



WHITE PAPER

On Public Electronic Tendering



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PROLOGUE - ELECTRONIC TENDERING. MORE THAN JUST A TECHNOLOGICAL CHANGE

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When I started my management studies, one of the first things I learnt was the importance of procurement management. The procurement of products, services, consulting, etc., is the first step in any production process. Operations begin here.

These purchases gradually create a company's added value. If that added value is quality, the product or service offered is more likely to respond to the user's real needs. They also tend to be an important part of the cost, so procurement savings significantly influence the whole process. Finally, **I learned that a saving of one euro on procurement is more than one euro.** It is that euro plus its financing from when the purchases are paid until the related goods or services are charged.

In the case of public administration, it is from when they are paid until the taxes are collected to finance them. In some cases these interests could double the cost or more. A cost that is not allocated to the purchase, because it is in the section on debt interest, but it is implied.

Consequently, addressing this issue is one of the keys to reducing public expenditure, which also is silent. It does not cause the commotion of savings on personnel or investments that are not made. It is therefore politically efficient.

The advantages of "Electronic Tendering" are contained in the chapters of this document. It is not unusual that there is a European mandate to further its implementation, with dates included. But the process is not without its difficulties. Therefore, understanding it in depth and studying success stories is important. They are also included in the text.

I would just like to mention two further issues.

The first is that **reinventing the wheel is not very profitable. It has already been invented.** Trying out new Cloud platforms can be a waste of time.

In recent years we have seen how there has been a public infrastructure bubble in Spain. In the age of new technologies, "access" is better than ownership, as Rifkin argues. Pay-per-use has great advantages. The first is that it requires little investment. The second, which is the important factor, is that it is more flexible. Renting is a more reversible decision than buying. In an era when technology is advancing at breakneck speed, committing to one in particular is a mistake. Obsolescence is the great danger. This is a warning to web users, which as a responsible communicator I cannot refrain from mentioning.

The second issue is that **the use of Electronic Tendering is not just a technological change.** It may be an important cultural change facing e-government. It involves a process of renewal not only within organisations, but also outside; bidders, for example. Considering it only a technological change will lead to mistakes difficult to resolve.

Meanwhile, this document is full of knowledge and suggestions useful for anyone who has to implement an "e-tender" and make decisions about this process.

CHAPTER I - THE NEW PUBLIC E-PROCUREMENT SCENARIO

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Public e-procurement implemented intelligently delivers far more transparent procedures, less bureaucracy, cost reduction, a high level of professionalism, greater value in public procurement processes and easier access to public tenders for all suppliers.

With these goals and a clear strategy, the European Union adopted new public procurement directives at the end of February 2014, which came into force on 17 April, 2014. All member states have twenty-four months to implement the legislation to their local laws - except for electronic tendering, for which a margin of an additional twelve months has been given to central procurement offices and thirty to the rest of contracting authorities.

These directives modernise existing tools, simplifying processes and making access to public procurement tenders more flexible for companies, especially for SMEs.

The award guidelines establish a clearly-defined legal framework, which offers public authorities the confidence required to apply them in their own legislation and ensure effective market access to awards for all businesses in Europe.

Background

The development of a common market was the main objective of European Union treaties, from the Common Market Treaty signed by France, Germany, Italy, Belgium, Netherlands and Luxembourg (1957). Public markets are an important component of the European market, and their integration into the single market has been a challenge since the sixties, when the Council of Ministers approved the so-called General Programmes (1962) directive.

Since then, four generations of directives have modernised public procedures from the 1970s until the most recent ones in 2004, with Directive 2004/18/EC on the award of public works contracts for common sectors and Directive 2004/17/EC for special sectors, which were transposed by all member states. Exceptionally we find cases such as Poland, which the European Commission decided to bring before the EU Court of Justice for the incorrect application of the provisions of Directive 2004/18/EC, since it considers that there are restrictive provisions in the Polish Public Procurement Act that lead to the exclusion of certain operators from tender procedures.

In April 2011 the European Commission proposed the New Directives on Public Procurement and Concession, modernising the legislative framework of public procurement to achieve the strategic objectives set for 2020.

A priori the most important reasons for creating these new directives were the search for increased effectiveness and efficiency of public procurement, achieving visible public savings, and increased transparency and competitiveness in the European Union. Stimulating innovation, sustainability and the involvement of SMEs in public markets were other key aspects when the directives were designed.

However, as we shall see, as the background to these new directives we find the final configuration of a Single European Market, without borders, competitive on the global stage and in line with 21st-century needs.

In 2012 and 2013 these proposals were discussed by Parliament and the Council of Europe, obtaining more than 3,000 amendments by MEPs. An agreement between the three institutions was finally reached and the new directives were adopted on 15 January, 2014 with a vast majority. The Directives were published in March 2014 and each member state must transpose them within two years.

What do the new Directives change?

