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COLLABORATIVE PURCHASING: FOREIGN BEST PRACTICES AND LESSONS LEARNED FOR CZECH REPUBLIC

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EXECUTIVE SUMMARY

- Czech system of collaborative purchases consists of 16 bodies making purchases on behalf of the allocated government section only. 77 % of municipalities and regions conduct collaborative purchases on their own.
- In contrast to foreign practice, the Czech system is largely underdeveloped:
  - In 2014, only 0.4 % (58 mil. EUR) of overall procurement volume was centralized under 16 major bodies, while foreign practice is typically 1 - 6 % of the volume under a single body
  - No electronic system is widely used to support central purchasing processes.
  - No commodity-specific methodologies are being published by major bodies for use by other authorities (although some bodies plan to do so).
- At government level, the Czech system is performing far below the expectations set in a 2011 plan. Only 30 % of mandated commodities are actually centrally purchased within the government, most likely due to a lack of allocated personnel and e-tools.
- The observed gap in commodity purchases outside centralized systems annually costs about 811 mil. CZK (30 mil. EUR) in annual savings on both prices and transaction costs.
- Commodities with the largest untapped potential are cars, electricity, natural gas, medical supplies and fuel.
- At municipal level, there is a great demand for a major central purchasing body while the 2016-2020 plan does not involve its creation.
- Czech procurement law contains provisions curbing potential for collaborative purchases on a wide scale. These include a ban of fees collection by a central authority and an obligation to sign ex-ante contracts with end buyers prior to a central purchase.

Recommendations for the Czech Republic:

- Drop unnecessary legislative restrictions – allow central buyers to collect fees and end buyers to enter running contracts.
- Speed up the electronization process - there are quicker ways than relying on migration to a national e-procurement tool by 2018. These involve cross-platform data standards or “e-shop” solutions.
- Assign appropriate capacities to central purchasing practice.
- Foster collaborative procurement outside central government – either top-down or bottom-up options are plausible.

EXECUTIVE SUMMARY (CZECH)

- V ČR centralizované zadávání obstarává 16 organizací státní správy – každá přidělený resort. Města a kraje v 77 % případů provádějí vlastní centrální zadávání jménem svých organizací.
- Za zahraniřní praxí český system zaostává:
    - V roce 2014 pouze 0,4 % objemu veřejných zakázek (1,5 mld. Kč) proběhlo skrze centrální nákupy těchto 16-ti organizací. V srovnávaných zemích obslouží jediný centrální zadavatel řádově 3-10x větší část trhu.
    - Většina zadavatelů nekoordinuje centrální nákupy s pomocí žádného elektronického systému
    - Není dostupná metodologická podpora zadavatelům orientovaná na konkrétní komodity, typicky produkovaná centrálními zadavateli jako nositeli dobré praxe. (obdobná podpora je však plánována)
- Na vládní úrovni systém silně zaostává za plánem předloženým MMR v roce 2011. Pouze 30 % povinně centrálně nakupovaných komodit je skutečně nakupováno centrálně. Pravděpodobnými příčinami jsou nedostatek zaměstnanců a absence elektronických nástrojů.
- Absence centrálních nákupů stojí ČR ročně nejméně 811 mil. Kč na cenových úsporách a transakčních nákladech a 53 sporů u ÚOHS.
- Komodity s největším potenciálem jsou auta, elektřina, zemní plyn, zdravotnický materiál a paliva.
- Na úrovni měst je vysoká poptávka po centrálních nákupech na národní úrovni, vládní strategie 2016-2020 s takovými nákupy nepočítá.
- Aktuální i nově schválený zákon obsahuje ustanovení omezující možnosti centrálního zadávání ve větším měřítku. Jedná se o zákaz zpoplatnění služeb centrálního zadávání a nemožnost odběratele připojit se k již vysoutěžené rámcové smlouvě.

Doporučení pro ČR:

- Vypustit ze zákona nadbytečné restrikce
- Urychlit process elektronizace – vedle povinné migrace do NENu v roce 2018 zvážit efektivnější alternativy. Např. standardizaci komunikace mezi elektronickými nástroji nebo "e-shopová" řešení mimo standardní nástroje zadavatele.
- Na centrální zadávání přiřadit odpovídající lidské zdroje.
- Podpořit centrální zadávání mimo vládu – ať už formou spolupráce obcí a krajů nebo vládní agenturou.

CONTENTS

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1. Introduction

This chapter outlines the methodological stand point vital for further analysis. This is done by outlining basic regulatory and economic facts on collaborative purchasing. While doing this we will highlight key issues which have been identified as possible bottlenecks for collaborative procurement practice and are thus setting further scope for this practically oriented study.

Collaborative public procurement[1] has gained increasing attention in the last decade after the EU Directives 2004/17/EC and 2004/18/EC came into force. They provided ways for new innovative solutions for the aggregate purchase of standardized or repeatedly needed products. A growing body of literature points to the observation that central coordination of public demand provides a way to improve public spending efficiency.

EU countries have implemented collaborative public procurement to improve the cost-efficiency of public purchasing with various rates of success. Generally speaking, collaborative purchases have been especially beneficial for purchases of goods and services which are demanded in large quantities and by many economic operators – typically energies, transportation or industry-specific goods such as drugs in health care. In this study, we examine the current practice of several well-performing EU countries in order to identify potential areas for improvement in the Czech Republic.

The remainder of this study is structured as follows. First, we describe our methodology together with the basic economic rationale for central purchasing, presenting its main potential benefits and drawbacks. Then, we examine the current state of collaborative procurement in the Czech Republic and other selected European countries. Based on the outlined facts, we finally formulate policy recommendations for the Czech Republic.

1.1. Data sources

The data for research were obtained from several sources. For international comparison, filling in a questionnaire was requested from Central purchasing bodies (CPB[2]) in 10 EU countries[3] chosen jointly with the EC, out of which we got 5 responses. Mapping the remaining countries and filling in missing information in the

[1] By collaborative and/or central procurement we mean public procurement conducted by one public authority (purchasing body) jointly on behalf of other authorities.
[2] In this text we use CPB in a broad sense of central/collaborative purchasing body. That is any subject (state authority, municipality,..) conducting procurement on behalf of multiple other subjects.
[3] Detailed overview of the countries can be found in Chapter 3 - Central purchasing bodies in selected EU countries.

responses received was then done manually, using documents published by CPBs themselves - even though some gaps (such as full lists of commodities procured) do exist for some countries. For additional comparative data sources such as (OECD, 2015) were used.
For Czech Republic a more widespread survey was conducted to also map central purchases made by individual government or local bodies. Out of 200 randomly chosen authorities[4] we got 54 answers which amounts roughly to a 26 % response rate. Additionally, two main institutions newly obliged to do government-wide central purchases (Ministry of Finance, Ministry of Interior) were directly interviewed. Finally, data from the internal EconLab procurement database were used, jointly with data reported by Ministry of Regional Development.

1.2. Background - collaborative procurement as a way to achieve efficiency

In general, the collaborative procurement process typically consists of 2 stages – in the first, a CPB runs a public procurement auction for a framework agreement for the supply of a pre-determined number of goods or units of service. In the second stage, individual state organizations and local governments (end buyers) obtain these goods or services for the price set in the framework agreement signed in the first stage.

In comparison with regular procurement conducted by end buyers, this setup has several considerable advantages:

1. **Bargaining power** - By purchasing larger amounts of a certain good or service, the CPBs can reach more bargaining power and significant economies of scale, which ultimately leads to improved value for money of the purchased goods and services.
2. **Internal economies of scale** - tasks connected to procurement procedures are often tedious, risky and require expert knowledge in purchased goods domain. This makes it difficult for small or medium-sized end buyers to carry them out efficiently. Bundling individual procurement activities into a centrally conducted tender allows for specialized personnel to be assigned these tasks and ultimately achieve lower transaction costs, especially if proper electronic tools are in place.
3. **Transparent and fair market environment** - Collaborative procurement cumulates more purchases to reach above national and/or EU thresholds,

[4] Authorities were chosen randomly with quotas per category as 50 micro and small municipalities, 50 larger municipalities, 50 central government organizations and 50 other organizations (such as hospitals or state owned enterprises).

bringing a higher level of competition, mandatory transparency and enabling more checks of fair treatment. In the Czech Republic for example, a relatively high national threshold (75.000 EUR for goods and services) needs to be met in order to enforce nationwide publication and to enable bidders to contest a tender result in front of a supervisory authority.

