunity to identify areas in which they can do business together.

6. Conclusion

The findings from this survey represent a significant advance in knowledge of public procurement in Ireland. Against a backdrop of change and uncertainty in the economic and political environment, the extent to which procurement policy is translating into practice and its impact as assessed by suppliers and procurers is better known. Moreover, a baseline has been set down on which future survey research as well as more in-depth qualitative investigation can be carried out. The value of this research goes beyond the Irish context, however. For example, the deployment of e-procurement constitutes a central strand within public sector reform across all jurisdictions. The results of this survey provide evidence on its experienced impacts from both a supplier and a public procurer perspective. The procurement markets of EU member states are shaped to a large extent by procurement directives. Yet, this research indicates that suppliers remain unaware of their impact on the marketplace. Overall, this research contributes to enhancing our understanding of public procurement, both in Ireland and further afield. The insights generated are relevant to academics, policy makers and practitioners interested in the form and functioning of public procurement markets.