



healthclusternet

# The Bilbao Agenda

Health sector procurement contributing to regional development



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# The challenge

It is shared and common prejudice that the costs for health care are rocketing and approaching the limits of affordability. This is not supported by evidence on expenditure over a 10 year period of economic change, intense health sector reform or consumer preferences and demand. A challenge shared by all European regional health systems in a financial climate where cost containment, restriction and rationalization of health care dominates is that health organisations need to be able to demonstrate the added value of investment and expenditure decisions.

The health sector is much more than doctors, hospitals and pharmacies. The health sector absorbs large amounts of labour, commodities and research and thus creates incomes, which in turn flow back into the economic cycle of locations, regions and the overall economy. Within regions, health sector spending ranges from 5.5% to 11% of regional GDP. This is a significant level of economic activity. But it is not optimized to positively contribute to regional development agendas. Nor is it used to maximise the population health benefits of health care expenditure.

Procurement practices are one way of achieving these contributions. They should: help create dynamic local businesses that are competitive in wider markets; boost local employment; widen the skills base; improve workplace & population health; and strengthen social cohesion. These are the kinds of added value that we should expect from public organisations spending public money.

## Relevance

For **health service decision makers** this agenda supports the development of the corporate social responsibility role of your organisations and also shows your commitment to the health inequalities and health improvement agenda.

For **local health organisations** such as acute hospitals and primary care organisations, this agenda helps show your commitment to joint working with local government and other partnerships to develop fully engaged communities at both individual and organisational levels.

For **regional economic development agencies and SMEs**, the adoption of this agenda in your region or community, offers a clear basis for lobbying for simpler, more transparent procurement processes with less bureaucracy and the development of an enterprise aware culture in health service organisations.

For **regional governments in the newer EU12 member states** the agenda is timely because it supports building political and organisational capacity for collaboration between health care providers, universities, medical schools, related research institutes and regional economies. It suggests areas for investment that will produce effective and sustainable results.

For **relevant EC Directorates** (DG Enterprise & Industry, DG Social Affairs Employment & Equality, DG SANCO, DG Regional Policy, DG Research, DG Internal Markets) this agenda offers a platform for an approach to health sector procurement that cuts across individual DG competencies in order to achieve added value benefits contributing to sustainable regional development.

## Benefits

Procurement by health service organisations has the potential to stimulate the development of capable local businesses, strengthening their competitiveness in wider markets and so supporting a positive drive to achieve the goals of the Lisbon Agenda (growth, competition, employment). Specifically, increasing local procurement has proven benefits to local economies and regional development. These include:

- increasing local employment
- increasing the skills base in local labour markets
- increasing wealth in the region
- promoting business growth (SMEs) competitive in wider markets
- contributing to health improvement
- enhancing community well being and social cohesion
- protecting the environment by decreasing transport miles.

# Origins and purpose of the agenda

This Agenda and the others that follow it, provide a practical response to the 'health equals wealth' challenge first set out at the European Health Policy Forum in October 2003. The Bilbao Agenda puts forward a range of procurement policy actions for localities, regions, and the European Commission. The Agenda has been shaped by the practical experiences, evidence of good practice and insights generated by regions from across the EU and beyond who are partners in Health ClusterNET.

A key element to the success of the Bilbao Agenda will be the creation of "enlightened" public purchasers, who with the right communication tools could fairly help to develop the capabilities of businesses wishing to compete for health sector contracts.

## Aims of the agenda

1. To enable regional health systems to more positively engage with regional development through procurement practices that contribute to dynamic local enterprise cultures.
2. To redefine 'value for money' (or national equivalent term) to include outcomes that connect public sector procurement to the achievement of regional development priorities.
3. To reshape public procurement practice with and by regional health systems so that it contributes to the revised concept of 'value for money'.

# Policy recommendations

## Foundations for effective and sustainable health sector procurement

Considering the basic building blocks of effective and sustainable health sector procurement at regional and local levels, it will be important to learn from the successes and failures of other regions. No matter how

developed a region is a shared starting point for all regions is to understand what they know; what they don't know and what they need to know. In relation to the health sector, this includes (i) understanding where spending on goods and services flow: how much money is spent inside or outside their region (ii) being clear about which goods and services should be influenced by local procurement targets (iii) knowing which SMEs are based in their region and what each delivers (iv) working out how to engage SMEs better in competition for health sector contracts.