Although the new Directives offer no major changes compared to previously adopted regulations, they do involve modifications which allow member states to achieve the set goals:

- The exclusive application of electronic media in all public procurement cycles and across the entire European public sector. This implies that traditional paper-based media may not remain in use, and this is the main differentiating factor concerning our current legislation. Exclusively using electronic media also entails new ways of understanding public procurement, for all types of businesses including SMEs.
- Implementation of mandatory public procurement requisites which are in keeping with social, employment and environmental laws. The new legislation sets for the first time common standards on award contracts with the aim of promoting fair competition and securing better value for money by introducing award criteria which place greater emphasis on environmental considerations, and social and employment issues.
- Increase transparency and efficiency through the adoption of e-procurement.
- Reduce bureaucracy through new instruments such as the European Single Procurement Document for economic operators.
- Provide a list of more flexible and diversified procedures using best practices from the private sector, such as electronic catalogues.
- Help to stimulate innovation with the inclusion of procedures such as competitive dialogue, competitive procedures with negotiation and collaboration for innovation.
- Adopt a multi-criteria evaluation approach to provide special attention to the quality and cost of the life cycle, so that cost-only evaluation is avoided wherever possible.
- Allow the inclusion of professionalism and experience criteria to select candidates for the procedure and to evaluate suppliers. Thus, the productivity and efficiency of public procurement are increased, fostering innovation and SME participation in public markets.

According to the "Fall 2013 Procurement & Strategic Sourcing Data Survey", 67% of surveyed companies are more focussed on improving and increasing long-term collaboration and value with suppliers than focussing on the price variable and cost reduction.

- Technical and semantic interoperability between EU members and even within countries is facilitated. The Commission will develop and update over time certain legislative text parameters, such as thresholds, equivalent certificates, or technical requirements affecting the use of electronic media (such as electronic signatures or content of tenders).
- Other interesting developments are the generalisation of responsible statement, as a means of simplifying the documentation required to participate in a tender (only the successful tenderer would be required to provide the documentation required in the qualification phase of suppliers), or the importance given to socio-economic criteria in the assessment of tenders, such as the total cost of ownership (including aspects of production and recycling costs, for example).

Besides this, the new regulations will simplify the bidding process, since the business owner will only have to present a single European document with his/her statement, and the winner will be the only one required to provide all the original administrative documents. According to the European Commission, this change will lead to an 80% reduction in administrative charges.

Something which must be highlighted in these new directives is the interest and momentum created by the European Commission for the modernisation of public administrations, exposing in one of the points that in most cases the Commission relies on the Member States to achieve community objectives.

The adoption of public procurement in electronic format is one of the major objectives of these Directives. Under Article 19, the tools and systems adopted by member countries should not be discriminatory and should not restrict access to the procurement of economic operators.

Furthermore, each member state is granted the right to specify the level of security required in specific phases of the procurement procedure, this being proportional to the risks they take in each case. However, the Commission does request that all those concerned ensure the interoperability of technical formats and standards of processes and messages, especially in the transnational context.

Governments, meanwhile, should play the role of monitoring, reporting and displaying the information, cooperation and contribution to the Commission of statistical information. It is a prerequisite that all reports are available and copies of contracts with a value equal to or more than 1 million euros (material or public services) and 10 million euros (public works) must be maintained and be available for consultation at least for the duration of the contract.

Implementation phases

The transposition of Directives to local markets has a defined and mandatory date. Before the end of the first quarter of 2016, administrative specifications generated by all the contracting entities in the countries of the Union should be available online and easily accessible. Also, banks will be obliged to use only electronic media to announce procurement processes, receive offers from bidding companies or issue notifications about any public tender.

In the first quarter of 2017, all central procurement must have implemented an electronic tendering system that allows for the sending and receiving offers in a secure and confidential way. Finally, in the last quarter of 2018, electronic tendering will be completely obligatory for all public administrations of EU Member States.

Benefits of public e-procurement

The benefits from applying this new Directive are numerous.

First, it will contribute to the elimination of transnational barriers in public procurement, ensuring interoperability between national electronic invoicing systems, which will result in a better working of the Single Market. This entails faster payments and new business opportunities.

These reforms also allow authorities to optimise the use of public tendering. Public contracts covered by European directives are valued at 420,000 million euros, making them a key driver in our current economy.

It will also visibly reduce the cost and complexity of public procurement in Europe. They are the foundations for European companies working in the continent without the need to bear major costs, which up to now small and medium enterprises could not afford. According to studies by the European Commission, the use of electronic media in public procurement processes reduces the cost of procurement by between 5% and 20%, depending on the case. Applied to the Spanish public administrations, this figure would save around 7,800 million euros a year.

Advantages of using electronic media

There are sufficient examples to state that the use of electronic media provides improved time efficiency and reduced administrative costs (paper vs. electronic processes) for government and businesses, a significant increase in transparency and improved inspections, and better monitoring, control and planning; all with an important impact if the adoption takes place in a coordinated manner on a large scale.

In addition, electronic processes enhance the impact of aggregate purchasing techniques, such as dynamic procurement systems that reduce cost and time in successive purchases, electronic bids (greater savings per transaction by increasing competition), electronic catalogues (enabling 'search and compare' in a structured way), reduction of administrative obstacles (reuse of information, such as the Virtual Company Dossier proposed by the PEPOL29 project).

If we consider the paradigm of provisioning applications such as cloud-based (cloud computing) services, we further increase efficiency thanks to network effects created by the generation of procurement communities:

- Simplifying access to classification information of suppliers and their products.
- Transparency: the simplest meeting routes are generated, as both buyers and sellers only need to sign into a portal. A provider can access the entire public sector, presenting its product catalogue on the portal and the buyer can access all the suppliers in said portal.

