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Collaboration or Centralisation in Public Procurement: Antagonistic or Complementary?

Collaboration and centralisation in public procurement within the EU play a critical role in promoting sustainable growth, innovation and efficiency. Key reforms, including the 2014 directives and Spain's implementation, highlight progress and ongoing challenges such as transparency, competition and innovation. Achieving value-driven procurement outcomes depends on aligning leadership, strategic planning and professionalisation to meet societal needs effectively and sustainably.

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key points

- Public procurement plays a key role in driving growth, sustainability and innovation in the EU.
- The 2014 directives reformed procurement to enhance efficiency and achieve strategic objectives.
- Spain's implementation reveals challenges in balancing centralisation and collaboration.
- Key hurdles include improving transparency, fostering competition and encouraging innovation.
- Strong leadership, effective planning and professionalisation are vital for successful procurement.

Introduction

Public procurement is a strategic instrument in each European Union Member State's economic policy mix. The 2015 Single Market Strategy (European Commission 2015a) proposed more transparent, efficient and accountable public procurement systems. This calls for a shift from a purely administrative approach to a more strategic and needs-based approach while respecting existing rules. We cannot ignore the fact that with an annual expenditure of approximately 14% of the European Union's (EU) GDP, public procurement can help contribute to the achievement of sustainable growth and job creation (European Commission 2020).

It is through public procurement that we can facilitate investments in the real economy and stimulate demand to increase competitiveness based on innovation and digitisation, as well as promote the transition to a circular, resource- and energy-efficient economy and foster sustainable economic development and more equitable and inclusive societies (European Commission 2017a).

The new generation of public procurement directives, adopted in 2014 as part of the 2014 reform, were Directives 2014/23/EU (concessions), 2014/24/EU (general) and 2014/25/EU (utilities), which provide a more flexible framework for procurement by simplifying public procurement procedures and improving access to



procurement for SMEs. The overall objective is to obtain better value for public funds and deliver better outcomes for social and other public policy objectives while increasing the efficiency of public spending.

Areas for Improvement in Public Procurement

The Communication from the Commission to the European Parliament, the European Council, the European Economic and Social Committee, the Committee of the Regions and the European Investment Bank (European Commission 2017a) identified many specific areas where improved national public procurement could make a decisive contribution to greater competitiveness and efficiency.

The text also highlighted that Member States were not making full use of the potential of public procurement as a strategic tool to promote sustainable social policy objectives and foster innovation. A significant percentage, according to some sources, possibly as high as 55%, still rely on the lowest price as the sole

Area 4: Increasing transparency, integrity and better data.

Area 5: Boosting the digital transformation of public procurement.

Area 6: Cooperation for joint procurement.

The sixth area, “Cooperation for joint procurement”, was indicated as a priority (European Commission 2017b). Thus, the aggregation of public procurement has started to take hold across the EU.

The recent Special Report from the European Court of Auditors, entitled “Public procurement in the EU. Competition in the award of works, goods or services contracts has declined in the ten years to 2021” (ECA 2023), points at several issues. In particular, Recommendation 4 calls for a deeper analysis of the reasons behind the lack of a significant overall improvement in the achievement of the main objectives outlined in the 2014 Directives. It also emphasises the need to propose measures to overcome the main obstacles to competition and to encourage the exchange of best practices.

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award criterion. This is despite the fact that public procurement directives allow for procurement based on qualitative cost-effectiveness criteria. However, the majority of economically advantageous tenders based on a cost-effectiveness approach, which may include social, environmental, innovative, accessibility and other qualitative criteria, remain under-utilised (European Commission 2015b).

In this scenario, the European Commission (European Commission 2017b) has identified six priority areas where clear and concrete action can transform public procurement into a powerful instrument of each Member State’s economic policy portfolio, leading to substantial benefits in contract outcomes.

Area 1: Ensuring greater uptake of strategic public procurement and a specific focus on selected priority sectors.

Area 2: Professionalise public sector purchasers.

Area 3: Promoting access to procurement markets.

The Council of the European Union welcomed the publication of this Special Report and has taken into consideration its conclusions and recommendations. Furthermore, the Council appreciates the initiatives undertaken by the Commission from 2021 onwards, including the Big Buyers initiative (Big Buyers for Climate and Environment n. d.), which aims to encourage greater uptake of strategic public procurement, as well as the establishment of the European Data Space on Public Procurement (EDCP) (European Commission 2023) to enable more targeted and transparent public spending. Additionally, it encourages the Commission and the Member States to collaborate more efficiently and support the sharing and dissemination of best practices, as well as to build the necessary competencies and capacities through dialogue with all stakeholders, such as buyers and sellers.