As (Skuhrovec & Soudek, 2016)[5] show on Czech electricity and natural gas procurement data, highly relevant for this study, purchase volume is not a significant driver for cost savings in terms of obtained unit price, contesting the Bargaining power effect (1). Also since methodological issues of price savings measurement are generally severe (as also stressed by both interviewed Czech national CPBs) we deliberately chose *not* to focus on this type of savings, claiming that more important benefits of central purchases follow from effects (2) and (3). Thus we focus on issues related to savings in administrative costs, as well as improved professionalism and standardization in procurement practice. In contrast to the bargaining power effect, these also potentially bring a fairer and more beneficial environment for suppliers.

However, there are also several risks connected with collaborative purchasing practice. Firstly, it is the "one size fits all" approach, which is only attainable with several procured objects – typically well identifiable commodities with widespread government demand. This issue has particularly relevant implications for discussing the optimal scale for central purchasing – from groups of individual authorities under single city or ministry to country-wide scale. Secondly, there is an increased risk of monopolization from which follows the need to either conduct purchases in smaller chunks or fragment the field by having multiple CPBs. This effect, however, diminishes in cases of goods with large private demand, which helps sustain a competitive environment. Thirdly, there is a risk of process inefficiency, typically mitigated by appropriate e-tools and institutional setup. Finally, there is a risk of grand corruption leading to the need of having appropriate checks and balances in place.

To maintain a policy-relevant scope for the Czech Republic, the paper will focus mainly on the following aspects of collaborative procurement. These are practical issues following on from the above mentioned risks, which were identified as potentially problematic during the course of this study:

1. **Institutional setup** - which body is mandated to make central purchases on country level, who is obliged/eligible to purchase through such a central buyer? Are there any other forms of central purchases at state or municipal levels?

[5]Procurement Procedure, Competition and Final Unit Price: The Case of Commodities, Journal of Public Procurement - forthcoming

2. **Centrally purchased commodities** - what are the commodities usually purchased through CPB?
3. **Resources for central purchasing** - what e-tools are used? How many employees facilitate the central purchasing agenda, who pays for them? Do CPBs have some incentives to purchase for bodies outside their mandatory scope?
4. **Process of central purchasing** - what is done prior to purchase (market research, binding contracts)? How strong is the intermediary role of CPB - what parts of the procurement process does it facilitate? Do they engage in other agenda beyond purchasing alone, such as providing support or methodological guidance to other purchasing bodies?

2. Collaborative purchasing in the Czech Republic

The mechanisms of central purchasing were transmitted from the EU directives into Czech legislation in 2006, enabling any contracting authority to act as CPB on behalf of other organizations on a contractual basis. Since then, only a few country-wide central purchases have been made, some of which are linked to a major corruption scandal[6]. Besides that the Czech Republic has developed a semi-centralized system of central purchases with major institutions such as ministries, cities or regions typically act as an independent CPB[7]. At government level this has been set up by (Government resolution 930, 2011), mandating ministries and other bodies to conduct the purchase of some commodities (called "mandatory commodities", discussed in detail in 2.2) on behalf of their subordinate organizations, subject to procurement law, including state-owned enterprises. Thus, unlike in some other European countries, the Czech Republic has no single central purchasing agency responsible for conducting major nationwide purchases.

However, responsibilities for conducting government-wide purchases have recently been passed to the Ministry of Finance and Ministry of Interior (Government resolution 924, 2014), (Government resolution 913, 2015). This mandate is so far carried out at a relatively slow pace, as of 2/2016 no such central purchases were contracted (yet two were in process). According to the resolution, only several commodities should be purchased within the 2016-2020 period. Even for those commodities however, the purchases through CPB are not mandatory but they set a technical standard which should be binding for SCPBs.

[6] http://www.radio.cz/en/section/curraffrs/fresh-corruption-scandal-shakes-ruling-top-09-party-ahead-of-elections - one of criticized contracts was based on central purchase of IT licences and services by Ministry of Interior.

[7] To distinguish these we will use the term "semi-central purchasing body" – SCPB.

The initial mapping of selected commodities purchases in Figure 1 shows that despite the above mentioned collaborative procurement efforts, the number of separate tendering procedures is growing while their size is stagnating at best (despite inflation). While the contract volume remains relatively stable, it gets more fragmented over time. Such a finding suggests that the expected goal of central purchases – having fewer procedures which are larger in size – is not being fulfilled. In the following text we will look for the causes of such a development.

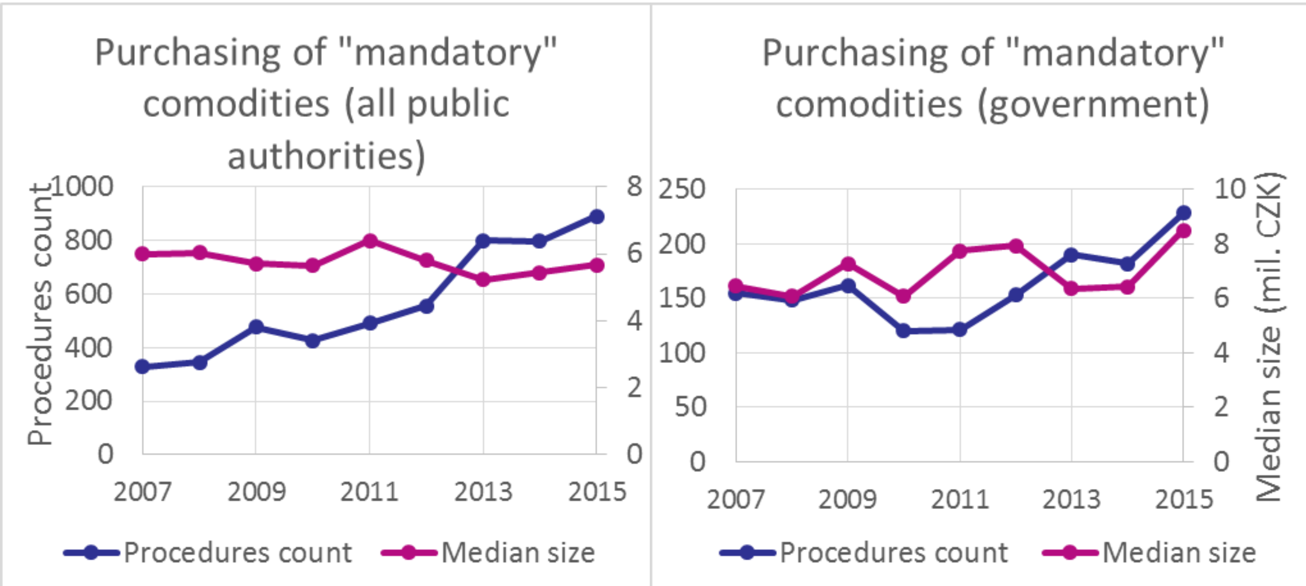

Figure 1 – Maps historical purchases of selected commodities (electricity, natural gas, IT hardware, telesommunications, cars, office supplies and security services) in overall public sector and national government above national threshold of 74.000 EUR. Even though these are supposed to be centrally purchased since 2011, the number of procedures is still growing.

2.1. Institutional setup

The establishment of this system was formally confirmed in 2011, when the Ministry of Regional Development prepared a study (Ministry of Regional Development, 2011), claiming that such semi-centralised system is more efficient than government-wide central purchasing. Based on this study, the government made a decision to extend the current practice and use government-wide central purchases only in exceptional cases. The possibility for third parties such as cities or regions to participate was formally acknowledged, however the setup has left little space for such practice. The government nonetheless recommended regional bodies to conduct central procurement on their own.

The legal regulation (both current and the draft implementing new EU directives) is proportional for such a setup – it well enables purchases on behalf of groups of ex-ante known organizations which are to some extent sharing budgets. It mainly follows on from Czech budgetary rules which are applicable to some parts of central government only, but potentially curb opportunities for collaborative purchasing for the other end buyers. The main restrictions are:

1. CPB is obliged to sign a contract with the final buyer prior to choosing the suppliers.
2. CPB is not allowed to charge fees on top of the price of the procured goods, as long as it conducted the original purchase on its own behalf.

According to (Law No. 137/2006 Coll. (Procurement law currently in force)), at least one of these conditions has to be met, however, the new law[8] requires both conditions to be met at all times.

