

E-bidding: Time to modernize public tendering

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As public sector institutions around the world face severe budgetary constraints, maybe it's time they modernized how they put out public projects to competitive tender.

One of the often-ignored consequences of the ongoing economic crisis in the West is the recent explosion in private sector participation in competitive tenders for public projects.

In Spain, for instance, the regional government of Catalonia has seen the number of bidders to its competitive tenders rise by 68 percent over the past three years.

To help governments deal with this surge in participation, as well as reduce the amount of red tape in the current system, the [José Felipe Bertrán Chair of Governance and Leadership in Public Administration](#) at IESE collaborated with Vortal to research the adoption of Internet-based tendering systems.

Big savings, better system

In their [research](#), the authors found that the use of Internet-based tendering would enable public administrations to speed up processes, reduce bureaucracy and energy consumption, and save billions of euros per year.

Besides providing a faster, more secure and transparent tendering process, an Internet-based system would also help reduce the public sector's consumption of paper and other costly material resources.

On the financial side, the authors predict that contracting costs could fall by as much as 20 percent.

Replacing the traditional paper-based competitive tendering system with an electronic one would, they say, save up to 1.5 billion euros a year. And if all public institutions shared the same cloud computing applications, a further 1 billion euros could be saved.

The sheer volume of savings should come as little surprise, given that Spain's public spending on private goods and services accounts for as much as 15 percent of its GDP.

Where the savings would be made

According to the authors, this reduction in spending could be achieved in the following three ways.

1. *Using technology as a service.* If most public institutions shared the same cloud computing applications, they would be able to offer e-tendering on external servers, thereby reducing the need for expensive IT equipment or licenses.

Such a system would also generate added savings in terms of space, installation and maintenance costs.

2. *Greater competition and more business opportunities.* E-tendering would also enable access to a larger network of providers, leading to greater competition and lower prices. For the bidders, it would provide more opportunities to engage in partnerships with the public sector.

As nine out of every 10 bidders for public sector tenders in Spain are either self-employed or SMEs, modernizing the competitive tender system would help energize business activity across the whole economy. It would also create a more level playing field of business opportunities.

3. *Lower costs, less bureaucracy.* By using an e-tendering format, public institutions would be able to cut down on storage space for bids, and everyday expenses such as paper, postage and deliveries.

For bidders, it would mean a much more flexible and user-friendly system that they could access anytime, anywhere.

A win-win solution

Despite the clear advantages of adopting such a system, its use in Spain remains limited, with less than 1 percent of local authorities currently using it.

By contrast, other E.U. countries such as the United Kingdom or Portugal — where e-tendering has been used by all municipal councils since 2009 — have already begun reaping the benefits of modernizing their tendering systems.

For example, a comparative study of the bids made for public tenders put out by Portuguese public hospitals in 2009, using the traditional tender system, and 2010, using an e-tendering system, found that an 18 percent reduction in costs was achieved. The main cause: the increased competition generated by e-tendering.

In Spain, the University of Almeria recently saw savings of more than 30 percent in its goods and services bill following its introduction of an e-tendering system.

In short, digitalizing the public tender system is a win-win solution for public administrations desperately looking for cost savings. Not only would it help improve their balance sheets, it would also open up new opportunities for smaller companies to enter into lucrative partnerships with their local or national governments.

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