



Dynamic Purchasing Systems

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eVA European Vortal Academy

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With 12 years of existence, Vortal manages six electronic platforms targeted at different business sectors. Through markets segmented by business sector, it provides its users with business solutions that enable them to match supply and demand, thus creating perfect market conditions. It has more than 2,500 public entities and 40,000 companies networked and segmented by business sector, that promote their business activities with lower prospecting and recruitment costs, reduced administrative burden and total simplicity. Learn more at www.vortal.biz.

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1. Introduction

This document aims to present the main features of the Dynamic Purchasing System, the methods by which it is created and managed, and a description of its benefits. It is targeted at all decision-making bodies that are considering the use of innovative procurement mechanisms.

What is a dynamic purchasing system?

It is an electronic multi-vendor system that enables contracts for purchase or lease repeated over time, for goods or services in current use and allows the entry of new competitors throughout its term of validity, the maximum duration of which is 4 years.

Current use means "those whose technical specifications are fully standardised"^A.

^A Art. 237 – 2, Code of Public Contracts.

2. Phases of the Dynamic Purchasing System

The purchasing system includes three phases: establishment of the system, establishment of the list of competitors and the formation of the Contract¹.

The flow that feeds the three phases can be understood in graph 1 and is developed as follows²:

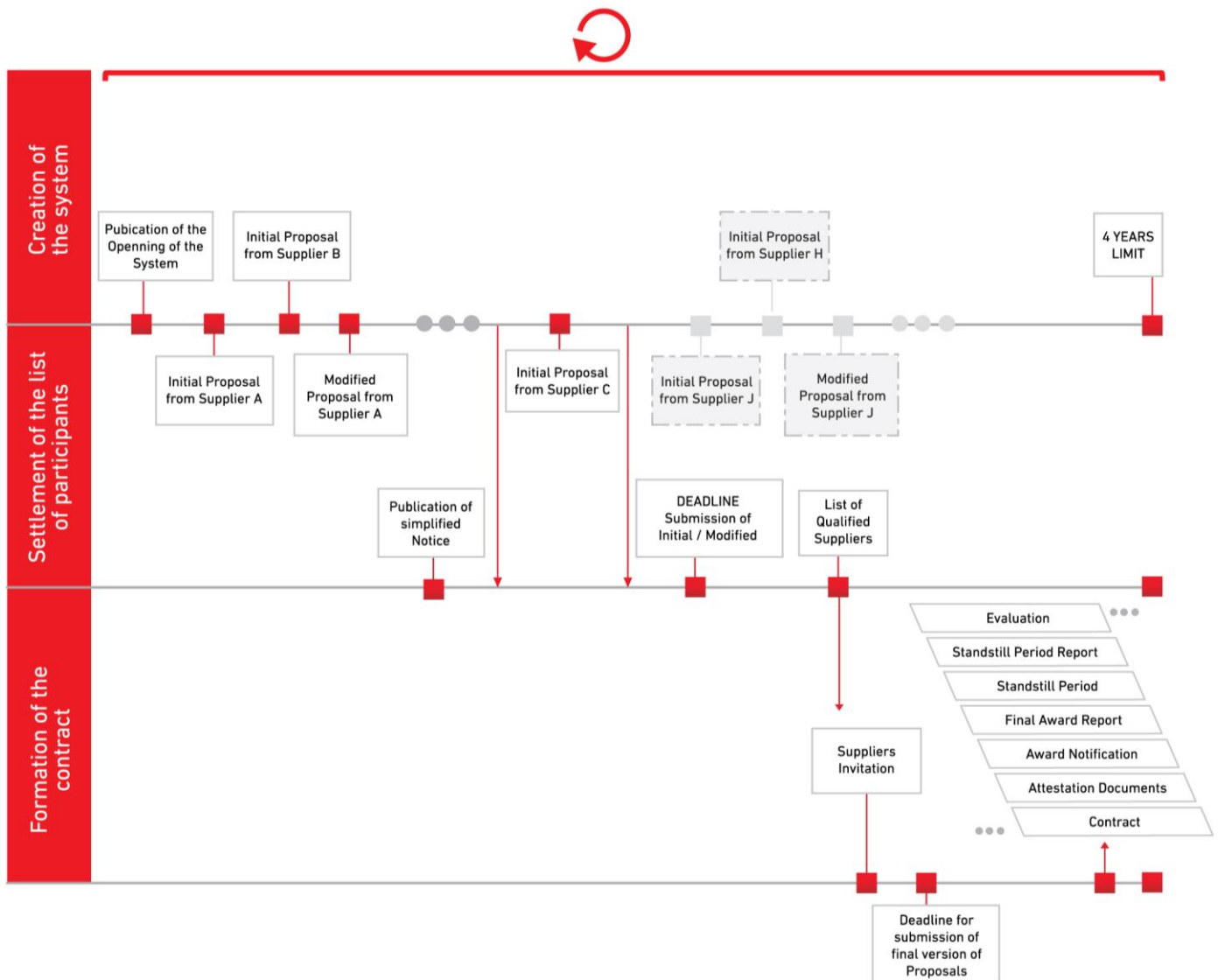


Diagram 1 - Flow of dynamic purchasing system

