

WHITEPAPER  
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# DPS

► Increased value to local communities through  
Dynamic Purchasing Systems

# How public authorities offer increased value to local communities through Dynamic Purchasing Systems

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Public sector organisations face a number of important challenges they must address when building framework agreements. Firstly, they need to ensure they bring value to their communities by giving local suppliers the opportunity to be part of the tender process. They also need to avoid being tied to lengthy public contracts with suppliers that do not deliver value. Finally, they need to create fully-transparent public contracts that give suppliers the opportunity to meet the selection criteria by working together.

## The drawbacks of traditional framework agreements

Traditional framework agreements, however, have a number of drawbacks. Their typical four-year duration means the market remains closed during that period to suppliers who did not join the tendering process before the closing date set by the contracting authority.

Suppliers outside of the framework agreement will therefore potentially miss out on a substantial source of income, which can be fatal for smaller businesses. Additionally, suppliers who enter into framework agreements are contractually bound to deliver against buyer requirements, even if their circumstances change and doing so becomes challenging.

"Aside from straightforward cases such as supplies procurement, we strongly advise public sector clients to perform a robust planning phase when preparing to submit public tenders. Large, complex tenders involving services such as healthcare, ICT, and consultancy tend to have extensive suitability criteria for suppliers," says **Jesse Hakkarainen**, Public Procurement Specialist at PTCServices Ltd.

"This means public authorities need to balance the capabilities of the local market suppliers with the needs of the tender, which can be challenging to do if thorough market research is not conducted. If the criteria are too demanding, you won't get enough companies participating in the tender," he continues.

"Additionally, closed framework deals have the double disadvantage of locking both suppliers and authorities into agreements that may end up not being the best fit for each other. For example, if a supplier suddenly takes on a new order that maxes out their capacity to deliver, the procurement process will harm both parties," Hakkarainen concludes.

**Jesse Hakkarainen** is a Public Procurement Specialist at PTCServices Ltd, Finland's leading provider of training and consultancy for public procurement and contract law.

His firm has provided support to a range of Finnish and European public municipalities for improving their public procurement processes.



# Dynamic Purchasing Systems in public sector contracts

To meet these challenges, and to provide a more transparent, open tendering process that encourages value creation, many public authorities in Finland and across the EU are implementing fully-digital Dynamic Purchasing Systems (DPS). Unlike electronic framework agreements, DPS is a completely electronic process that gives contracting authorities the freedom to grant new suppliers access to public tenders at any time.

Significantly quicker and easier to administer than traditional framework agreements, DPS makes it easier for public authorities to submit tenders and for local businesses to become suppliers. Once part of the system, all suppliers have full access to all tenders submitted by that authority. This means all chosen candidates admitted to the system have the opportunity to regularly compete for work via ITTs and RFQs any time

## How DPS works

DPS is a two-stage process. During the initial set up stage, all suppliers that meet the selection criteria and are not ineligible due to grounds for exclusion are automatically admitted to the DPS. The DPS will remain open to suppliers throughout its entire lifetime. Individual contracts are awarded during the second stage. Once the DPS goes live, the contracting authority invites all to bid for the specific contract/subcategory within the contract.

The award criteria for individual contracts are to be set out in the original contract notice. These criteria may be formulated more precisely for specific contracts, as set out in the invitation to tender for the specific contract. There is no obligation to undertake a 'standstill period', although there may be some benefits in doing so.



**"Unlike traditional framework agreements, DPS powered by Cludia gives all suppliers within the municipality the opportunity to both improve their own operations - and to join tenders - at any point.**

**The open nature of DPS means small companies can compare their operations to the tender's suitability criteria and clearly understand in which areas they need to improve to join the tender. Once you have done so, you can join the tender at any point, as it remains open throughout its entire duration."**

- Jesse Hakkarainen

## The benefits of DPS for public authorities and suppliers



DPS gives contracting authorities the ability to break purchasing down into smaller increments. Smaller, more agile purchasing is a much faster process than a full OJEU. In addition, it reduces risk, rewards credible suppliers with repeat purchases, and gives more suppliers in local communities the opportunity to sell services.



This 'competitive supply chain' also drives value by encouraging healthy competition between suppliers, while also offsetting the problems that occur when individual suppliers leave framework agreements. Also, unlike closed framework agreements, DPS allows suppliers to make adjustments and reapply for tenders if they don't initially match the selection criteria.