As acknowledged in (Government resolution 913, 2015) annex, the requirement to ex-ante sign contracts with each end buyer is cumbersome for government level purchases, where coordination with top-level entities (typically ministries) only might be more appropriate. The same apparently holds for purchases on behalf of municipalities or other third parties with even more participants. Additionally, for purchasing on behalf of these, the second provision might also severely reduce incentives. For bodies who do not share budgets (such as government ministry and municipalities), it is not economically plausible for one to act and bear costs and risks on behalf of another without appropriate compensation. Effectively, the requirements of the current Czech legal system prevent such large-sale purchases. Such provision is not required by EU Directives (as confirmed by DG Internal Market, Industry, Entrepreneurship and SMEs), even though the draft procurement law claims so (Draft Public Procurement Law (version passed by Government), 2016).

On CPBs outside central government, only a little information is available. Our survey mapped if municipalities have acted as CPB in the last three years. 77 % (26 out of 34) answered yes. That implies some increase with respect to 2011, when (Ministry of Regional Development, 2011) on a slightly smaller sample found 66 % positive answers to the same question. It is worth considering that among current respondents, there are 9 small (under to 100 employees) and 1 micro (up to 10 employees) municipalities. Although there might be considerable positive bias in both surveys given by the higher response rate of active CPBs, the results effectively demonstrate that the practice of central purchasing is quite widespread across various levels of government.

More importantly, **88 % (30 of 34) reported that they would conduct some purchases through a national CPB, if such a body was available**. The same answer was given 100 % (19 of 19) by the national and municipal government bodies and their enterprises surveyed.

[8] As of 20.4.2016 approved by Parliament and waiting for signature of Czech President.

Although (Ministry of Regional Development, 2011) planned to add municipalities to a system of centralized purchases in 2014, the intended review of such a plan in the 2012 annual report did not take place and consequently no movement in this respect has been observed since. As the recent plan for 2016-2020 (Government resolution 913, 2015) claims, these purchases are out of the scope of government evaluation and are thus not even monitored. Hence, although central purchases on behalf of municipalities or regions is acknowledged as possible, no government body has mandate nor ambition to conduct these within the 2016-2020 outlook, despite the apparent demand known since 2011.

2.2. Purchasing practice and commodities

In (Government resolution 930, 2011), for government ministries (SCPBs) a list of commodities was prepared, each of which was obliged to purchase on behalf of its subordinate organizations[9]. The list included Electricity, Natural gas, Telecommunication services, IT hardware, Cars and Furniture and counted on a gradual start of central purchasing of these until 2013.

We will look closely at the actual practice of individual SCPBs in 2014 following the detailed report (Ministry of Regional Development, 2015). The results are mixed at best. Some SCPBs apparently were performing according to their mandate, however most of them seem to be lagging behind and actually failing to reach the goals set in 2011. 2 out of 16 SCPBs have not made any central purchases at all, and the majority of others did not succeed in centrally purchasing most of the commodities. Table 1 breaks down their purchasing practice (note that central purchases of all examined commodities have been mandatory since 2013).

Commodity	Mandatory since	Number of active[10] SCPBs	Share of active SCPB (out of 16)	CP volume EUR mil. (2014)
Electricity	**1. 7. 2012**	**13**	**81.3%**	**25.7**
Natural gas	**1. 7. 2012**	**12**	**75.0%**	**27.3**
IT hardware	**1. 7. 2012**	**11**	**68.8%**	**11.4**
Office	**1. 7. 2013**	**7**	**43.8%**	**2.4**

[9] Note that this includes many semi-independent bodies such as state-owned enterprises and hospitals.
[10] This includes SCPBs having either new or already running contracts for given commodity.

equipment				
Telco services	**1. 7. 2012**	**6**	**37.5%**	**2.0**
Cars	**1. 7. 2013**	**4**	**25.0%**	**1.6**
Furniture	**1. 7. 2013**	**4**	**25.0%**	**1.7**
Security services	**1. 7. 2013**	**2**	**12.5%**	**0.0**
Other	**not mandatory**	**11**	**68.8%**	**56.7**

Table 1 – Activity of CPBs for given commodities in 2014.

The reported volume of those central purchases was 1.57 bn. CZK (58 mil. EUR)[11]. From EconLab's procurement database (covering all procurement above publication threshold), we estimate that this forms about 2 % of public procurement by the respective government bodies. Given that some part of non-centralized procurement falls under the national publication threshold, we may estimate that 1 – 1.5 % of government purchases were conducted through central purchasing by SCPBs in 2014. With respect to all national procurement, this attributes to only about 0.4 % of overall volume.

More importantly however, we estimate that in 2014 only 35.2% of mandatory commodities within the government were actually purchased centrally, possibly violating the rules set in 2011. This figure has been calculated using the reported contract volumes in (Ministry of Regional Development, 2015) and comparing those to the overall volumes of published contracts for respective commodities (as identified by CPV codes). Figure 2 shows the breakdown of identified gaps across individual CPBs. Again, the figure might be in fact overstating the share of centralized contracts due to below-threshold purchases.

[11] (Ministry of Regional Development, 2015) seems to be inconsistent in reporting this number, frequently mixing new framework contracts with actual payments from older contracts. The overall number was taken from Table 3 summing new framework agreements.

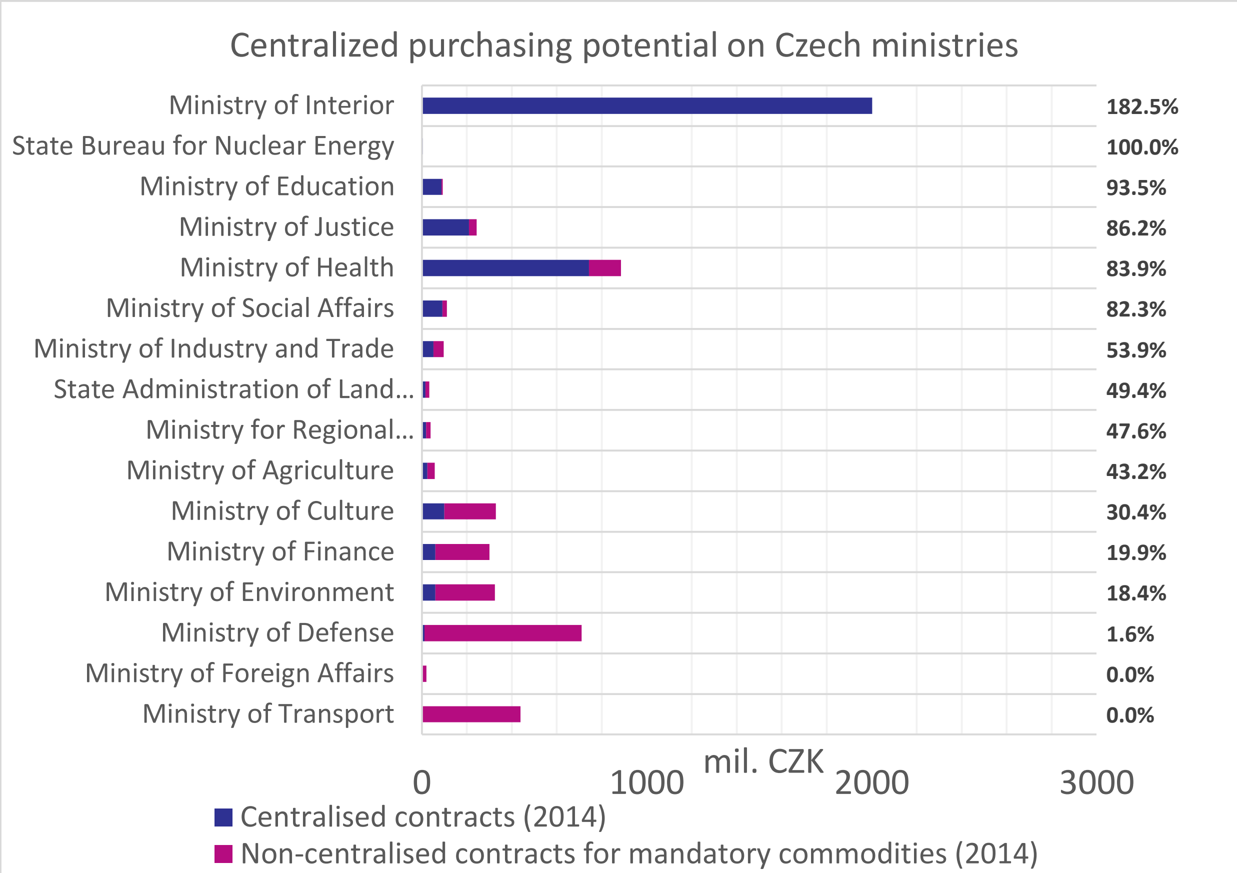

Figure 2 - Compares how many commodities were actually purchased centrally at the level of individual government CPBs in 2014 with total spending on mandatory commodities by their subordinate organizations. A CPB fulfilling its mandate completely should have 100% score, Ministry of Interior has more due to additional purchases of non-mandatory commodities. Source: EconLab, Ministry of Regional Development