Key: The interpretation of tenders given in subsequent stages of the procedures.

- a) **System institution:** The opening of the purchasing system starts with the publication of a notice in GR/OJEU^B and will remain open for a maximum of 4 years.
- Provided that the system is introduced by the deadline specified in the simplified notice, the interested parties may consult the procedure documents that are all available on the electronic platform used by the contracting authority, and may submit their initial and amended tenders on that platform. The deadline for acceptance or rejection of the tender is 15 days.
- An amended tender is any new tender that has been modified from the original.
- b) **Establishment of competitors list:** The conclusion of a contract under a dynamic purchasing system is subject to the publication of a simplified notice, where the deadline of not less than 15 days is indicated, in which suppliers must submit their initial or amended tenders for its acceptance in the system. At the end of this phase, the contracting authority sets the accepted competitors list in the system.
- c) **Sending of invitation:** After obtaining the list of accepted suppliers in the system, the contracting authority commences the procedure for formation of the contract, sending an invitation to all tenderers so they may submit their final tender versions.
- d) **Evaluation of tenders:** The procedure schedule disclosed at the time of establishment of the system will indicate the factors and sub-factors that identify the award criterion and the values of their respective weightings. However, the full submission of the evaluation model is not required. The invitation for the submission of final tenders must indicate the appropriate valuation model, if it is not included in the schedule.
- e) **Electronic auction:** The procedure may be completed with an electronic auction, but not with a negotiation process.