- The exchange of information on prices and products is made easier, cheaper and faster. Major potential savings in transaction costs in terms of reduced search costs, comparison and order management. Thanks to the platforms, statistics can be obtained and provided more efficiently to managers and national or European supervisory authorities, thus accelerating the decision-making process.

- Reduced transaction costs for suppliers and buyers thanks to the partial or full automation of information between the buyer's procurement/financial system and the buyer's order and payment system.

- Tendency towards a complete dematerialisation of bids, towards intelligent questionnaires that guide economic operators on the score or level of completeness of their bid with respect to real-time evaluation criteria and facilitate the evaluation of tenders to certification authorities thanks to an increased use of automatic or assisted evaluation.

- Savings in administrative costs for the provider and access to a greater number of business opportunities on the same portal, from both the public and the private sector. According to studies on the case of Portugal, the buyer can enjoy substantial cost savings of around 15% thanks to increased supplier competition (the community of buyers) and also enjoy an optimisation/automation of online processes (approximately 5% per tender and 10% in administrative management).

Many of today's most advanced platforms can control four major points of transformation in the entity:

1. Aggregation of expenditure: both by business units and geographically or working with different providers, the solution can be used to unify and manage expenditure and handle a greater amount of data in order to increase savings, maximise purchasing power and improve efficiency.
2. Collaboration with suppliers and innovation: not focussing just on price but also on other important characteristics for making decisions and choosing a supplier.

3. Alignment with the business and interest groups: for a real added value, metrics must have an important weighting. An advanced solution to measure and align interest groups and business objectives to achieve cost/gain impacts.

4. Internal efficiency: administrative procedures can be reduced by between 30-60%, as it is the technology platform which handles all the data, rather than a person doing it manually. Improved efficiency means that focus can be on other more important issues.

The reality

The fact that there are different degrees of adoption between countries shows that technology itself is not the biggest obstacle. In fact, this appears or evolves according to the business need/opportunity.

To facilitate the adoption of such solutions at a national level in public administration as complex as ours, it should be encouraged first legislatively and clearly. This is what the new Directive enforces unambiguously, the exclusive use of electronic media in public procurement. Only in this way can significant and orderly progress be achieved with an impact on, what is often forgotten in international statistics, the local level.

On the other hand it must be accompanied - it is not enough to enforce it legislatively, but the human factor, transition and the ecosystem must be considered. Portugal, for example, opted for a model standardising current electronic procurement solutions through a national framework agreement, with important results: a) reducing the time of tender of such solutions for all public administrations (under contract); b) not blocking the private sector, so that the platform providers have become agents of change, providing additional services to facilitate transition, support users and offer innovation on the platforms. Smaller countries such as Ireland and Scotland have chosen nationwide centralised solutions, outsourcing solutions from third parties.

The key to why we are so late must therefore be sought in the model or adoption plan. In Europe it has simply not been specified and this has serious consequences on the budget crisis situation we are in, for example, the stagnation of development and evolution of such solutions due to a lack of demand or the inhibition of investment providers interested in implementing their solutions in Europe because of doubts about how much space the government will give them.

Leaders in promoting electronic procurement

The European Commission is not skimping on efforts in promoting electronic procurement to achieve the growth of electronic commerce in Europe. According to the European Commission Directorate-General for Internal Market and Services (DG-MARKT), public procurement in Europe accounts for approximately 19% of GDP, of which less than 5% is currently awarded today through electronic media. As is apparent from the "Deutsche Bank Research on e-Procurement, February 2011" report, if all European authorities were to implement electronic procurement systems, savings of over 50,000 million euros could be achieved.

The new Directives involve a modernisation of public procurement, but also facilitate the creation of a single market for the 27 countries that form part of the European Union, laying the foundations for cross-border procurement through the future technological development of interoperability issues.

The Commission would complement the momentum of the new Directive with three other complementary non-legislative measures:

- The Golden Book Project, an analysis of the more than 300 existing platforms in Europe and the selection of best practices.
- The Performance Indicators Project, to define a model of indicators of use for electronic tendering.
- The constitution of the e-Tendering Expert Group (e-TEG).

Also, this project is part of one of the seven strategic pillars of the European Digital Agenda 2020 and is backed by more than 1 billion euros from the Connecting Europe Facility programme for its development and implementation, along with other electronic services as e-invoicing.

Keys for adoption

Once mentioned the benefits and the overall situation of adoption in Europe, we should reflect upon a thought:

In electronic procurement, the last will not be the first. This is an opportunity for straggling countries to modernise their information structures and ecosystems - the deadlines established are thus the maximum possible. In countries like Great Britain, Germany, Sweden and Portugal where electronic procurement has been a reality for some years, there are discussions about new versions and models of electronic tendering in which platforms are interconnected to improve the efficiency of procurement.

Much of the analysis of the e-TEG was focussed on adoption issues. With the perspective given by representatives of countries where electronic tendering technology is in production, key questions must be raised:

Which factors have facilitated adoption in these countries? Which are the best and worst practices? Which is the best strategy to foster innovation in public e-procurement?

In smaller countries such as the Netherlands, Ireland and Belgium, we can find centralised electronic procurement platforms (services provided by the government itself or through a concession to a third party). Meanwhile, in countries such as Sweden, Portugal, Great Britain or Germany, there is an inclusive model with the private sector, facilitating scenarios of greater innovation and collaboration.

