

WORLD FOCUS CYPRUS

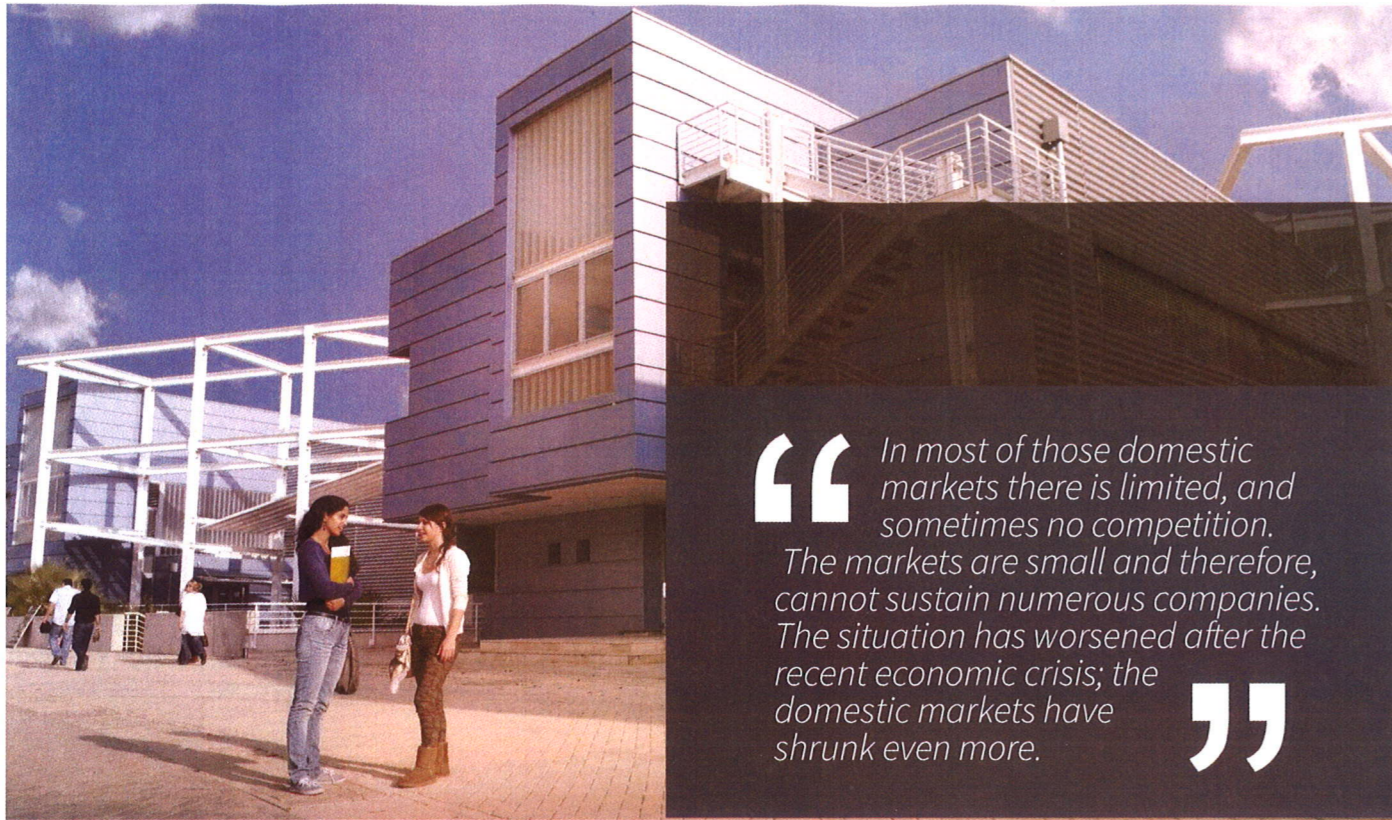
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Challenges in Procuring due to Geographical Barriers The Case of Cyprus (and other small states)

It is an empowering feeling when you are about to go shopping in a big city (like London or Paris), knowing that you have at your disposal a variety of (good) choices; for example, you want to buy your new pair of shoes and your research shows that the market has numerous options, suiting your needs. The ball is in your ground; you can find a product within your budget, with the characteristics you are looking for, you can determine the weighting of those characteristics and then hit the shops and (possibly), negotiate. Imagine on the other hand, that you are on vacation on a small exotic island and you are looking to buy those exact same shoes but there are only one or two shops selling

shoes on the entire island! The need is certain but you are facing a difficult situation; it is understandable that for this purchase, it will not be easy to apply the best procuring practices. Similarly (and quite interestingly), procurers in small states face similar challenges daily. For the last ten years, I have been working at the University of Cyprus (UCY), which procures (on a rough average) around 50 million euros per year in goods, works and services, in order to cover its needs for (a) the development of its Campus (Medical School, Library, Business School, Athletic Center etc.), (b) Re-engineering and Automation of its procedures (project eUniversity), (c) the Investment in Research Infrastructure and (d) Repetitive public competitions (e.g. for security services, cleaning services, IT products etc.).





“ In most of those domestic markets there is limited, and sometimes no competition. The markets are small and therefore, cannot sustain numerous companies. The situation has worsened after the recent economic crisis; the domestic markets have shrunk even more. ”

UCY is a Public Corporate Body and therefore, proceeds with the award of public contracts (goods, works and services) in accordance with the provisions of Laws and Regulations, which are in full compliance with European Directive 2014/24/EC. Cyprus is a full EU member since 2004. According to the official European Union site.