^B Gazette/Official Journal of the European Union

3. Procedure of the Dynamic Purchasing System

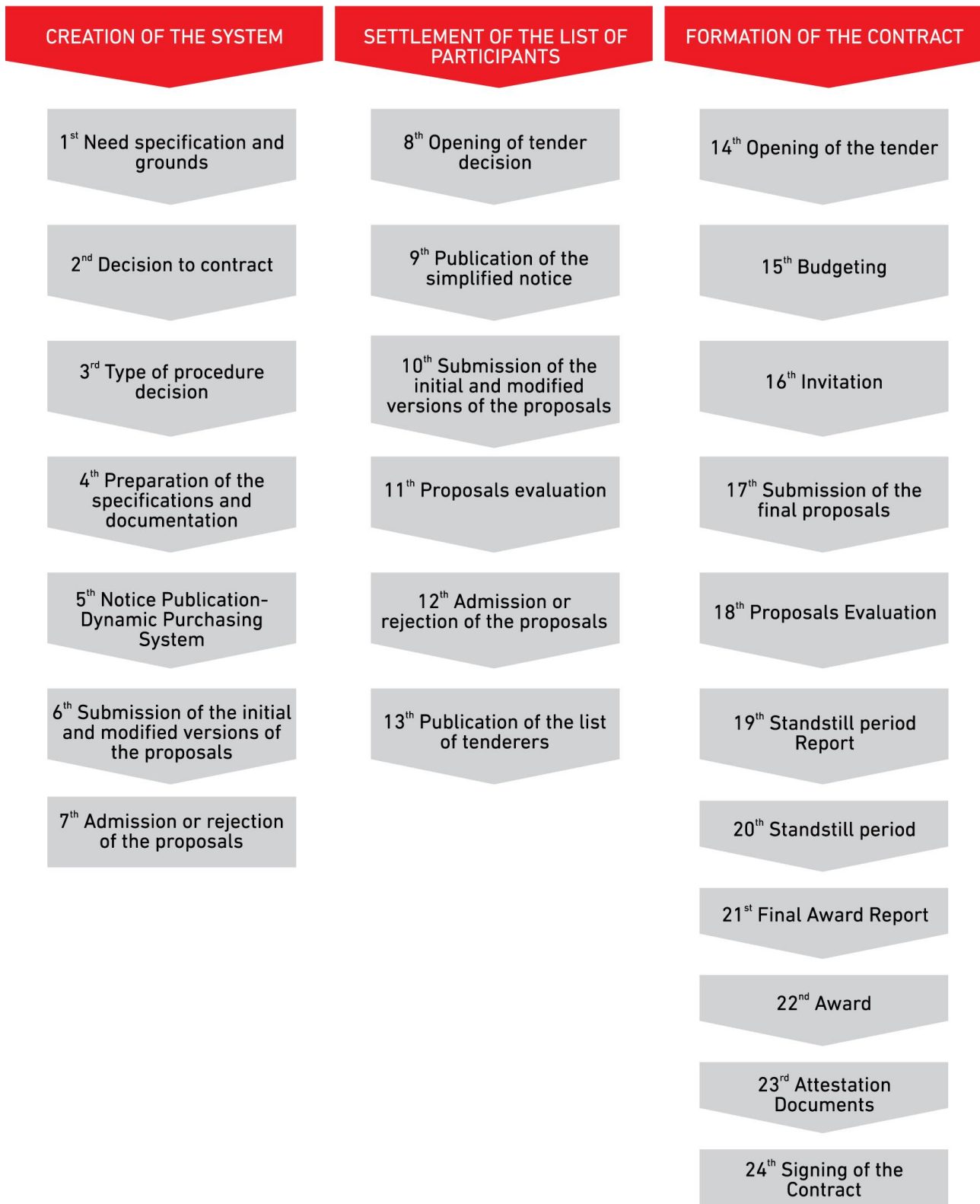


Illustration 1 - Procedure of the Dynamic Purchasing System

The procedure presented corresponds to the procedure specified by public Community procurement directives³, including as its own characteristics those resulting from the Portuguese Code of Administrative Procedure (19 Preliminary Report, 20 Prior Hearing and 21 Final Report).

Note: See Annex III to access a detailed description of each phase.

4. Benefits

+ Competition

Constitutes an "open purse" for suppliers and new competitors may be included over the operational lifetime of the system, thus contributing to improved innovation and continuous increase of competition. It also includes the electronic auction procedure.

+ Information

Allow the creation and updating of catalogues of open and dynamic tenders.

Invitation to members of the system to submit improved tenders as final tenders.

+ Speed

Reduced purchasing times, since at all times it uses an updated list of relevant and available vendors, allowing a maximum of up to 15 days for the submission of initial or amended tenders and at least 5 days for receipt of final tenders. Additionally, it does not escape approval of expenses in the establishment phase that greatly reduces the difficulties resulting from changes in the availability of budgeted funds.

+ Efficiency

There is no need to repeatedly request the suppliers submit the same information and to constantly evaluate them for each purchase.

Opportunity to submit multiple tenders for the consideration of the contracting authority, by the deadline set for the system and to receive prompt feedback for each tender submitted. This drastically reduces the chance of rejection of a tender and thus minimises the risk of non-admission to the system.