In order to calculate the statistics above, we needed to identify the group of authorities with a mandate to purchase through government CPBs. While their scope was generally set by (Minimum Requirements for Centralised Government Purchases, 2011), in practice the full list of such authorities is maintained as a separate document (Ministry of Regional Development, 2015). While using it, we identified possible inconsistencies with the original aim. The document is apparently missing some state organizations as well as containing other organizations which are not part of government or have been dissolved. The responsible ministry has been notified of the flaws, but has not provided any response to date (20.4.2016).

This brings some imperfections into the statistics discussed above. In order to reduce this effect, we decided to exclude state-owned enterprises from the sample as their involvement in centralized procurement is debatable[12]. Even though the Minimum requirements do mandate their involvement, only 3 of 10 largest state-owned

[12] This is linked to a question whether some of them are public contracting authorities.

enterprises are in fact present in the list – and these received exemption for most of the commodities anyway. The statistic thus most likely overestimates the share of central procurement both because of below-threshold procurement and the exclusion of state-owned enterprises.

Providing a similar benchmark to Figure 2, Figure 3 depicts the share of central purchases on overall purchases for individual commodities. As suggested by Table 1, the explanation for the observed gap lays in fact, that the majority of SCPBs do not engage in central purchases of some commodities at all[13]. Only Electricity, Natural gas and IT hardware are actually centrally purchased by more than one half of SCPBs. This apparently translates into their shares on the overall volume of purchases. The greatest potential for central purchases still seems to be in energy commodities, cars and furniture.

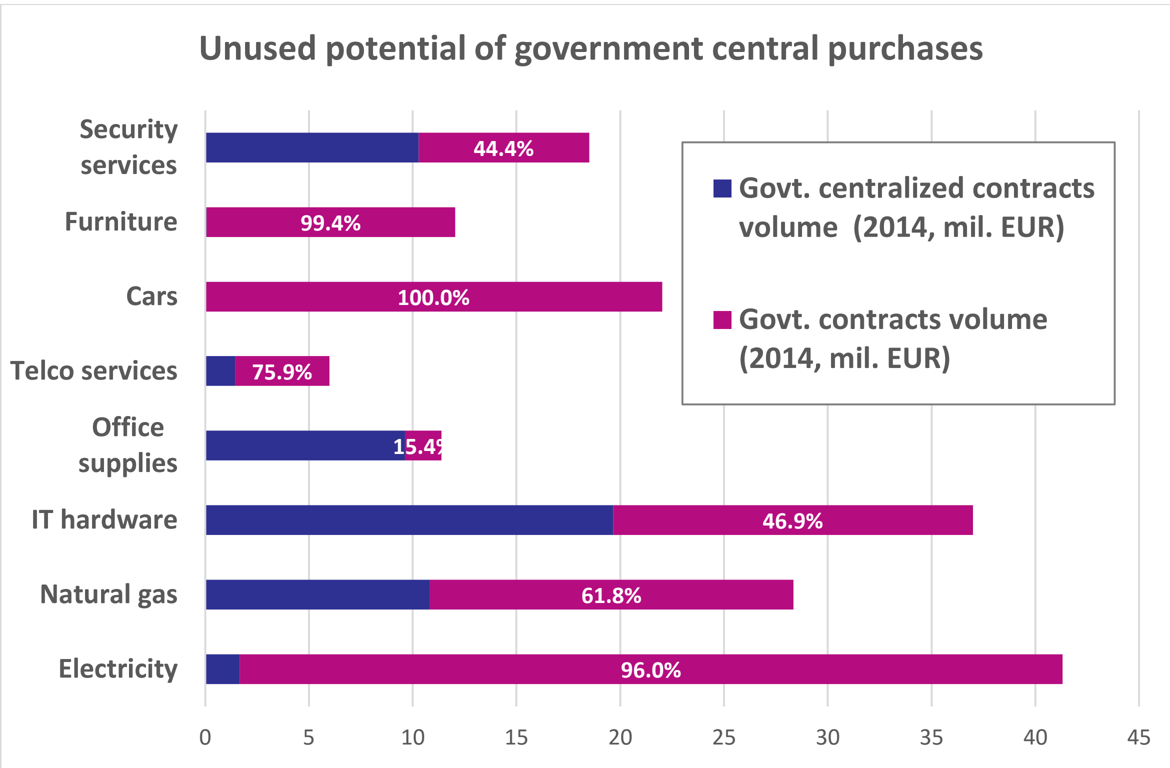

Figure 3 – Identifies gap between volume of central purchases and overall government purchases of given commodities. For example for Furniture the 99.4 % figure implies that out of total government furniture purchases (12 mil. EUR) only 0.6 % went through centralized procurement in 2014.

[13] Alternatively, possibility of some flaws in data reported by (Ministry of Regional Development, 2015) should be acknowledged. According to EconLab data the Ministry of Health alone purchased centrally Electricity for roughly 10 mil. EUR, which is more than Ministry of Regional Development reports for all the ministries combined.

It is interesting to compare such results with current less regulated collaborative purchasing practice of municipalities and other surveyed bodies. The results in Table 2 give us insight into possible views on efficiency of central purchasing for individual commodities.

	Currently buys centrally	Share (of 34 survey municipality responses)	Would buy through national CPB, if that was available	Share (of 50 total survey responses)
Electricity	28	**82.4%**	46	**92.0%**
Natural gas	19	**55.9%**	38	**76.0%**
Telco services	9	**26.5%**	14	**28.0%**
Office equipment	5	**14.7%**	14	**28.0%**
IT hardware	2	**5.9%**	18	**36.0%**
IT software	2	**5.9%**	18	**36.0%**
Insurance (was not pre-defined option)	2	**5.9%**	0	**0.0%**
Cars	1	**2.9%**	11	**22.0%**
Security services	0	**0.0%**	3	**6.0%**
Medical supplies (surveyed hospitals only)	0	**0.0%**	2	**50.0%**
IT services	0	**0.0%**	11	**22.0%**
Fuels	0	**0.0%**	12	**24.0%**

Table 2 - Surveyed current purchasing practice across municipalities (government bodies excluded, as these are part of previous statistics) and demand for nationwide central purchases of the same commodities.

To illustrate opportunity costs of the Czech Republic passing on a central purchasing agenda beyond government level, Figure 4 extends Figure 3 by including purchases from other government entities – mainly cities, regions and state-owned enterprises. It outlines the fact that for some commodities like electricity, natural gas, IT hardware or cars there is the potential for more than 100 mil. EUR of purchases going outside centralized public procurement.[14]

[14] The figures by nature omit two things: a) centralised procurement outside government, which is largely unmapped, b) procurement below national threshold of about 70.000 EUR, under which data is not available. Each of these effects should bias our estimate in different directions, we may thus consider the nubmers being a rough but relatively balanced estimate.