The European Commission will conduct a study of the various models in order to provide recommendations on adoption and development strategies to member states.

Future development

Adoption of the Directives is a starting point to achieve in 2020 a truly unified space for electronic procurement and commerce between the private sector and the public sector throughout Europe.

Upon deploying this legislation to modernise public procurement in Europe, the European Commission has the responsibility to update, over time and according to technology, many parameters of the directives through delegated acts which entrust a role of a supervisor, an arbitrator and an implementation manager.

To do so it will rely on information provided by the member states, the European Committee for Standardisation, related projects of public-private partnership (e-SENS, openPEPPOL, etc.), projects of the Directorate-General for Informatics (DIGIT), and groups of stakeholders (government and industry representatives such as EUPLAT), as well as market research and analysis and the Annual Sector Conference.

However, the Commission must draw up a roadmap of initiatives to ensure the development, maintenance and evolution of the regulatory legislative text for the next few years (for example, regarding thresholds or Annex 4 of the technical requirements for the submission of bids in electronic format).

The delegated acts procedure allows the European Commission - save the veto of the Parliament in individual cases - to introduce updates that member states must transfer within two months, so it is important that from now on legislative decisions are envisaged as the result of a consensus amongst all the interested parties, and not as a legal requirement in which the core of negotiations is the implementation period.

In Europe, where there is no mandatory central platform for all contracting authorities, the specialised private sector with international experience is the best partner today to guide and implement e-procurement procedures, techniques and tools in a sustainable and up-to-date fashion.



CHAPTER II - CHOICE OF KEY SUPPLIERS TO IMPLEMENT ELECTRONIC TENDERING

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The obligation to implement solutions for public e-tendering is imminent. Local authorities must choose which solution is best suited to their needs. There are now several models for the adoption of public e-tendering by a local authority, the private sector has spent years conducting successfully implementing such projects for the three types of administration.

There are now two possible approaches: enlist the services of a company specialised in offering public e-tendering services, or develop a bespoke e-tendering platform. It is the first of these two options which is proving more successful in the local authorities that have decided to implement it. A project of this nature should not be treated from a technological perspective, of course the platform must meet certain technological requirements, which we shall discuss below, but the most important thing is that the services of the public body, and procurement above all, are fully aligned with the project. So when thinking about the model of implementing electronic tendering, we must pay great attention to training, support and change management, for without these three pillars, the basis of any e-tendering project, it will almost certainly be a failure. It is therefore advisable to have a supplier and specialist in the field from which, in addition to demanding certain requirements for its platform, we should particularly demand prior experience, since it is not recommendable to be the "guinea pigs of anyone", and much less in public procurement.

This chapter will address other crucial aspects that must be taken into account when selecting/developing the technological platform with which a public body will begin to tender their procurement procedures. The legal adaptation of the platform, compliance with highest safety standards or the guarantee of service levels are key issues to be taken into account.

A. Processes which any public e-tendering platform must cover

1. Creating a complete procedure: documents, dates, definition of contract awarding committees, invitation to suppliers, etc.

2. Automatic publication in official gazettes

3. Electronic access of bidders to the procedure

4. Manager of clarifications and modifications to the procedures with notice given to interested parties through electronic notifications

5. Submission of bids

For electronic tendering to be a success, it is necessary to simplify bidder participation. The platform should offer flexibility to create bids with tools such as:

- Export/import of files
- Multiple file upload
- Reuse of information from other submitted bids
- Etc.

6. Safe electronic delivery of bids with proof of receipt: encryption and time stamping

7. Opening of bids and management of contract awarding committees

8. Automatic evaluation of bids

9. Electronic tendering module

10. Electronic award

11. Creation of catalogues and framework agreements

B. Adaptation of the platform to current law:

1. Law on Public Sector Contracts

The public e-tendering platform selected should assure the local authority that it meets all the requirements prescribed by applicable law and can easily adapt to future changes of a legal nature.

Local authorities must ensure that the platform complies with the law, but also depending on the selected model to launch the platform:

- **Bespoke/in-house platform:** ensure that the technology provider developing the solution includes legal adjustments within the conditions of product maintenance. If this is not considered, an additional budget will be necessary with its consequent financial outlay.
- **Platform as a service:** ensure that the company providing the service includes the legal adaptation of the platform within the subscription value of the service.

2. Citizens' Electronic Access to Public Services

e-Government, and in this case public e-procurement, must at all times maintain the same guarantees of legal security of administrative actions on paper:

- **Identification:** there can be no ambiguity when it comes to establishing the identity of a natural or a legal person.
- **Authentication:** reliably guarantee the identity of a natural or a legal person. This concept is closely related to non-repudiation (inability to reject the authorship of a certain action or document). The main tool for authentication are username/password systems and electronic signatures. Both mechanisms also enable non-repudiation.
- **Integrity:** meaning that you can trust that certain information, for example, an electronic document, has not been manipulated and corresponds to its original state. This is achieved by imposing time stamps.
- **Confidentiality:** keeping certain information, be it a document, communication, etc., secret from a third party. The main tool for achieving this goal is cryptography.
- **Availability:** referring to the availability at all times of the information and/or services. This means 24/7 high availability services, redundant servers, back-up centres, etc.