The following three recommendations are central if all regions are to realise the positive benefits of improving health sector procurement including local procurement. They also need attention to the procurement frameworks operating at EC level:

1. Revise the definition of 'Value for money' so that it includes the following as legitimate evaluation factors in procurement decisions: commitment to minimising environmental impact, improving workplace and population health, strengthening social cohesion, enhancing capability of local businesses and promoting community regeneration.
2. Within regions identify 'communities of action' in order to promote understanding (supported by evidence) about:
  - the contribution of health as a cross cutting driver of public policy
  - the contribution of health sector procurement to regional/local competitiveness, health improvement and social inclusion
  - using inter-regional benchmarking as a means of sharing good practice, promoting a cost effectiveness approach to procurement, learning and dissemination.
3. Identify and develop metrics that allow us to operationalise the revised definition of 'value for money'.

## *Regional and local level actions*

4. Identify 'regional communities of action' in order to promote understanding (supported by evidence) about:
  - the contribution of health as a cross cutting driver of public policy
  - the contribution of health sector procurement to regional/local competitiveness, health improvement and social inclusion
  - using inter-regional benchmarking as a means of sharing good practice, promoting a cost effectiveness approach to procurement, learning and dissemination.
5. Where not already in place, create regional centres of excellence in procurement and innovation. These will support public sector organisations and SMEs to engage with this agenda and ensure that relevant expertise is not duplicated across sectors.
6. Undertake procurement spend analysis within regions to identify baseline and potential long-term benefits.
7. Regional health systems should define their own 'economic footprint' as a basis for baselining and then monitoring the contribution of their procurement activity to regional economic development.
8. Health sector procurement organisations should look at how they can simplify procurement processes by reducing bureaucracy and clarifying procedures.
9. Develop and disseminate e-Procurement tools as a means of opening up competition and improving SME access.
10. Develop training schemes that help local businesses develop the capacity and capability to comply with the requirements of public sector contracts
11. Develop a database of accredited local suppliers who have participated in a public procurement training scheme
12. Regional health systems should work with centers of excellence, business associations and economic development agencies to create managed SME networks in health market segments.
13. Develop awareness and capability training schemes for health sector procurement staff, both senior management and operational, to allow the concept of appropriate local procurement to be broadly accepted.
14. Regional health systems should be engaged to accept the concept of local and regional procurement gains as "acceptable currency" for procurement performance.

## Longer-term actions

### *Europe-wide actions*

15. Develop a single unified Pre-Qualification Questionnaire (possibly with ISO accreditation) that helps to simplify the procurement process for SMEs when they compete for public sector contracts.
16. Establish a system within the regions to open up access by SMEs to tenders under the EU directive.
17. Explore opportunities to maximise competition by dividing large procurement exercises (e.g. information technology), into a portfolio of medium and smaller size contracts with successful delivery ensured by effective project management capabilities within procurement organisations.
18. Contracts and service level agreements for health care providers should include the revised definition of 'Value for money'.
19. There is a need for local businesses to be provided with the ability to compete for public sector contracts on a fair and open basis. Changing the terms of small business loan guarantee schemes could be one way of achieving this.

20. Allocate structural funds to support capacity building in new member states.

(Spain), Slovenija, Steiermark (Austria), Vä stsverige (Sweden).

Member regions 2008+: Brandenburg, Kosovo, Lower Austria, North West (England), Pais Vasco (Spain), Slovenija, Veneto.

### *Regional and local level actions*

21. Explore potential for collaborative working, clusters and consortia among SMEs with complimentary products and those with similar products.
22. To coordinate policies around a common strategy to improve the efficiency of regional health systems
23. To create an effective and rapid information & communication system among all the key actors in regional health systems (competitive intelligence to develop research, investment and development)
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24. Encourage new building design solutions combined with flexible models of capital investment procurement that conform to the revised definition of 'Value for money'. For example, the Groningen Health Campus in the Netherlands or the Joint Ventures approach in Scotland.
25. Include performance metrics that operationalise the revised definition of 'Value for money' in the monitoring and evaluation of health care provider contracts.

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Regional Public Health Institute (Maribor)  
host of the good practice workshop

Basque Department of Health and Universidad de  
Deusto, host of the policy forum 2005

Partner regions 2005-2007: Alentejo, Basilicata,  
Brandenburg, Del-Dunantul (Hungary), Etelä -Suomi  
(Finland), Harghita (Romania), Malopolskie (Poland),  
North East (England), North West (England), Pais Vasco