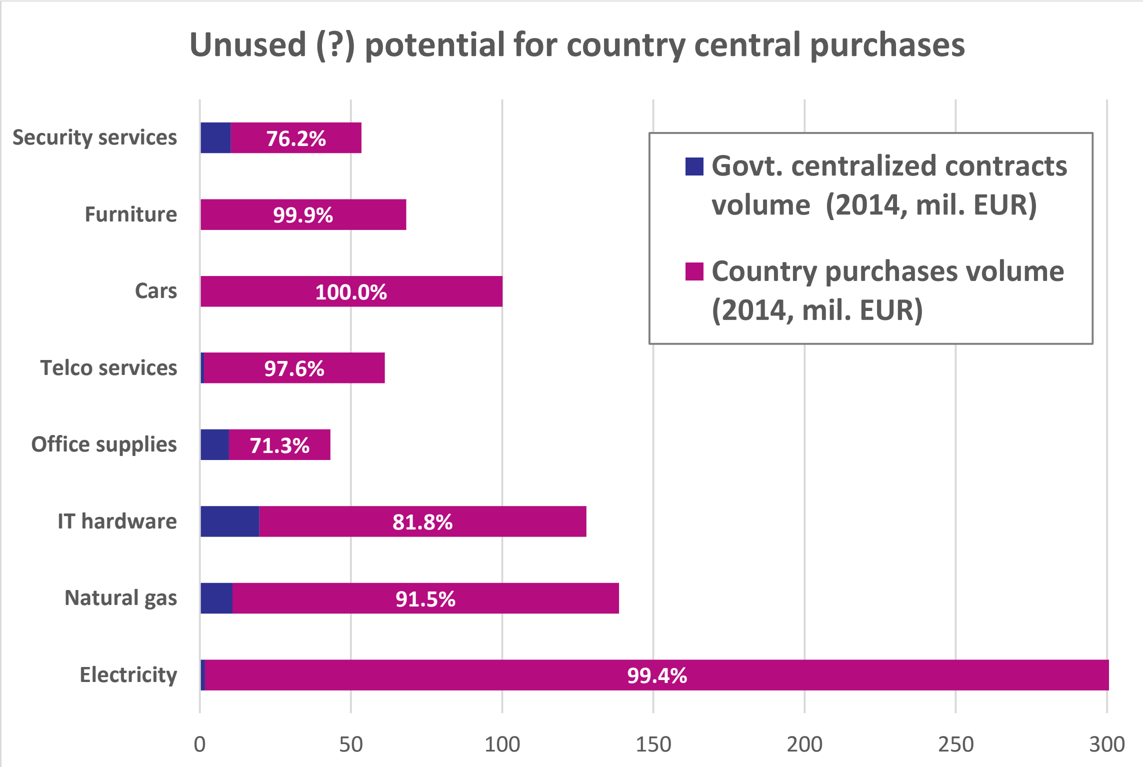

Figure 4 - Volumes of purchases of chosen commodities by all public authorities in country in compared to centralised procurement done by the government.

2.3. Resources for central purchasing

Personal coverage

(Ministry of Regional Development, 2011) estimated the need for 380 government employees to facilitate the current semi-central purchasing system (12 in each major ministry, 7 in minor ministries, 0.5 in subordinate organizations..), however such a state has never been achieved. While the largest SCPB (Ministry of Interior) reported only 10 full-time-equivalent employees running the agenda (plus an additional unaccounted personnel for IT purchases in other departments), other ministries do have considerably less allocated staff (4 surveyed ministries reported 1-5 fulltime equivalents). This includes the Ministry of Finance which is currently responsible for the largest portion of the nationwide central purchasing agenda.

This situation clearly translates into current procurement performance. As illustrated by Figure 2, nearly all the SCPBs do not entirely fulfill their duties, the exception being the relatively well staffed Ministry of Interior. Besides having human resources alone, some contracting authorities stressed the need for their direct allocation to the central purchasing agenda as this is often currently merged with the general procurement agenda on each CPB. Since their own procurement agenda tends to be prioritized, this draws additional resources away from central purchasing.

Use of e-tools

According to the appendix to (Government resolution 913, 2015), the largest issues with employing the new practice follow from mutual coordination of CPB and end buyers. The report explicitly addresses the lack of appropriate e-tools for coordinating the job. Even though there is a national tool in place called NEN (maintained by Ministry of Regional Development), which claims to have extensive functionalities for central purchasing[15], both designated CPBs confirmed in interviews that these are not yet ready for effective use. Consequently, although NEN officially launched in 8/2015, none of 54 surveyed purchasing bodies have used the functionality so far.

Out of surveyed CPBs, only 35 % reported using any electronic tool to coordinate with end buyers. The rest of the practice is arguably coordinated via email, telephone, meetings etc. (as confirmed during interviews). For the rest, by far the most widely used is commercial tool EZAK (40 %). The issue with using any tool such as NEN or EZAK lies however, in the fact that under current legislation it is usable only if all coordinated bodies use the same tool, which is plausible for their smaller group but certainly not applicable at national CPB level, nor for most of the SCPBs. During an interview, the owners of EZAK stressed alternative options like e-shop-like solutions or cross-platform data exchange formats, which could be used to overcome the problem. Since the (Government resolution 25, 2016) in practice plans to replace such tools with NEN, there is a little motivation for further development of other tools. Such a radical step might however not be necessary – as there is no need for central buyers to use same system for their own procurement processes and central purchases – which have relatively little in common.

Savings

To finalize this chapter, we will provide crude estimates of potential savings, should central purchases be widely employed and thus the mandatory commodities purchased solely via centralized buyers, reducing the number of procedures 10 times (via different degrees of centralization). We will calculate three figures: a) savings of transaction costs in terms of reduced workload for contracting authorities, b) cost savings in terms of supplier price reduction, c) saved number of court proceedings.
Following the scope of Figure 4 we see that for centrally purchased commodities there were 1537 tendering procedures in 2014, resulting in 22 bn. CZK (814 mil. EUR) of actual purchases. We further assume roughly two times as many procedures below threshold with negligible value, a conservative saving rate 2 % of overall costs, estimated costs of a single procedure amounting to (Reimarová, 2011) 8.700 EUR for above threshold and 920 EUR[16] below it, and finally 3.9 % incidence rate of court

[15] http://www.portal-vz.cz/cs/Informacni-systemy-a-elektronicke-vzdelavani/NIPEZ/NEN/Funkce-NEN

[16] The figure has been obtained as average of in-house and administered procurement transaction costs, corrected for inflation.

appeals for tenders above threshold (EconLab calculation based on court annual reports) we get the following:

1. Estimated cost savings of 420 mil. CZK (15 mil. EUR),
2. Estimated transaction cost savings 391 mil. CZK (14.5 mil. EUR),
3. Estimated 53 less court appeals.

Note that whereas there might be issues regarding the measurement of actual cost savings, an equally important benefit might follow from the transaction costs reduction. Also in the Czech environment, where court appeals have been relatively frequent recently, the important benefit for end buyers should lie in reduced legal risks associated with central purchases.
Such potential for savings is more conservative than estimated by (Ministry of Regional Development, 2011), however it should still cover the costs of the planned increase in staff spending of about 5 times. In the medium term that should be also sufficient for providing appropriate e-tools[17].

3. Central purchasing bodies in selected EU countries

3.1. Italy

In Italy, central purchasing at the national level is administered by a specialized central purchasing agency called Consip[18] ("Concessionaria Servizi Informativi Pubblici"), a public joint stock company fully owned by the Italian Ministry of Finance and Economy. It was founded in 1997 and initially served as an IT management and consulting company for the Italian Public Administration. It was not assigned with procurement tasks until 2000. Over time, the importance of Consip increased significantly and it now aggregates the demand of individual public administration bodies in many areas.

Institutional setup: Consip's central purchasing activities can be classified into two categories: classic framework contracts used to purchase highly standardized goods, and framework agreements, which are signed with multiple suppliers and only set out basic rules that regulate the public contracts for the respective products. Within these framework agreements, the end buyers then carry out a simplified procurement

[17] Authors acknowledge that the issue of missing e-tools in Czech Republic is not an issue of underinvestment. The national tool NEN has cost over 700 mil. CZK (Supreme Audit Office, 2016), so far it has however not demonstrated good capabilities of supporting central purchasing agenda.
[18] http://consip.it/

procedure. Consip uses an electronic marketplace called acquistiinretepa.it to provide access to framework agreements and contracts to public organizations. The web portal works as an e-shop and public organizations can purchase goods and services there without using official procurement tendering procedures.

Using Consip's central purchasing services is mandatory for state administrations. Agencies at lower government levels and other public bodies may also purchase commodities through Consip and whenever conducting their own procurement, they have to take price and quality of the framework contracts as a reference.[19]

Commodities: Consip has one of the most extensive structures of goods and services provided through its collaborative procurement framework in Europe. From IT and telecommunication services to vehicles and office supplies, public administrations can find and purchase numerous products on the e-procurement portals run by Consip.