+ Dynamism

During the life of the system, the supplier may improve its tender so that on the date of submission of a final version, more favourable conditions are offered to the contracting authority.

+ Transparency

Mandatory publication of all purchasing needs.

+ Development

The current discussion in European Union institutions on the tenders presented by the European Commission on the new public procurement directives will enable to provision of the maintenance and improvement of this procedure, since resubmission of the initial tenders, or tenders amended from those that were already accepted and that wish to join the list of competitors, will be waived. Furthermore, everything indicates that its use will be widespread across the EU.

For further clarification, compares the Dynamic Purchasing System with the Framework Agreement in Annex I of this publication.

5. Dynamic Purchasing System and VORTALnext>

The VORTALnext> platform was the first platform in the European Union to be equipped with the ability to manage a Dynamic Purchasing System. Currently, the new Vortal platform uses the procedure associated with the Dynamic Purchasing System, including all phases of the system and complying with all the legal requirements that support it.

Below, the procedures is shown that is used to drive a DPS in the VORTALnext> platform.

A. Dynamic Purchasing System Folder – Overview

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DYNAMIC PURCHASING SYSTEM

FOLDER - CS-234 Dynamic Purchasing System for IT Equipment
Ref. 1223444m

Duration: 15-Jan-2012 / 15-Jan-2016

Title: DPS IT Equipment
Entity: Regional Procurement Authority
Qualification System: Supplier Qualification - see detail

MANAGEMENT OF THE DYNAMIC PURCHASING SYSTEM | Status: Active | Create System

1 LIST OF SUPPLIERS

Company A	Accepted
Company B	Pending
Company C	Accepted

See complete list »

2 PROCEDURES (21) | Create

Ref. 125 Computers	Active 22.Sep.2012
Ref. 276 Laptops	Active 10.Sep.2012
Ref. 198 Printers	Active 12.Sep.2012

TIMELINE | 3 EVENTS

DYNAMIC PURCHASING SYSTEM XPTO

Beginning Date: 17.07.2012

Procedure Publication
Procedure Ref. 1223444m
Deadline for proposal submission: 12.08.2012
Date for qualification of suppliers: 12.11.2012

Final: 07.12.2013

15 Jul 2012
15 Jul 2016

Legend: Today, Event, Common Tasks, Mine, my colleagues, Suppliers, Simple Task, Task ok, Task with Alert, Task in Execution, Task with Mistake

Illustration 2 - Display the file of a procedure relating to a dynamic purchasing system.

Key:

1. List of proposed suppliers, indicating their status (accepted, rejected or pending)
2. Purchase procedures under the Dynamic Purchasing System
3. Timeline with details of all the actions carried out in the Dynamic Purchasing System (publication, tenders received, tenders accepted and adjudicated)

B. Folder of the Dynamic Purchasing System - Detail "Events associated with the procedure"

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Qualification System: *Supplier Qualification - see detail*

MANAGEMENT OF THE DYNAMIC PURCHASING SYSTEM

Status: **Active** | [Create System](#)

TIMELINE

EVENTS ¹

VORTAL
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VORTAL S.A. published Dynamic Purchasing System - Ref:1223444m
6 months ago (15/01/2012 19:44:34)

[Show all Events](#)

VORTAL
Connecting business

Initial Proposal submitted by supplier (1)
6 months ago (16/01/2012 10:44:34)
[View detail](#)

VORTAL
Connecting business

Initial Proposal of supplier (1 - Tec Shop) was opened and accepted
6 months ago (16/01/2012 10:44:34)
[View detail](#)

VORTAL
Connecting business

Initial Proposal submitted by supplier (2)
6 months ago (16/01/2012 10:44:34)
[View detail](#)

VORTAL
Connecting business

Initial Proposal of supplier (2- Hiper Computers) was opened and rejected
6 months ago (16/01/2012 10:44:34)
[View detail](#)

LIST OF SUPPLIERS

Company A	Accepted
Company B	Pending
Company C	Accepted

[See complete list »](#)