Finally, DPS also gives innovative SMEs and startups a platform to become public sector suppliers. Whereas previously they may not have been capable of meeting tender selection criteria, DPS allows multiple suppliers to submit joint offers and work together in partnership. Once part of the DPS process, these suppliers may also enter into other tenders with new partners found through DPS.

### CASE STUDY

## City of Jyväskylä road construction services

The City of Jyväskylä first used DPS for the procurement of services relating to the construction of a new road. The City of Jyväskylä decided to set up 3 separate DPS tenders to procure quarrying services, soil excavation and transportation, and the provision of road construction supplies. This is a story by Esa Mutanen, procurement consultant at Seesam.

### All suppliers know exactly what supplies are needed - and when

The DPS focusing on soil was a great example of where dynamic flexibility is an asset. On a construction site, the gravel pit, rock crushing equipment, and soil storage areas may all be in different locations. Street building projects are located all over the city. In dynamic procurement, these dispersed locations can be taken into an account one building site at the time.

On the other hand, the procurement process involving road construction supplies was more straightforward. By utilizing DPS, street rainwater systems can be tendered for each location. The tendering process can thus include the exactly right amount of supplies and known delivery times. All suppliers enrolled in this system know exactly what supplies are needed - and when.



**The city has undoubtedly saved more money and acted more efficiently than if they had acted in accordance with a traditional framework agreement.**

- Esa Mutanen

## Rapidly organize quick bidding processes

As the City of Jyväskylä case developed, we created a baseline for product requirements and contract terms. This meant we could rapidly organize quick bidding processes, in which for example a pipe shop in need of drains and piping could request bids via email and by phone - and expect to receive offers from local suppliers in 1-2 days instead of weeks.

I also began to receive phone calls from many smaller companies looking to sign up to the DPS, and unlike in a traditional framework agreement, we were able to include them.

Small local companies can more effectively join the tendering process because DPS allows them to participate in the types of projects for which they have sufficient equipment, and skip those that are outside of their capacity. This is in contrast to a traditional frame agreement in which companies often need to commit to everything imaginable.

## Dynamism is in the interest of small businesses

Also, traditional framework agreements tend to require companies to be stock-free when joining tenders, which usually excludes smaller companies who do not have robust supply chains in place. Dynamism is in the interest of small businesses, and DPS does not require companies to be stock-free.

As of today, all three DPS tenders in the City of Jyväskylä remain open, and the city is continuing its street construction works with dynamic procurement. Public procurement law no longer sets limitations on how long dynamic procurement systems can remain open.

**Esa Mutanen** is a procurement consultant at Seesam Hankintapalvelut.

In the summer of 2016, he worked with the City of Jyväskylä in central Finland to set up three separate dynamic purchasing systems.

Before this, DPS had only been used in Finland on one previous occasion.



With a single notification, the system can be established and can remain open potentially for decades. This means quick and genuine tendering processes can be organized to meet current needs. The closure of a dynamic procurement system can also be done with a notification.

## More money saved than with a traditional framework agreement

In my experience, the less uncertainty in the procurement process, the more accurate pricing can be calculated. The city of Jyväskylä has undoubtedly saved more money and acted more efficiently than if they had acted in accordance with a traditional framework agreement.

The next step in the development of DPS is to educate public authorities about the benefits of the arrangement and to raise awareness among local companies in different municipalities. In cases where demand is flexible, such as in housing and school transport, DPS has great potential to positively influence both public authorities and local businesses.

# Cloudia and DPS

Cloudia first introduced DPS to their systems in spring 2017. As of today, most DPS actions in the Finnish public sector are powered by Cloudia. As a result, many public tenders across the country have been completed, bringing value to local communities and saving taxpayer money through operational efficiency.

The main driver for the development of a DPS solution came from Cloudia's customers. Many of our customers approached us with the same problem - they needed a more versatile, flexible way to procure services that didn't bind public authorities and local suppliers into bad deals that negatively impacted both parties.

Cloudia's aim is to make DPS a core component of all public sector tender processes. The value for all stakeholders is transparent.

**Two things that are common among our clients:  
they want to stand out and lead.**

Would you like to join them?

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