In Spain, Law 9/2017, dated November 8, 2017, regulates public sector contracts under the title “Ley



de Contratos del Sector Público” (LCSP). This law transposes into Spanish law the European Parliament and Council Directives 2014/23/EU and 2014/24/EU, both dated February 26, 2014. Specifically, it addresses “Procurement Centres” in Section 4a of Chapter II, “Technical Rationalisation of Procurement”, found in Book Two of the LCSP (articles 227–230) (Jefatura del Estado 2017). However, not all European provisions on electronic and aggregated procurement techniques and tools have been transposed. Thus, although Article 31.3 LCSP transposes Art. 38, relating to “Sporadic

the improvement and further integration of Member States’ procurement markets. This also has contributed to the creation of a Single EU Market in the field of public procurement. This is a major achievement compared to other regions in the world. According to various publications of the European Commission, total cross-border public procurement (direct and indirect) accounts for up to approximately 23% of the total value of procurement within the EU (European Commission 2017b).

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joint procurement”, Article 39, “relating to procurement involving contracting authorities from different Member States”, has not been transposed.

In any case, the regulation of the centralisation of purchases in Law 9/2017 is fragmented. In addition to the previously mentioned articles, the second additional provision addressing “Specific rules for public procurement in Local Entities” outlines how local entities can join the central procurement centres created by the General State Administration, Autonomous Communities and associations of local entities. Furthermore, the twenty-seventh additional provision regulates the centralised procurement of medicines, health products and services for the National Health System.

The concept of “centralisation” of procurement, as understood in Spain, does not quite correspond to the European perspective. In Europe, centralisation refers more to the specialisation of certain contracting authorities that provide services to other authorities instead of focusing on internal organisational techniques within a single authority. In other words, the emphasis in Spain has been on designing a system for rationalising contract management within each organisation rather than on creating a robust system of collaborative purchasing.

Moreover, the National Public Procurement Strategy 2023-2026 refers to the need to enhance centralised procurement instruments and streamline procurement, especially as an alternative to, among other things, small-scale procurement (ENCP 2023).

In the EU, various initiatives have been implemented, particularly in the legal framework, which have led to

All this explains why Europe seems to be committed to collaborative partnerships leading to an effective, transparent, digital and smart public procurement system that fully responds to the challenges of today’s changing environment. To name but a few of these partnerships:

Public Buyers Community (public-buyers-community.ec.europa.eu) is a community platform for public purchasers that complements the European Commission’s strategy to improve public procurement in the EU. Public purchasers can find and join the community of practice that best suits their procurement interests and work closely with their peers to pool their resources, tools and knowledge and maximise their purchasing power and impact. “Communities of practice” have been created, each dedicated to the procurement of a specific product, work or service requiring European cooperation. One such community is “Efficiency in Health” (European Commission n. d.).

Health Proc Europe (healthproceurope.org) is an interest group representing European hospitals and healthcare procurement managers. Representing more than 15,000 hospitals across Europe, they provide essential support to improve procurement processes, ensuring efficiency and effectiveness in healthcare delivery. The group is characterised by:

- facilitating knowledge exchange and transfer within the European community;
- ensuring greater transparency in all procurement (medical and non-medical products and equipment);
- supporting the shift towards value-based decision-making;



- increasing the efficiency of EU-compliant public tenders;
- support access to and adoption of innovative medical technologies;
- increase procurement competencies;
- best practice.

European Health Public Procurement Alliance

(EHPPA, ehppa.com) is an alliance of public and not-for-profit procurement organisations specialised in the health and care sector. Its purpose is to facilitate cooperation and information exchange between its members to improve their procurement performance and gain a competitive advantage in the European market. Countries that are part of this alliance are Portugal, England, Switzerland, Italy, France, the Netherlands, Belgium, Denmark, Norway and Spain.

Procure 4Health (procure4health.eu) is a community of 15 EU countries that is involved in public procurement of innovation in health. Its 33 founding partners are actively promoting innovation procurement through

doubts remain as to whether this will increase the degree of collaboration between the different contracting authorities in their purchasing decisions. No additional measures have been implemented to strengthen the role of central purchasing bodies as a means to facilitate collaboration between these authorities.

Secondly, Article 228.2 of the LCSP regulates cooperative relations outside the central contracting body of the state. It provides that, by means of the corresponding agreements, the Autonomous Regions, the Autonomous Cities of Ceuta and Melilla and the Local Entities, as well as the bodies and entities dependent on the above, may join centralised procurement systems of other Autonomous Regions or Local Entities of other public sector entities covered by the Law. It is important to note that adherence does not equate to collaboration: while membership in regional centres is governed by their own regulations, there is no provision for collaboration among different autonomous regions within centralised procurement systems.

“The current challenge of public procurement (...) is to manage the process in a more effective, efficient and transparent manner.”

knowledge sharing and capacity building, networking and matchmaking. They identify common needs, launch joint initiatives to address them and influence policy regarding the procurement of innovation. In Spain, the Andalusian Health Service (SAS), the Galician Health Service (SERGAS), the Aragonese Health Service, the Galician Health Knowledge Agency and the Aragonese Institute of Health Sciences form part of this community.

Centralisation and Collaboration in Spain

In Spain, on the other hand, centralisation and aggregate purchases are justified in the search for economic efficiency. However, in Vaquero García's terms, the savings generated in aggregate purchases have been lower than expected (García Vaquero 2016).

