

## **Electronic procurement in the public sector in Sweden- SFTI (Single Face To Industry)**

### **Background**

In Sweden, a number of municipalities, county councils and government authorities have introduced electronic procurement/electronic commerce. In this context, electronic procurement means electronic orders/sub-orders in relation to a framework agreement and receipt of electronic invoices(ordering-invoice process).

Work has taken place at the national level for the past eight years to facilitate the introduction of electronic procurement in the public sector. In 1994, an initiative was taken to see how it would be possible to simplify and rationalise the purchasing processes. The Government, the Swedish Association of Local Authorities and the Swedish Federation of County Councils started a project to stimulate the development and use of electronic procurement. A pilot study had been carried out that showed that major financial benefits could be obtained by making efficiency improvements and rationalising purchasing processes. A procurement process took place in 1995 for services and products for electronic procurement. Contracts were made with three consortia, PEBS, (Sweden Post and Tietoenator), Telia and WM-data. At that time, the products and services on the market were very diverse and it was therefore important that more comprehensive solutions for electronic procurement were developed in the public sector.

One of the major tasks in the national project was to develop an open standard for exchange of commercial communications. This standard would be used by the undertakings, which developed services for electronic procurement through the framework agreement. The industry standard SFTI (Single Face to Industry), is a standard "all to all", i.e. where a supplier can send commercial communications (for instance, invoices ) based on the same standard regardless of whether he is trading with one or more municipalities, county councils or other undertakings. Likewise, it is to be possible for a municipality trading with a number of undertakings to use the same standard with all of them. A number of commercial solutions have been developed based on this standard, SFTI. The industry standard is a communication standard and can be adapted for new formats and techniques.

### **SFTI-current work with e-procurement**

The work on promoting the introduction of electronic procurement and SFTI continues at central level, even if the first project was terminated in 1998.

All information about the specifications (ordering-invoice process and security) and other information about our work are available on the website [www.eh.svekom.se](http://www.eh.svekom.se) . Two reports have also been produced on public pro-

curement, which show how an invitation to tender could be structured to be available in electronic form and how tenders can be matched with it (see the web-site). The reports on electronic public procurement are a beginning. Our ambition is now to monitor the work taking place in the EU in connection with the new procurement directives. It is important to carry out the whole procurement process electronically.

We consider that it is important to work with other countries to make cross-border trade possible. It is important not to construct national standards but that cross-border collaboration takes place.

Besides the work on the industry standard SFTI, we are promoting the introduction of electronic procurement in public sector by training, information and the provision of advice.

### **How many municipalities have started with electronic procurement?**

According to a recent survey, 83 of 290 municipalities have introduced systems for electronic orders and/or receipt of electronic invoices. A further 50 municipalities are planning to introduce electronic procurement, of which 35 have already initiated a pilot study. Of the municipalities which have not introduced electronic procurement, the majority state that at present they do not have the staff or the financial resources to initiate the introduction of electronic procurement. However, over 70 municipalities can envisage introducing electronic procurement over the next few years.

Of the municipalities that have introduced electronic procurement, they have mainly started with food, office material, chemico-technical material and energy invoices, telephone invoices, rents, etc. Many municipalities have made assessments on the benefits obtained by electronic procurement. The majority of municipalities cite gains in the form of improved compliance with framework agreements and thus better prices and increased price awareness when the framework agreements and current prices are available electronically. Other effects are reduced invoice processing times, improved financial control and that purchasing can be more easily monitored when statistics are more easily available.

Of the municipalities which have introduced electronic procurement, 95 per cent intend to expand this.

On the county council side, approximately a quarter of county councils have introduced electronic commerce.

### **Electronic commerce and businesses, in particular SMEs**

Another important aspect is that businesses (suppliers of goods and services) with which the public sector trades are able to trade electronically. Inputs have been made to promote the use of electronic transactions in particular for small and medium-sized enterprises. Collaboration is taking place here between the public and the business sector. Among other things, the organisation GEA (Alliance for Electronic Commerce) has been created by the public sector and the business sector (Confederation of Swedish Enterprise, the Fed-

eration of Private Enterprises, The association of Swedish IT companies, the Swedish Bankers' Association and others). See [www.gea.nu](http://www.gea.nu)

**Electronic procurement – a way of making operations more efficient**

It is becoming increasingly clear that there is a great need for labour in the Swedish public sector. In the next five years, staff will have to be recruited to over 500 000 posts. This is due to high average age of municipal and county council employees. This, combined with the fact that most municipalities have a difficult financial situation, means that all efficiency improvements that can be made are necessary. One way of making purchasing and invoicing activity more efficient is to use IT support.

**Lessons learnt**

We have learnt that business must move ahead and take the lead. It is not the technology that shall push business. A process view is important.

We have the technology but the most difficult is to get the staff involved and to have training for the employees. High level management must commit. And we recommend to share development and experiences with others. Co-operation between state, county councils and local authorities gives result.

It is also vital to involve the suppliers and the IT suppliers in the process early.

We know that electronic procurement takes time and it needs patience to see how you can have a more efficient procurement-invoice process and to find time for training the employees-but the benefits are big!

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