PROCEDURES (21)

[Create](#)

Ref. 125 Computers	Active 22.Sep.2012
Ref. 276 Laptops	Active 10.Sep.2012
Ref. 198 Printers	Active 12.Sep.2012

Illustration 3 - Management Screen of a Dynamic Purchasing System - "Events" detail

Key:

1. Chronological view of all events.

6. Use of DPS within the European Union

6.1. Savings and costs

eProcurement generates significant savings. The Dynamic Purchasing Systems perform well in terms of⁴:

- Attracting a large number of suppliers;
- Effectiveness between border;
- Significant reductions in costs, because of the continuous competitor dynamics (new tenders);
- Constant updating of the offer by submitting new tenders, provided that they are considered relevant.

Unlike in the case of the Framework Agreements, the solutions offered by suppliers never become obsolete.

Records show that maintenance and management costs are high for contracting authorities but very low for the suppliers.

6.2. Legal adoption

Currently, EU Member States are not obliged to transpose this procedure to their legal framework. However, their use is now confirmed in most countries⁵.

The sector in which the Dynamic Purchasing System is most widely used is healthcare.

For more information on using the Dynamic Purchasing System within the EU, a case study may be found in Annex III relating to its use by the Central Purchasing Agency of Min  fe in France.

Annex I

Differences between a dynamic purchasing system and a framework agreement

Framework Agreement	Dynamic Purchasing System
<p>The purpose of a framework agreement is to establish the terms governing contracts to be awarded during a given period, and establish conditions and requirements they must comply with in terms of prices, terms, service levels and quality of service, among other aspects, in addition to the inclusion in the specifications of the award criteria for purchasing under the framework agreement.</p> <p>- 'Closed' purchasing system for repeat needs over time (maximum of 4 years with certain exceptions).</p>	<p>System open to operators who meet the selection criteria and submit an indicative tender (unlike framework agreements).</p>
<p>Contracts based on framework agreement are awarded by Public Tender, Limited Tender or by Negotiated Procedure (only possible for entities of special sectors);</p>	<p>Competition for each specific contract:</p> <p>Publication of simplified notice (invitation to members of the system and new operators for submitting indicative tenders).</p>
<p>Invitation to the contracting framework agreement - Closed List.</p>	<p>Invitation to members of the system for submitting final tenders - Open List.</p>

Annex II

Explanation of point “3. Procedure of the Dynamic Purchasing System: step by step”

1. Needs and Rationale

If the entity intends to conclude contracts for the purchase or lease of standard services or goods, the contracting authority may consider the establishment of a Dynamic Purchasing System in order to continuously obtain market prices and make improvements and savings.

2. Contracting decision

The decision to establish a Dynamic Purchasing System marks the beginning of any public pre-contractual procedure and it is the responsibility of the body responsible for the decision to authorise the expenditure inherent to the contract to be concluded (that responsibility is conferred by the regime for public expenditure). The contracting decision need not be explicit, since there may be a decision authorising the expenditure arising from the latter.

3. Decision of Choice of Procedure

Following the decision to establish a Dynamic Purchasing System, or the decision to authorise expenditure or, alternatively, at the same time as one of these decisions, the body responsible for the contracting decision decides on the choice of procedure under the law.

4. Preparation of procedure documents

The following information must be presented in the procedure documents:

- The duration of the system (may not be more than 4 years)
- Information on access by interested parties to the Dynamic Purchasing System, indicating the electronic equipment used and the methods and technical aspects for connecting to the system

- Indication of method of presentation of tenders
- The award criteria with factors, sub-factors and weighting coefficients may not require a model for evaluating tenders
- The documents must be available until the system shutdown, for free, directly on the platform used by the contracting authority

The procedure manual and tender documents are approved by the competent body for the contracting decision. This approval may be granted following the decision to choose the procedure or at the same time as it. Publication of announcement, establishment of system.

The opening of the tender for the Dynamic Purchasing System is carried out using the tender notice (DG/OJEU).