Resources: Consip currently has 340 employees. In 2014, the volume of purchases overseen by Consip via its e-procurement tools and framework contracts and agreements amounted to 38.1 billion EUR (21.36 % of total procurement value) with estimated savings on the price of the goods and services of 5.3 billion EUR (13.9 %) (Consip, 2015).

Processes: Apart from running the marketplace and negotiating framework agreements, Consip publishes methodological guidelines and provides opinions on procurement activities of public organizations.

3.2. Austria

The Bundesbeschaffungsgesellschaft[20] (BBG) is the central purchasing body for the Federal Government of Austria founded in 2001.

Institutional setup: The main purpose of BBG is to provide centralized procurement services for Austrian federal agencies. All federal institutions in Austria are obliged to purchase goods and services through the framework agreements negotiated by BBG unless they are able to obtain the products from other sources at better conditions. Other public sector organizations like universities, state and local governments, municipalities, state-owned organizations or health organizations can purchase through BBG on a voluntary basis.

[19] OECD, 2011. Centralised Purchasing Systems in the European Union, Sigma Paper No. 47.
[20] http://www.bbg.gv.at/

Commodities: Some of the examples of product categories purchased by Austrian public bodies through BBG are energy, fuels, transport, information technology (hardware, software), newspapers, books or insurance.

Resources: For the mandatory end buyers, the services of the BBG are free of charge. Other institutions may take advantage of BBG's contracts and services for a modest fee. BBG currently has 95 employees. In 2014 it reported the total value of centrally administered procurement of €1.2 billion (2.7 % of total procurement volume) and savings of €253 million (17.7 %).

Processes: BBG negotiates framework agreements which set out the conditions of future purchases and individual end buyers then deal directly with the suppliers under these conditions. Apart from central purchases themselves, BBG's activities include extensive market research, supplier analysis or the provision of methodological guidance and even direct professional help to procuring public bodies. It is also responsible for implementing standards and specifications and controlling procurement activities of public bodies.

3.3. Portugal

The Portuguese national central purchasing body is called eSPap[21] and it was created in 2012 as a government organization under the administration of the Ministry of Finance.

Institutional setup: eSPap acts as a central buyer for central administration offices defined by the law. Even though it is not mandatory, many subnational public bodies have joined the National Public Procurement System (SNCP), a system run by eSPap under which framework agreements are negotiated with individual suppliers and then made available to public bodies. To do so, public bodies are obliged to sign a special contract with eSPap. About 80 % of municipalities purchase commodities through eSPap's centrally negotiated contracts.

eSPap's nationwide collaborative purchasing activities are complemented by each ministry having its own central purchasing unit which focuses on the procurement of ministry-specific commodities.

The agency is overseen by the Court of Auditors, the Oversight Authority of the Ministry of Finance, the Minister of Finance and the Advisory Board of SNCP, which consists of members from the Public Budget Management Authority and each ministry.

[21] http://espap.pt/

Commodities: eSPap negotiates framework agreements for the following categories of commodities: electricity, fuel, office equipment, IT hardware, IT software (licenses), IT services, telecommunication services, security services, cars, office maintenance services (cleaning services, HVAC systems maintenance), travel and accommodation services, meals.

Resources: eSPap is financed from state funds and partly also from fees paid by qualified suppliers who enter the framework agreements. The approximate annual volume of public procurement administered by eSPap in 2014 was €1 billion (5.8 % of total procurement value) with savings achieved by central purchasing estimated at €47.8 million (4.78 %). eSPap currently has 27 employees out of which 4 serve as members of the governing Board.

Processes: Apart from providing central purchasing services, eSPap publishes methodological guidelines, runs an electronic system for e-tendering and provides sample tendering documentations and consultations to subnational agencies in the matters of public procurement.

3.4. Hungary

The Directorate-General for Public Works and Supply[22] (KEF) is the national central purchasing body in Hungary. It was founded in 2003 as a government organization and its supervisor is the Ministry of National Economy.

Institutional setup: KEF's collaborative procurement services must be used by all Hungarian central administrative bodies except for institutions which procure for the army and national security matters. Other public bodies, such as municipalities, may voluntarily purchase goods and services through KEF.

Commodities: KEF acts as a national central purchasing body through negotiating framework agreements mainly for the following categories of commodities: Fuel, Office equipment, IT hardware, IT software (licenses), IT services, Telecommunication services, Cars, Office furniture, Travel services.

Processes: Apart from acting as the national central purchasing body, KEF also offers support for smaller procuring agencies in the form of publishing methodological guidelines and providing sample tendering documentation. Secondly, it provides working environment and infrastructure services for some

[22] http://kef.gov.hu/

ministries. Such activities further increase efficiency gains through minimizing the operating costs of public bodies. KEF also provides methodological guidelines and sample tendering documentation.[23]

Resources: KEF is financed from state funds, EU funds and partly also from fees paid by the end buyers. The annual volume of public procurement administered by KEF was 110 billion HUF (€354.84 million, 2.4 % of total procurement value) in 2014, with savings achieved by central purchasing estimated at 39 billion HUF (€125.8 million, 35.45 %). KEF currently has 25 employees.

3.5. Finland

In Finland, central purchasing is carried out by a limited, non-profit company called Hansel[24] which was assigned with procurement tasks in 2003. It is fully owned by the State of Finland and operates under the steering of the Ministry of Finance. In addition, there exists a separate central purchasing body called KL-Kuntahankinnat[25] which bundles procurement needs of municipalities.

Hansel

Institutional setup: All government agencies and departments, state-owned enterprises and non-state budget funds may use Hansel's services on a voluntary basis, except for some specific framework agreements which are used obligatorily by some public bodies. Municipalities are not allowed to use Hansel's services.[26]

Commodities: The range of products and services purchased through Hansel's framework agreements is very wide. The top categories of products in terms of value are Electricity, Occupational health care services, IT hardware and services and Equipment leasing services.

Processes: Apart from bundling procurement needs for central government agencies, Hansel provides consulting services for special procurement needs to other public institutions.

Resources: Hansel's activities are mainly funded by fees from contract suppliers, which are capped at 1.5 % of the contract value and reached only 1.19 % on average in 2014. Since these revenues more than covered Hansel's operating costs in 2014, no other funding had to be provided. End buyers use Hansel's services for

[23] OECD, 2011. Centralised Purchasing Systems in the European Union, Sigma Paper No. 47.
[24] http://hansel.fi/
[25] http://www.kuntahankinnat.fi/
[26] OECD, 2011. Centralised Purchasing Systems in the European Union, Sigma Paper No. 47.

free. The annual volume of public procurement administered through Hansel was around €715 million (1.84 % of total procurement value) in 2014 with savings achieved by central purchasing estimated at €247 million (34.5 %). In 2014, Hansel had a staff of around 75 employees.

KL-Kuntahankinnat

A complement to Hansel's national-level services is provided at the municipality level by KL-Kuntahankinnat. Established in 2008, it currently administers purchases worth around 330 million EUR. During the tendering process for the framework contracts, KL encourages municipality representatives to commit to the purchase, which enables larger economies of scale. For the municipalities themselves, early commitment means that they can influence the details of the procured products.

The top categories of products purchased through KL include energy, IT, social and health services and administrative supplies. The company currently consists of 14 employees.

3.6. France

In France, two organizations carry out tasks connected to general collaborative procurement - Union des groupements d'achats publics[27] (UGAP) and Direction d'achats de l'État[28] (DAE, formerly Service d'achats de l'État). In addition, several specialized organizations are set up to group the procurement needs of hospitals and health centers. The most important of these are UNI-HA[29] and RESAH[30] .

UGAP

Institutional setup: UGAP gained the official role of a central purchasing body for French public institutions in 2004. Its activities include wholesaling of some goods to be further redistributed among end buyers. All public bodies may voluntarily use UGAP's services. The principal customers of UGAP are public bodies at the national level (37 % of all purchases in 2014), regional public bodies (35 %) and the healthcare sector organizations (21 %).

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[27] http://ugap.fr/
[28] http://www.economie.gouv.fr/dae
[29] https://www.uniha.org/
[30] http://www.resah.fr/

Commodities: The main categories of products purchased through UGAP in 2014 were IT (31 %), vehicles (29 %), medical products (17 %), services (14 %) and furniture & equipment (9 %).

Processes: To provide the most effective services to its clients, UGAP runs an online e-shop tool where registered public bodies can purchase goods using a special credit card issued by UGAP. Its activities are funded from the state budget.