Thus, Article 227.2 of the LCSP notes that “*central purchasing bodies shall act by purchasing supplies and services for other public sector entities, or by awarding contracts or concluding framework agreements and dynamic purchasing systems for the performance of works, supplies or services intended for them*”. However,

Against this background, central purchasing bodies must be able to demonstrate that they are the best means of achieving the objectives of the LCSP (Jefatura del Estado 2017), especially in acquiring goods and services that offer the best value for money. Additionally, it is essential to recognise that the current challenge of public procurement, regardless of whether it is centralised or decentralised, is to manage the process in a more effective, efficient and transparent manner. To achieve this, it is necessary to:

- improve the quality-price ratio by applying economies of scale;
- reduce processing times and administrative burdens (reduction of deadlines, facilitating compliance with the requirements of the LCSP);
- include environmental or social objectives, strategic criteria (through solvency conditions and special performance conditions) and award criteria;
- implement electronic tools;
- enable more effective monitoring and control of the procurement cycle;



- professionalise public purchasers, ie to achieve the maturity of a collective culture of public procurement from the point of view of all the actors involved (public managers, the private sector and even the public as a beneficiary);
- facilitate the prevention of corruption in public procurement;
- consolidate the planning of public procurement;
- improve publicity and transparency.

Implementation Challenges

Difficulties of Centralisation

Despite the significant advantages associated with centralisation, it should also be noted that it can pose a number of problems, the most important of which are as follows:

- The mere aggregation of purchasing volumes is not a sufficient guarantee for permanent price reductions, let alone purchasing efficiency. To achieve the goal of efficiency, purchasing centres should be run by professionals with expertise in health procurement management.
- Centralisation may reduce competition with the risk of non-participation of small and medium-sized enterprises (SMEs), not able to compete on price with larger suppliers who can offer better prices and other purchasing conditions.
- Centralisation can negatively affect innovation by discouraging manufacturing companies from innovating their products.
- Centralised purchasing can lead to a decline in the quality of the products purchased, as the centralised purchasing policy is price-oriented rather than quality-oriented. Value-based purchasing minimises the risk of not introducing the best price/quality ratio.

In short, concentration in the aggregation of demand can lead to greater immediate savings of public resources, ie in the short term of the budget year, but it runs the risk of acquiring low value-added products, limiting competition, facilitating delocalisation and lack of investment.

Difficulties of Collaboration

Collaboration in healthcare procurement across EU member states faces several challenges due to regulatory differences, structural diversity and the complexity of joint purchasing initiatives:

- The 2014 European directives were transposed into the legal system of each member state of the

European Union. This results in variations in national regulations, which can complicate collaborative efforts.

- There is diversity among the members of the association; sometimes national services overlap with regional services, groups of hospitals etc. This diversity can make it challenging to pursue joint purchasing initiatives.

The most successful collaborative purchasing experiences tend to be those that seek a common nexus. An example of this is the case of the Healthy Ageing Public Procurement of Innovations (HAPPI) collaborative partnership. The HAPPI project aims to establish long-term collaboration among healthcare purchasing organisations across Europe. Its goal is to identify innovative health products, services and solutions that promote healthy ageing and to put in place procurement contracts for the benefit of healthcare organisations (AAL Programme 2013).

Difficulties of Public Procurement

For leading-edge public procurement, whether collaborative or centralised, several factors are essential:

- **Participatory Leadership.** It is essential to engage the knowledge, interest and dedication of the professionals in the purchasing departments. In addition, it is necessary to include the clinicians, who are the end users of the goods being purchased. The creation of committees and technical commissions adapted to the needs of procurement should be standard practice.
- **Establishment of Work Circuits.** To avoid redundancies and inefficiencies, work circuits should be created. This will also facilitate the onboarding of new staff and support a training plan that facilitates the recruitment of qualified and accredited staff, as promoted by the EU (OECD 2023).
- **Communication and Participation Plan.** A well-structured communication and participation plan is vital for effectively managing change in an open organisation. This plan should establish channels of communication and collaboration with other regional, national or international public organisations, as well as with economic operators and especially their representatives. Additionally, collaboration with professional and academic institutions, including professional associations and universities, is important.



Conclusion

In conclusion, the main question is not whether collaboration and centralisation in public procurement are antagonistic or complementary but rather how strategic public procurement should be carried out to provide value. This approach should focus on achieving the best quality-price ratio, meeting the needs of citizens and adhering to the essential elements that ensure success in public procurement. In my opinion, these elements include:

- leadership based on knowledge and participation;
- planning that aligns the purchasing plan with the needs of the centres;
- a unified catalogue allowing a common language;
- organisation that clearly defines competencies and responsibilities;

- circuits that streamline procedures and eliminate unnecessary steps;
- budget, adequate and efficiently managed;
- communication and participation plan that involves all stakeholders: administration, economic operators, professionals and patients;
- professional recognition and a clear career system;
- professional code of ethics.

In summary, the success of public procurement lies in strategically aligning leadership, planning, organisation and communication to deliver value and meet citizens' needs.

Conflict of Interest

None

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