- **Traceability:** referring to the historical information that is important to know and preserve. What changes has the information experienced? Who has accessed it? etc.
- **Conservation:** the proper conservation and archiving of information so that it is available and complete even after long periods of time. In the case of public procurement, the government must conserve tender information for five years.

C. Electronic Signature

The system will allow an electronic signature based on a recognised certificate and generated by a secure signature creation device. The recognised electronic signature, as established by the Law, shall with regard to electronically-recorded data have the same value as the handwritten signature with regard to paper-recorded data.

The platform, according to the principle of non-discrimination, must support any certificate accepted in the country where it operates.

D. Data Protection

The selected or developed platform must protect the personal data of users registered on the platform. The service provider shall ensure that all personal data files are registered and authenticated by the relevant national agency. In addition, all personal data collected by the company must have the consent of the person affected. If the platform is used by individuals, it shall require a further two-year data protection audit from the platform provider.

E. Platform security

Information on public tenders is particularly sensitive: encrypted bids, constitution of award committees, opening envelopes, etc. That is why the implemented solution should guarantee best practices in technological security. Here are some criteria to be taken into account when making a selection, regardless of the model implemented:

1. ISO 27001 Lead Auditor

The ISO/IEC 27001 information security standard (Information technology - Security techniques - Information security management systems - Requirements) was approved and published as an international standard in October 2005 by the International Organization for Standardization and the International Electrotechnical Commission.

It specifies the requirements for establishing, implementing, maintaining and improving an Information Security Management System. Compliance with the ISO 27001 standard guarantees security throughout the business cycle, from planning new features of systems, to compliance with laws and regulations, continuous identification of risks, the application of technological and physical controls, business continuity and disaster recovery, and permanent awareness-raising campaigns on security-related issues, among many other aspects.

2. Interoperability

The solutions contracted or developed by public administrations should use open standards and, where appropriate and in addition, standards that are widely used by citizens in order to ensure independence in the choice of alternative technologies by citizens and public authorities and adaptability to technological progress, so that:

Documents, e-services and applications from public administrations available to citizens or other public authorities will be, when appropriate, viewable, accessible and functionally operable in conditions that satisfy the principle of technological neutrality and avoid discrimination against citizens because of their technological choice.

F. Service level guarantees

Service Level Agreements are a critical success factor for the procurement of services or products provided or developed by a third party.

They should be included within the SLA contract of the project. It is essential to specify and clarify performance expectations, establish responsibility, and detail alternatives and consequences if performance or service quality are not agreed by both parties.

In the event that the public body chooses to contract an existing platform as a service, this point becomes especially important, because the service depends on a third party. There are currently international standards, such as ISO 22301 (Business Continuity Management), representing a guarantee for any administration. This standard certifies that the electronic platform has defence mechanisms against incidents which may have an impact on service availability, thus ensuring continuity.

G. Support for tenderers

The implementation of electronic tendering goes far beyond the merely technological side, as the EU points out in the document "Strategy towards e-procurement". The most noteworthy point is that for the first time, in this document, the EU attaches particular importance to dissemination and mentions that the technological barrier is not a problem as it has been resolved. The real problem is the inertia shown by some interested parties. The rest consists of persuading buyers and sellers to change ingrained habits. We must convince them that they can achieve the forecast gains and can recover the investment/expense (to implement this type of methodology) in a more than reasonable time.

It is imperative that when implementing public e-tendering this issue is specifically taken into account. To begin using an electronic procurement platform, regardless of the model chosen, it is necessary to support the users, both public bodies and private companies. If this issue is not anticipated, as has happened on many other occasions, the platform will fall into disuse and not bring value to the public procurement cycle.

To illustrate this issue, in Portugal, a country the fifth the size of Spain and where public e-tendering has been mandatory since 2008 so its use is already widespread, in 2012 public administration bidders generated:

- More than 200,000 calls/year to solve queries. The average response time for each of these calls was 9.5 minutes.
- More than 100,000 e-mails/year, only from providers of public administrations.

Conclusion

Although there are other points, we have tried to highlight what we believe are the most relevant points to be taken into account when selecting/developing a public e-tendering platform.

Technology is the first part of the equation. As outlined below, suitable change management is added to the technological and legal factor to complete the equation.

CHAPTER III - CHANGE MANAGEMENT IS A CRUCIAL ASPECT THAT DETERMINES SUCCESS

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Administration

Introduction

This chapter sets out to show how electronic tendering is a driving force behind change in public administration. We shall use the example of Portugal. There are already successful experiences in other European countries, but the example is paradigmatic and is an institution very similar to the Spanish ones where the process was scrutinised. In its analysis it is verified how electronic tendering is not just a technical process; it can be a lever for cultural change in the quest for efficiency in public administrations. For these reasons it is included in this White Paper.

The chapter begins by stating the need for change in public administration (point 1). Then it describes lessons from the chosen example, extracting the principles of any process of change (point 2). It ends with a summary and conclusion (point 3).

The need for change in public administration

Of the lessons learnt from the economic crisis of 2008, an important one is the need to control public deficit. In most countries, the real estate and financial crisis was followed by the sovereign debt crisis. The reduction in public revenue caused the need to issue sovereign debt to finance public administration expenses, which had rocketed in the boom years.

Sovereign debt should have been issued in a context of credit restrictions. Risk premiums soared and interest on sovereign debts increased the expenditure of countries. The "debt service" aggravated deficit in a hellish vicious circle. Some countries saw their economies collapse and had to be bailed out by the EU and the IMF. The Troika inspectors, the "Men in Black", became regular visitors, whose responsibility was to monitor government expenditure.