Resources: In 2014, UGAP facilitated 510 thousand purchases worth around 2.145 billion EUR (0.65 % of total procurement value). As of December 2013, UGAP had 1,168 employees with around 600 working as market researchers in UGAP's regional offices all around France rather than in the headquarters in Paris.

DAE

DAE is an agency under the administration of the Ministry of Budget. Its aim is to set the overall procurement policy of the state, with the exception of defense and security purchases, and ensure its proper implementation and maximum effectiveness and savings. It is also responsible for facilitating inter-departmental cooperation in public procurement matters and for providing methodological guidelines to other procuring entities.

When DAE identifies a common need for products among state-level administrations, it generally assigns UGAP or a ministry to negotiate a framework contract in the area. However, it may itself also sign a framework contract for government ministries.

DAE is funded from the state budget and employed 69 people as of December 2013.

Uni-HA and RESAH

Specialized agencies have been created in France to bundle the procurement needs of healthcare centers and hospitals. Uni-HA operates on behalf of 67 public and university hospitals and has purchased products worth 2.76 billion EUR in 2015, with savings estimated at 83.16 million EUR (3 %). The organization cooperates with around 560 experts from member hospitals who evaluate proposals from suppliers and provide advice on purchasing strategy.

RESAH is the second-largest healthcare sector collaborative purchasing body, with a similar strategy to Uni-HA and turnover from framework contracts amounting to

475.8 million EUR in 2014. Savings from these purchases are estimated at 21.3 million EUR (4.48 %).

3.7. Denmark

The Danish central procurement body, SKI[31], was established in 1994 as a not-for-profit, publicly owned limited company. It is owned by the Danish state (55 %) and Local Government Denmark (LGDK, 45 % ownership share), the interest group and member authority of the Danish municipalities.

Institutional setup: SKI was created to pool procurement needs of public authorities at all levels of government. However, the use of SKI's services is not mandatory, which is based on the idea that if the framework agreements negotiated at the central level are not economically attractive for end buyers, they should not be obliged to use them. The biggest customers of SKI in terms of value of purchased products are the ministries, universities and regional and city governments.

Processes: Before a framework agreement is signed, SKI calculates the so-called price benchmark for the purchased product based on previously bought goods and services by public organizations as well as SKI itself. Also, it establishes a customer advisory board which consists of some of the most engaged customers and serves as an expert group that decides whether or not to establish the framework agreement based on the comparison of offered prices with the price benchmark.[32] One of the difficulties encountered during this process is that the potential end buyers are not able to guarantee a certain level of turnover until the final price is known.

Commodities: SKI classifies its framework agreements into three main areas: goods, services and IT & telecommunication. IT products account for the largest share of sales realized through SKI - around 49 %.

Resources: The services of SKI are financed from fees paid by suppliers. They are calculated as a fixed percentage (1-3 %) of the value of goods and services sold as reported by the suppliers. In 2014, the average fee was 1.2 %. In addition, the end buyers pay a modest annual subscription fee to be allowed to purchase through the framework agreements. The total turnover from sales through SKI's framework agreements amounted to 5.5 billion DKK (around 737 million EUR, 1.9 % of total procurement value) in 2014. SKI currently employs 77 people.

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[31] http://ski.dk/

[32] OECD, 2011. Centralised Purchasing Systems in the European Union, Sigma Paper No. 47.

Country	Name of CPB	Who uses the services of the CPB?		How many employees does the CPB have?	Percentage of PP through CPB
		mandatorily	voluntarily		
Italy	Consip	State administration bodies	All public bodies	340	21.36 %
Portugal	eSPap	Central Administration offices	All public bodies	27	5.8 %
Hungary	KEF	Central Government Organizations (except institutions that procure for the army and national security)	All public bodies	25	2.4 %
Austria	BBG	Federal institutions (unless they can obtain the same products under better conditions elsewhere)	All public bodies	95	2.7 %
France	UGAP	-	All public bodies	1,168	0.65 %[33]
Finland	Hansel	Government agencies (only some framework agreements)	All public bodies	75	1.84 %
Denmark	SKI	-	All public bodies	77	1.9 %

[33] The figure has been reported by one of four major CPBs. Real volume is supposedly higher.

Ireland	OGP	-	All public bodies	185	N/A
Sweden	National Procurement Services	Central government authorities (unless they can obtain the same products under better conditions elsewhere)	Municipalities and county councils	57	1.58 %
Slovenia	Public Procurement Directorate, Ministry of Finance	National public bodies	All public bodies	13	1.17 %

Table 3 - Summary of the international survey of selected CPBs.

We finish this chapter by summarizing the results of the survey commodities actually purchased through foreign CPBs. While contrasting Figure 4 with Figure 3, we see that foreign practice is a bit broader than in the Czech Republic, while mostly IT services, fuels, medical products, travel and accommodation services have been reported by the majority of surveyed CPBs, possibly without parallel in Czech practice. Additionally, security services were also reported – while these have recently been excluded from the Czech mandatory commodities list.

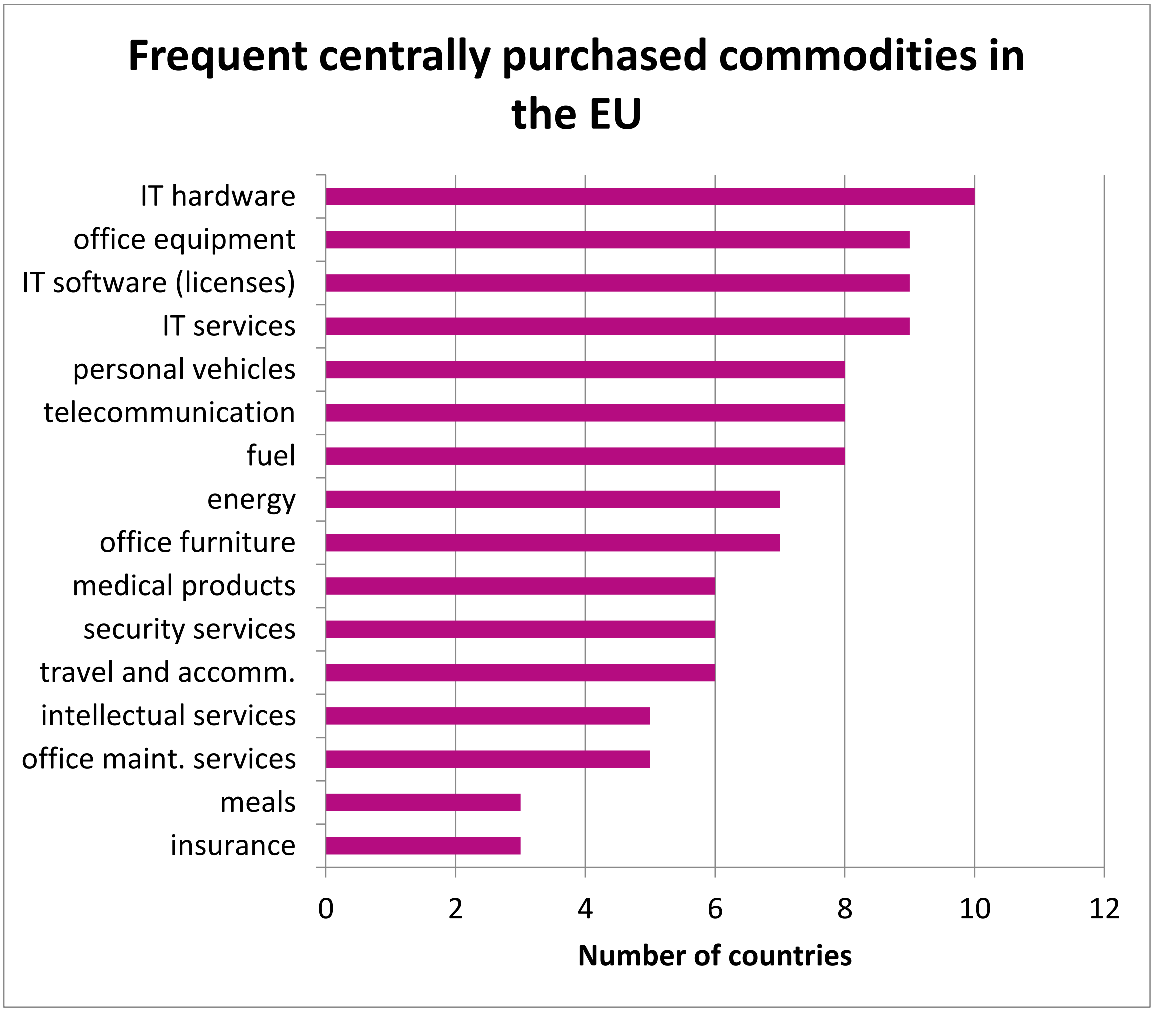

Figure 4 – Categories of commodities purchased by selected European CPBs.