5. Submission of initial indicative tenders

The interested parties may submit the initial versions of the tender after the publication of the establishment of the system, by the deadline set for the purpose in the simplified notice provided.

6. Indicative evaluation of initial tenders

Within 15 days of receipt of the initial version of the tender and each amendment thereto, the contracting authority shall notify the tenderer of its acceptance or rejection. Tenders are rejected in both the initial and amended versions, if their attributes, terms or conditions violate the specifications and if the contracting authority does not respond within 15 days, or does not proceed with notification after delivery of the initial or amended version.

All the interested parties who submit an initial version of the tender or an amended version thereto that is not rejected are admitted to the system.

7. Decision of the call to tender

Following the decision of the establishment of a system, it is subjected to the body responsible for the decision to contract the authorisation for concluding contracts, under a system established for the purpose of publicising the simplified notice.

8. Publication of simplified notice

The invitation to tender for contracts based on such systems is via the simplified notice.

9. Submission of initial tenders or amendments to the initial tenders

All the parties interested in accessing the system must submit their initial or modified versions of the tender at least 15 days from the date of dispatch of the simplified notice for publication.

10. Evaluation of tenders

Within 15 days of receipt of the initial version of the tender and each amendment thereto, the contracting authority shall notify the tenderer of its acceptance or rejection. Tenders are rejected in both the initial and amended versions, if their attributes, terms or conditions violate the specifications and if the contracting authority does not respond within 15 days, or does not proceed with notification after delivery of the initial or amended version.

All the interested parties are admitted to the system that submit an initial version of the tender or an amended version thereto that is not rejected.

11. Admission/Rejection of tenders

In the 15 days following the submission of initial or amended tenders, the contracting authority decides on the acceptance/rejection of the tenders. If the decision is not announced within 15 days, the tenders submitted shall be considered as rejected.

12. Opening a competition for a new purchase

After the deadline for tender submission stipulated in the simplified notice, the contracting authority draws up a list of tenderers admitted to the system and submits it to the body responsible for the contracting decision, as well as the amount of the expense inherent to the contract to be concluded.

13. Approval

The amount of expenditure inherent to the contract to be awarded must be validated with the accounting department of the contracting authority in order to validate the availability of the budget of the respective authority for such expenditure, and the release of funds into reserve.

14. Invitation

The procedure for formation of the contract to be awarded under a dynamic purchasing system starts with submission of the invitation to all tenderers whose initial versions were accepted, of an invitation to submit a final version of the tender for the contract to be concluded.

The following are indicated in the invitation:

- 1) The deadline for submission of final versions of tenders, which may not be less than 5 days from the date of the invitation
- 2) The evaluation model proposed, if it were not mentioned in the procedure schedule

15. Submission of final versions of tenders

The final versions of tenders must be submitted by the deadline set in the call to tender.

After the deadline for submission of final tender versions to the procedure for formation of the contract to be awarded under a dynamic purchasing system, the evaluation of tenders and preparation and award of the possible phase of an electronic auction is carried out.

16. Evaluation of tenders

The panel examines the tenders (for their exclusion) and evaluates the tenders (for their ranking, by applying the award criteria), and may seek their clarification.

17. Preliminary report

After the analysis and evaluation of tenders, the panel shall finally issue a preliminary report, in which it must propose the ranking of the tenders.

In the preliminary report, the panel must also finally propose exclusion of tenders. The preliminary report should also contain reference to the clarifications provided by competitors.

18. Prior hearing

The panel sends a preliminary report to all competitors, establishing a period for them of not less than 5 days so they may comment in writing, under the right to a prior hearing.

19. Final report

Thereafter, the panel shall issue a duly reasoned final report, in which it considers the observations made by competitors under the right to a prior hearing, maintaining or modifying the content and conclusions of the preliminary report. It may also propose the exclusion of tenders if it verifies, at this stage, that there is any reason for that exclusion.