In this context it was essential to reduce public sector expenses. An effort which all governments are still bent on. It was a reactive change.¹ Driven by circumstances. Something that was not expected in the public sector, which always thought that its treasury would bear up to any liquidity stress. In some cases there was even talk of default or insolvency of state accounts, thereby reducing the amounts payable on the insured debt and lengthening terms. Greece was the most obvious example. Portugal, Ireland, Italy and Spain also went through their own ordeals. The acronym PIGS (Portugal, Italy, Greece and Spain) became popular.

¹ To see the differences between reactive, proactive and institutionalised change, see Pin Arboledas, J.R. (1994) *Estrategias para el cambio en las organizaciones humanas*. Nota Técnica del IESE. IESE Publishing, Barcelona.

In a reactive change, theory suggests that problems are employment-related and financial, and that's how it was. It also says that the main advantage is that no explanations are needed because changes must be made. And also that's how it was.

A case study: The Portuguese Oncology Institute in Lisbon

In this context, the Steering Committee of the Portuguese Oncology Institute in Lisbon was not taken by surprise when in autumn 2009 it was ordered to reduce its budget by 4%. At the same time it was also asked to cut waiting lists. In other words, to be more efficient: achieving greater efficiency with fewer resources. And it had to do this to take effect the following year, therefore urgently.

The hospital performs 280,000 procedures per year and has a budget of 180 million euros. So it tackled the vital question: Where should we cut back?

1. Pareto is always right

Reducing budgets has a rule: the Pareto principle, also known as the 80-20 rule. "80% of the effects come from 20% of the causes". In budgeting techniques this means starting with the largest item. If you save 10% of an item that accounts for 3% of the budget, you save 0.3%; if it is an item that accounts for 30%, the saving is 3%. Therefore you have to start with the biggest item.

In any public administration there are two major chapters:

1) wages and salaries and

2) procurement of goods and services.
The first actions should address these two chapters, which often account for 60% or more of the total budget.

The problem is that while Chapter 2 relates to expenses that are purchased outside the organisation, Chapter 1 requires a cut in employee income.

In the case of the Oncology Institute in Lisbon, the decision was clear. In the short term, the less traumatic cutback was Chapter 2: procurement of goods and services. The solution was to shift from the traditional procurement system in public administrations to electronic tendering. According to studies of similar changes in the EU, the average saving on purchases upon introducing electronic tendering is 20%. That is why the European Commission has enforced the obligation to introduce it. Pareto imposed his logic, but working conditions too.

2. Electronic tendering as a lever for change

Once the decision was made to launch electronic tendering, it was seen that the decision involved much more than a purely technological change. As Foster defined in his Applied Anthropology, any technological change implies a social change. To exploit the full extent of electronic tendering, it was necessary to tweak procurement standards.

An example: surgical forceps. It was observed that each hospital service was using a different type of forceps. With this dispersion, the benefit of bulk buying discounts was lost and stock management was more complicated.

Consequently, electronic tendering entailed a change in surgeons' practices and many other services. It was also a pending issue at the hospital. With electronic tendering a whole cultural change process can be launched.

But it is not limited only to the internal organisation of the hospital, but it also refers to the philosophy of the public sector organisations, introducing the philosophy of public/private cooperation.

3. Public/private cooperation as a solution

The time pressures with which the operation was raised had another consequence. The electronic platform had to be chosen. There were three alternatives: a) create an in-house platform at the institution; b) share the platform with other public institution; c) find a solution on the market.

To make the decision, the following criteria were taken into account:

- Availability of the platform in the shortest possible time;
- Reduction in investment;
- Transform the investment into operational expenses. Pay-per-use;
- R&D capability in maintaining the platform to avoid obsolescence;
- Possibility of training for hospital staff by the supplier;
- Possibility of training for current and new bidders;
- Help in planning cultural change throughout the Hospital;
- Legality and maintaining due confidentiality of bidders;
- Reversibility of the process, if there were problems with its implementation;
- Scalability of the process.

After analysing the various alternatives, it was decided, in view of the above criteria, to use a commercially-available platform.

Thus a public/private collaboration began. Its use allowed a rapid implementation, gathering knowledge from other cases. In particular, helping traditional bidders to adapt to the new model and expand the number of them by publicising the system.

4. What is not measured is not managed: the indicators

One of the maxims of any process of change is the need for metrics to see its evolution. The saying goes: what is not measured is not managed. In any process of change it is necessary to establish measurement indicators. Along with these indicators, it is good to keep in mind the following principles:

4.1. The counterfactual conditional

The indicator should isolate, as far as possible, the effect of the program on other possible ones. For example, the need to prevent general market changes from masking the effect of electronic tendering. A situation of economic recession or, on the other hand, expansion can influence prices downwards or upwards, and distort the purpose of the electronic tendering program.

To have the counterfactual conditional, it is normal to look for another similar institution has not had the program in question. After a while, measurements could be made to see the evolution of different results between the two organisations.

The fundamental problem is finding similar institutions, especially ones that are not introducing change programmes. If there are not any, it is necessary to find an internal metric that allows the effect of electronic tendering to be isolated. Besides the cost savings, the Hospital management team decided to measure the number of new bidders (one of the desired objectives) and the price difference between former ones.

