

E-Procurement: A golden opportunity for SMEs

In a bid to raise the effectiveness and efficiency of public agencies, the European Union wants to make electronic procurement a requirement across all member states.

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Currently, only 5 percent of public contracts processed in the European Union are done electronically. However, new E.U. directives aim to make all procurement processes be handled electronically.

The directives, to be adopted at the end of 2013, will set targets for the mandatory introduction of electronic public procurement across all E.U. member states.

In this context, the José Felipe Bertrán Chair of Governance and Leadership in Public Administration at IESE has published [its report](#) — a must-read for anyone who wants to avoid being squeezed out of the market for public procurement, which in Europe accounts for around 19 percent of GDP.

Billions in savings

Procurement authorities that have already made the transition have achieved cost savings of 5-20 percent. The European Commission estimates potential savings of more than 50 billion euros if all European authorities implement e-procurement systems.

These savings come in two forms:

- a drop in the price that the public sector pays for goods, works and services, as the greater number of offers afforded by e-procurement leads to greater competition

and efficiency.

- lower administrative costs of the bidding process for both public and private sector companies.

The study cites several successful examples, including Portugal, where e-procurement has been mandatory since 2009 for all public procedures, whether open, restricted or negotiated.

Thanks to being an early adopter, Portugal has shortened the processing time for open cases from 88 to 49 days, and has saved an estimated 28 billion euros a year in administrative costs.

Improved access for SMEs

Scotland, meanwhile, launched a public sector portal, enabling procurement authorities to manage their processes electronically, from start to finish. More than 1,100 public sector users — representing central and local governments, national health services, educational institutions and security agencies — have registered, along with more than 28,000 others, mostly small and medium-sized enterprises.

This latter figure is significant, given that SMEs have been traditionally absent from the public procurement market. E-procurement increases their access to public offers, lowering their barriers to entry by subdividing contracts into smaller chunks and enabling several companies to participate jointly.

Choosing the right model

Setting up a centralized platform like Scotland's is one possible e-procurement model to follow; a decentralized model featuring different platforms managed by the private sector, as in Portugal, is another.

The study also presents hybrid models, such as those of the Czech Republic, along with proprietary and outside solutions.

By presenting various types of platforms, readers are able to weigh up the main advantages and disadvantages of each, in the process of choosing the right model for them.

In looking at Spain, the authors find a lack of commitment to e-procurement, giving rise to hegemonic initiatives that are often scattered and incompatible.

If things do not take a new direction, the authors warn, it could stifle any future attempt at regulation, which would cause serious economic harm to businesses, particularly SMEs, and the public procurement agencies.

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