In the latter case, as well as the final report resulting in a change in the ranking of the tenders contained in the preliminary report, the panel proceeds with the new prior hearing, restricted to the relevant tenderers.

20. Award proposal

The final report, along with the other documents that make up the process, is sent to the entity responsible for the contracting decision.

21. Award

The entity responsible for the contracting decision decides on the approval of all proposals in the final report, for the purposes of the award.

Along with the award decision, the body responsible for the contracting decision shall fix a reasonable period for the successful tenderer to submit the qualification documents due.

22. Qualification documents

The successful tenderer must submit the qualification documents within the period stipulated in the notification of award. Under penalty of non-delivery, the award of the tender shall rank in 2nd place.

Annex III

Success story: Dynamic Purchasing System used by the Central Purchasing Agency of Minéfe, France⁶

The process of the Dynamic Purchasing System (DPS), introduced in Article 78 of the Public Contracts Code of 2006, continues, in practice, to be quite unknown and little used by public awarding authorities. However, the Central Purchasing Agency (CPA) of the Ministry of Economy and Finance has experienced this process for the procurement of office supplies. The mid-term review of its experience, presented at the meeting of the Economic Observatory of Public Procurement (OEAP) of 10 March 2009, appears to be quite satisfactory. The DPS effectively provides a response to the key objectives set by the CPA, opening the competition to allow the largest possible number of operators to respond to tender notices, experiencing a complete dematerialisation of the process.

1. DPS specifics

Reserved for normal supply contracts, the DPS has some features in common with the processes of the framework agreement. The DPS is indeed a referencing system that can be used to pre-select operators on the basis of an indicative tender, before proceeding with the reopening of the competition to award one or more contracts designated 'specific'. By contrast, unlike the framework agreement that imposes a 'closed' referencing, the DPS is distinguished by its ability to refer new suppliers throughout the contract period. Thus, a tenderer can join the group of operators already selected, provided that it submits a tender tailored to the specifications and selection criteria specified in the tender notice relating to the Dynamic Purchasing System. The second unique feature of the DPS is its obligation to completely dematerialise the award procedure.

2. Use of reverse auctions in the context of a DPS

The CPA wanted, on the other hand, to combine the DPS technique with the reverse auctions system (under Article 54 of the Public Contracts Code of 2006). These auctions, already experienced under previous contracts for the supply of office materials for the CPA, are called 'reversed' because the tender prices decrease and do not increase. A period passes that is predetermined by the administration, during which the candidates may bid and be informed in real time about the tenders made by its competitors (however without revealing the names of the tenderers).

For the purchase of fixed computers and default monitors, the CPA resorted to single-criteria auctions. In this case, the candidate proposing the lowest price becomes the *de facto* co-contractor of the administration. However, the use of single-criteria auctions for the purchase of laptop computers has proved detrimental in the context of previous contracts, since it does not take into account the specificities of this type of product. Therefore, the CPA has used multi-criteria auctions for the purchase of laptop computers. This method of auction takes into account the autonomy, weight and technical quality of laptops to achieve a technical score that considers the tender launched in the auction in order to award the operator who offers the best price/quality ratio.

3. A very satisfactory legal and economic balance

The use of DPS seems to have fully satisfied the fixed objectives. This type of engineering has significantly improved the competitive environment of the market, since eight operators may be selected and invited to tender for each specific competition (while only three operators could be under the previous competition). The dematerialisation of the procedure also simplified and accelerated its handling, given that the total duration of the award was 16 weeks. The specifics of this system (full dematerialisation and electronic auctions) did not cause any problems for the candidates who, by contrast, highlighted the overall simplification of processes and welcomed the effectiveness of changes. Results are equally compelling from an economic point of view, yet the gains do not appear directly associated with the use of the DPS. The leverage effect on prices, mainly due to the use of electronic auctions, enabled an overall reduction to be achieved of around 30% of the price at the end of the first auctions conducted under the DPS by the Central Procurement Agency. *In Localtis*^C

^C Localtis.info provides online news and reports dedicated to local authorities in France.

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