4.2. Goals of the indicator

Once the indicator has been decided, the goals need to be set. There are three types of them:

- a) temporary, i.e. using temporary series, year to year;
- b) benchmark, when compared with other similar institutions;
- c) scheduled, regarding a certain number that are set as a goal. In this case, the first ones and the last one can be used. The evolution of purchase prices or volume of expenditure in chapter 2 of the budget before and after implementing electronic tendering and compared to the 20% saving stated by the EU as the average achieved by this system.

5. The need to communicate and build coalitions

Of the several key factors that processes of change ensure, there are two in this case:

- a) the sense of urgency or urgency for change
- b) the vision that guides the process. The need to reduce costs due to the general economic crisis and the budget deficit created a state of emergency. There was no need to explain that something had to be done. This was certainly an advantage. The preliminary study led to electronic tendering. The other alternative was worse for the employees, as it would have entailed a reduction in salaries and/or dismissals.

On completing these two premises, that vision needs to be communicated. The first action was to create a document explaining the benefits of electronic tendering and any obstacles to achieving its successful implementation. The Director of the Purchasing Department explained the advantages in a document:

- a) Reduce Chapter 2 spending without touching Chapter 1. This will avoid staff reductions and social conflicts.
- b) A reduction in purchase prices is expected by increasing the number of bidders.
- c) Procurement operating costs are expected to be lower due to the simplification of the process.
- d) Reduced use of paper and, consequently, improved environmental standards.
- e) Possibility of using the process to make necessary cultural changes in the new situation.
- f) Improved traceability of any tender. Knowledge of the legal situation is automatic and this ensures that the rights of bidders.
- g) The automation of the process ensures its transparency and dispels any suspicions of administrative corruption.

But also he listed the challenges they faced:

- h) How can we recycle Purchasing Department staff as some will be superfluous? What shall we do with them?
- i) What kind of electronic platform would be appropriate? In-house, shared or privately-managed? How should we choose it?

- j) How can we get Hospital technicians and doctors to accept the necessary management changes?
- k) How can we get traditional bidders to adapt to electronic tendering?
- l) How can we secure new bidders so as to increase competition and push prices down?

Of some of the set challenges, the actions to be taken could be deduced. They included gaining commitment from the different Hospital sectors to the process. This is what in 'Leading Change' is called 'building a coalition for change' (Kotter, J.P. 1994).

It is therefore necessary to introduce collective participation tools into the decision. One of them is the establishment of technical committees to standardise the instruments and goods to be purchased. Another coalition-building tool was a recycling plan for Purchasing Department staff that were superfluous or did not adapt to the new technology. They were basically administrative assistants who were placed in a new patient care department, being recycled to care for relatives of the sick. The ergonomics of the new jobs were better than the present ones and the trade unions were in favour of the process.

On opting for a private cloud-computing platform, experienced technicians from the provider were included. What remained was to convince bidders, so help was given by the provider in the form of experts.

6. Short-term success stories

Another key to the success of these processes of change is precisely to be successful, please forgive the repetition. Achieving results is one of the conditions to convince sceptics, which there always are in any organisation.

The choice of an experienced provider is part of this success. They can present previous examples and ensure the smooth technical operation. The failure or delay in starting the process increases the number of sceptics and feeds the hopes of those who want to see the process fail.

It is therefore useful to have experienced technicians and a platform in place to prevent things veering off track. Once the first tenders are carried out without serious complications, the process takes shape and people wonder how beforehand it could have been done otherwise.

7. Consolidation of the structure and new optimisation processes

The process ends with the consolidation of the purchasing structure. The department was finally formed. But even more important was the continuation of the technical standardisation commissions to continuously optimise purchasing.

To ensure progress, the organisation must be kept in tune. Seeking out new challenges is necessary. One of them is the automation of stock systems, connecting their management to electronic tendering. That way, purchases are made once, but deliveries are in line with service needs and, consequently, also payments, so cash flow is controlled.

However, the process should continue and achieving efficiency is not the job of just one program. Electronic tendering can be an opening through which new technologies introduce the necessary cultural change in the new phase of public administrations.

Summary and conclusion

The example analysed shows that electronic tendering is not a purely technological change, but also entails a cultural change. This cultural change refers to within the organisation and its relationships with suppliers. The Portuguese Oncology Institute in Lisbon achieved a reduction of more than 20% on its purchasing expenses. But also, the amount of new bidders showed that the electronic tendering system was the cause of a great deal of those savings. By eliminating the effect of widespread price cuts due to the economic crisis, its efficiency was clearly proved.

The example shows that any process of change must comply with the keys defined by Kotter to be successful:

- a) creating a sense of urgency, something that between 2009 to 2014 was provided the economic situation;
- b) mapping out a future vision to achieve, including the advantages of electronic tendering and the challenges to solve, which was done by the report from the Director of the Purchasing Department;
- c) establishing tools to communicate this vision to the different levels of the organisation and to those related to it, in this case particularly the different providers, both cloud computing platforms and products and services to be purchased;

- d) achieving a coalition for change featuring all groups involved, inside and outside the organisation;
- e) seeking success in the short term, for which the successful experience of cloud platform providers is very useful;
- f) creating organisational structures able to carry out the mission of the new department;
- g) generating new improvements regularly, always keeping the organisation in tune.