1. Cyprus is situated in the north-eastern part of the Mediterranean Sea and to the south of Turkey
2. It is the third smallest country in the EU, before Malta and Luxembourg.
3. It has a Geographical size of 9 251 km² and a population of 847.008.
4. In 2015, Cyprus had a Gross domestic Product (GDP) of €17.421 billion
5. The most important sectors in the Cypriot economy (in 2014) were wholesale and retail trade, transport, accommodation and food services (28.6 %), public administration, defense, education, human health and social work activities (20.7 %) and real estate (11.5 %).

Challenges

It is understandable that the process of procuring in small, and sometimes distanced countries is quite different from the standards of a big market. According to an article in the Economist titled: "The economics of small states" (Sep 10th 2014, trade is more difficult for small, isolated countries. Kiribati, an island nation of 100,000 people, is slap-bang in the middle of the Pacific Ocean (and a five-hour flight from Hawaii)). The fixed costs of trading with Kiribati are high but the market is small. That raises the average cost of trading; people are inclined to look elsewhere.

These two problems have unfortunate consequences. First, big fixed costs in the public sector mean that small states have higher spending-to-GDP ratios than big countries. From 2007 to 2011, according to the IMF, government expenditure-to-GDP was nine percentage points higher in small states than in their larger cousins. That puts upward pressure on government debt, which may lead to lower growth. Second, in an attempt to break into global markets, small states often focus their energies on exporting a single good or service. Without export diversification, such states are vulnerable to economic shocks..."

Small states like Cyprus, face certain barriers in their effort to obtain the necessary goods, works and services. Hence, in order to develop their strategic procurement plan, small states have to take into consideration that:

- In most of those domestic markets there is limited, and sometimes no competition. The markets are small and therefore, cannot sustain numerous companies. The situation has worsened after the recent economic crisis; the domestic markets have shrunk even more.
- Cyprus is an island, therefore reachable only by plane or boat. As a result, there are higher costs for international companies to sell their products/services to Cyprus, namely travelling expenses, export costs, time allocation etc.

Solutions

Organisations in small states must find ways to overcome these obstacles and gain access to bigger markets, in order to acquire quality products or services in competitive prices. The following are the most important ways to tackle these obstacles:

e-Procurement

From experience, the best way to achieve this goal is to vastly invest in electronic means of information and communication. As per article 52 of European Directive 2014/24/EC "electronic means of information and communication can greatly simplify the publication of contracts and increase the efficiency and transparency of procurement processes. They should become the standard means of communication and information exchange in procurement procedures, as they greatly enhance the possibilities of economic operators to participate in procurement procedures across the internal market."

UCY is committed to using the e-Procurement System (e-PS) of the Treasury of Cyprus. e-PS is a secure and interoperable web-based application of the Republic of Cyprus, which constitutes a total solution for the implementation of electronic procedures in conducting public procurement competitions. The system is compliant with the provisions of the European and Cypriot Law of Public Procurement. Although there are some (minor) obstacles in the implementation of Enterprise Resource Planning (ERP) systems, the advantages are far greater. The main reasons for organizations to embrace e-procurement solutions are:

- Increased productivity: Procurement staff can be released from handling low value transactions and concentrate on strategic sourcing.
- Provision of visibility into day-to-day transactions and control over those procedures.

“ In order to attract suppliers, it is essential for organizations in small states to keep their procedures as simple as possible. ”



Train personnel/customers/suppliers

Small states must set the education of the various participants in the procurement cycle as a priority. It is essential that people working in the procurement sector are familiar with the best techniques in procuring, in order to attract the best suppliers. Similarly, suppliers must have the knowledge to easily bid for those organisations.

Small states must help non-local firms to trade with local Contracting Authorities

Small states must facilitate/ create an environment for non-local economic operators to easily trade with local organisations. They must form (and of course implement) a flexible plan to help non-local economic operators to participate in public competitions e.g. simple and fast procedures regarding necessary documentation and permissions.

Conclusion

So, if you find yourself in a small, exotic island and are looking for a specific pair of shoes, maybe the only possible solution is to order them online! In this way you will be capitalizing the benefits of information technology. Moreover, if you plan ahead and make your order on time, you can minimize the hazards of trading from a small state and satisfy your need to the best possible way.

- Reduction of costs: It eliminates paperwork, rework and errors.
- Organisations can find suppliers worldwide, meaning a wider selection of products and services are available.

Simplicity

In order to attract suppliers, it is essential for organisations in small states to keep their procedures as simple as possible. Especially with regards to their tender documents, these must not contain any unnecessary requirements.

The authors of the tender documents must have in mind that qualitative selection criteria refer to the situation of the economic operators and not their tenders (bids).

Also, organizations in small states must be flexible with the management of the contract; to be careful not to include obligations that will discourage interested economic operators. For example, requiring that the contractor maintains personnel or an office in the small state is a condition that can be eliminated from a contract, since alternative methods of communicating can be applied, like teleconferencing.

In-tend Electronic Government Procurement (e-GP) System

In-tend's electronic government procurement system (e-GP) is used by governments of various countries across the world.

The system can automate the entire procurement cycle, from requisition through to supplier invoice.

The system is highly customisable and configurable, so can be very accurately mapped to the extremely precise needs, processes and circumstances of individual countries around the world. Our system consultants have experience in over 80 countries of the challenges of procurement and how e-Procurement tackles many of these.