4. Conclusion: policy recommendations for Czech Republic

4.1. Current status

In this chapter we will draw from the previous largely factual Czech summary and international comparison to outline the flaws in the Czech system and propose practical recommendations. We start by summarizing the current standing point:

1. At government level the Czech system is performing below expectations, most likely due to lack of allocated resources.
2. At municipal level there is great demand for a major central purchasing body while the plan till 2020 does not involve its creation.
3. In contrast to foreign practice, the Czech system is largely underdeveloped:
    a. In 2014, only 58 mil. EUR (0.4 %) of procurement volume was centralized under 16 major CPBs, while foreign practice is typically 1 to 6 % of the volume under a single body,
    b. no commodity-specific methodologies are being published for use by other authorities (even though some CPBs aim to do so),
    c. no electronic system is widely used to support central purchasing processes.
4. The observed gap of commodity purchases outside centralized systems can cost up to 811 mil. CZK (30 mil. EUR) in annual savings on both prices and transaction costs.

Based on such a situation we thus provide the following recommendations, meant to treat the identified issues while being sensitive to the specific Czech environment. It is apparent that a strong major CPB like in Italy or Austria can hardly be built within a few years, however Czech efforts should aim to reduce the major gap between current domestic and foreign practice. A considerable effect can be attained by some relatively cheap and quick steps.

4.2. Institutional setup

The Czech system is lagging well behind plans for purchasing mandatory commodities in the majority of government resorts and more importantly it is not suitable for servicing large numbers of end buyers such as municipalities. The Czech Republic should reconsider the current strategy of resort-wide central purchases set in 2011, whose goals it has not been able to meet so far. In particular that should mean at least:

1) Introducing organizational changes within current CPBs to reach central purchasing agenda potential at government level,
2) Supporting central purchases beyond government level either by setting up a government agency with such scope or creating an environment for setting up such bodies from the bottom (see further points).

In order to fix issues with government-level purchases, no major institutional changes need to be done, the issue is rather in terms of having clearly allocated appropriate capacities and resources. It might however be beneficial to set more ambitious goals than those outlined in the 2016-2020 strategy (Government resolution 913, 2015) and improve reporting in order to get more relevant data on its fulfillment. A necessary condition for such a step is to clarify which bodies are obliged to purchase through CPB, as the current list (Ministry of Regional Development, 2015) does contain severe flaws, most notably not containing all the public contracting authorities among state-owned enterprises in contrast to requirements by (Gobernment resolution 24, 2016).

In order to facilitate non-mandatory central purchases for municipalities, one or more subjects with a clear mandate to do so is required. Here it is advisable to use "CPB checklist", informal paper by the European CPB network outlining joint experience and key steps to form such a body. Given the foreign practice it seems necessary for such a subject to have its own budget, employees and a certain level of independence. Creating such a subject might be done both within one of current CPBs, as a separate government body, or even by bodies outside central government. The latter options might additionally foster political independence and professionalism more suitable for doing business with municipalities in order to avoid political conflicts.

4.3. Commodities

While contrasting the current practice mandated for government bodies (Table 1) with unregulated practice of other bodies (Table 3), we see relative accordance. The exceptions are mandatory purchases of security services, which have no counterpart in the practice of municipalities and also very mediocre practice for government bodies themselves (despite the mandate). On the other hand we see some demand for central purchases of software licenses[34] and insurance products which has yet not been covered by government strategy.

When looking at international practice, dominant commodities not paralleled in the Czech mandatory scope are **purchases of IT services, fuels, travel and accommodation**. Furthermore, there is some confirmation of benefit in central purchasing **medical supplies, insurance products**[35] **and security services. These commodities thus might be considered for purchasing by Czech CPBs.** In case of security services which have already been deemed as inappropriate for central purchases in the Czech Republic, foreign practice should be closely examined to understand how such purchases can be arranged.

4.4. Resources

Government Central purchasing bodies in Czech Republic do apparently lack enough allocated employees, as demonstrated both by comparing with the original plan (Ministry of Regional Development, 2011) and foreign practice. Currently, the central purchasing agenda is covered by about 40 employees over 16 Central purchasing bodies, while average number of such employees in other countries is 200. The Ministry of Regional Development originally aimed for CPBs to have about 150 allocated employees. **Thus the number of allocated employees is roughly 4-5 times lower than it should be.** This arguably translates into the failure to meet expectations and coordinate some purchases even within giver resorts. **Government bodies thus need to reassess the personnel needs of the agenda and separate it in terms of personnel and organizational levels from other public procurement agendas.**

e-tools: Experience from other countries clearly shows, that use of electronic tools is a crucial condition for the success of broader central purchases, however the majority of Czech institutions use none. For municipality, regional or ministry-wide purchases, the use of any available tool (such as NEN or EZAK) might be extremely beneficial. For central purchasing on broader scale, many authorities face considerable lock-in with the use of their current tools. **The planned movement towards a single tool (NEN) might be beneficial, if the tool provided at least comparable capabilities to other systems (which it currently does not). The following alternatives might however also bring a quick win more easily than migrating large number of bodies to NEN.**

[34] Purchases of Software licenses are already mandated to Ministry of Interior for 2016-2020 period.
[35] Insurance products are however not typically purchased by Czech government, as plain pooling risks on state level seems to be more rational. Still they are highly relevant outside government.

A. **Lightweight e-shop-like solution used in parallel to standard e-procurement tools, supported by relaxing legal requirements (see 4.5).**
B. **Introduction of standards enabling cross-platform communication between central body and end buyer.**

Budget – Legally CPB cannot make profit nor collect fees while conducting central purchases. Thus in practice CPBs are not motivated to conduct purchases for external end buyers, i.e. bring savings and bear risk for organizations outside their budget chapter. This complicates both creating nationwide bodies as well as bottom up growth of central purchasing bodies between municipalities. The requirement has been reinforced in the new law (Draft Public Procurement Law (version passed by Government), 2016). **In order to remove this obstacle, the law should be amended to allow central purchasing bodies to collect fees and thus fund their activity.**

4.5. Processes

Given the current legal requirements, central purchases are plausible for small to medium sized groups of end buyers, where interviewed CPBs already confirm increasing difficulties for their conduct. **In order to allow for proper function of purchases on behalf of municipalities (6000+ subjects) and their subordinate organizations, the requirement for signing ex-ante contracts with end buyers needs to be released.**

Methodological support - Ministry of Regional Development was originally obliged to prepare sample documentation and methodological notes for each commodity on the mandatory list. However, in 2012 it decided to prepare only three general documentations for goods, services and construction works. In contrast with CPB practice in France, Portugal or Italy the potential for providing knowledge and support to minor contracting authorities thus remains largely untapped.

Provision of more detailed recommendations tailored for specific commodities is thus strongly recommended, either by the Ministry for Regional Development or major central purchasing bodies. From foreign practice it seems more appropriate to shift the practice to actual central purchasing bodies, who are more engaged in practical matters, rather than a Ministry focusing on legal matters.

4.6. Conclusion

At national government level, the Czech system with 16 semi-central purchasing bodies is an interesting deviation from more centralized systems seen in other countries. It could provide more flexibility, support for SME's, smaller risk of monopolization, and even a sort of competition between the bodies. However its potential has not manifested after 5 years of operation, as it lacks manpower and electronic tools - both of which can be seen as drawbacks of decentralization.

The Czech legal system partially curbs bottom-up development of central purchasing, which is widely present among Czech public bodies, however only to the extent of bodies sharing their budgets. Less regulation in this respect could be more beneficial.

In the fall of 2016, the procurement law implementing new directives will come into power. This will most likely increase the demand for outsourcing of procurement agendas by small and mid-sized public authorities – either to private companies or to central purchasing bodies. That is an important opportunity for introducing collaborative public procurement, and demonstrating its potential for savings and reducing legal risks.

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