It is therefore necessary to create indicators to monitor the development of the program. In that measurement, it is desirable to have a counterfactual conditional or a test that allows the effect of electronic tendering to be isolated from other variables which may influence the observed changes.

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CHAPTER IV - STEP-BY-STEP IMPLEMENTATION OF E-TENDERING IN A PUBLIC ENTITY

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Background

Gijón City Council has an integrated global management model that has helped achieve a high degree of implementation of e-government tools that includes an intensive use of joint services and interoperability platforms that the e-Government Portal offers to all public administrations. This comprehensive corporate model allows for the reuse of corporate solutions for the entire municipal organisation, both the City Council and regional bodies and municipal companies, and features a file manager, a document manager, an electronic signature folder, and an interoperability or connectivity platform integrating vertical registration solutions, accounting and financial management, tax management, property management, census records and CRM.

Within this consolidated corporate management model there was no vertical electronic tendering solution integrated into the municipal ERP, mainly with an input and output register, with the file manager and with the financial management system.

In view of the situation of the City Council, in January 2013 work began to implement an electronic tendering platform and its integration into the municipal ERP. In September 2013, the electronic processing of minor contracts was launched and has already been implemented in the Municipal Water Company, the Urban Transport Company, the City Business Centre and the City Council itself. It will gradually be implemented in three regional agencies and a further three municipal companies. Similarly, the electronic processing of large contracts is currently being implemented. The first electronic tender has also been carried out, thanks to which the City Council saved more than 480,000 euros on its electricity contract.

Throughout this chapter we will schematically analyse the main actions that have been carried out to implement an integrated electronic procurement platform at Gijón City Council.

The platform is used with corporate status by the City Council itself, by its three regional agencies and by the six municipal companies, and incorporates the features of the Gijón City Council e-government model, the intensive use of joint services and interoperability resources from the SARA network, and reuse, with two aspects:

- **Internal reuse:** a single platform and a single integrated model for the entire corporation.
- **External reuse:** the platform is in the cloud and can be used by any other administration by paying for unlicensed use.

Main Objectives of Implementing Public e-Tendering

1. Operational objectives:

The main strategic and operational objectives of the electronic tendering platform are:

- **To increase competitive tendering** by boosting the number of suppliers who can bid, thanks to greater publicity about the procedures
- **To save costs**, both for the provider when electronically submitting their bids and for the City Council with price reductions thanks to there being more competition
- **To improve transparency:** guarantees calls for tenders to suppliers incorporated in the procurement platform
- **Equal treatment:** of providers to ensure equal access to tendering

- **Trust, availability and security:** electronic signature application, helpdesk, resolution of queries and incidents, and guaranteed operation with an availability of over 95%. Date and time with electronic time stamp

- **Incorporates e-government instruments** by reusing the Gijón City Council integrated corporate management platform.

- **Further the consolidation of electronic services in the cloud**, the reuse of solutions and the degree of interoperability.

2. Functional objectives:

The main strategic and operational objectives of the electronic tendering platform are:

For the City Council

- **Transparency of its tendering procedures** and electronic record of operations carried out, thus favouring their subsequent audit.

- **Reduction of award costs:** by increasing competition from suppliers and incorporating innovative procedures covered by the contract law, such as electronic bids.

- **Using IT infrastructure:** tested by other administrations, with reduced costs and permanent updates.

- **Reduction of administrative and bureaucratic costs.**

For Suppliers

- Free reception of contract information that the administrations publish on the platform for subsequent analysis and presentation of bids.

- Online or telephone assistance for the presentation of bids, thus avoiding administrative costs and travel.

- Better opportunities to participate in tenders of the City Council and other public and private entities that already use the platform to manage their procurement.

The political objective is to revitalise the economic fabric of Gijón Council facilitating, swiftly and without charges, the presentation of tenders for minor contracts (in a second phase, major contracts will be incorporated) and fostering the use of e-government and e-commerce.

The current economic crisis and high levels of unemployment have helped prioritise actions that facilitate economic development in order to foster employment and self-employment. To do this, it is necessary to address a series of actions that stimulate the use of e-commerce and e-government, actions which are specified as follows:

- Suppliers are directly incorporated and identify which services, supplies or works they are able to bid for.
- Suppliers are grouped based on product, delivery times or purchase volume.
- Synergies and business opportunities are created for suppliers

Public e-Tendering in the Cloud

After evaluating various alternatives, we decided to contract an existing electronic tendering solution offered in the cloud. Its rapid implementation, cost and scalability of the evaluated solutions were decisive for making this decision. Also, some previous experience discouraged us from implementing this project as an in-house solution.

Key Project Phases

Phase 0: Incorporation of Automated Administrative Procedures

Law 11/2007, of 22 June, on electronic access of citizens to public services, defines automated administrative procedures as those produced by a suitably-programmed information system without the need for human intervention in each individual case, which includes the production of procedural steps or adjudicative procedures, as well as mere acts of communication.

Therefore, applying automated administrative procedures to public administrations can reduce the time required for the signing and optimisation of administrative procedures. Department of Finance.

To do this, according to the aforementioned law, the first step is to establish the competent body or bodies, as appropriate, to define the specifications, programming, maintenance, monitoring and quality control and, where appropriate, audit of the information system and its source code. Also, the body accountable for challenges will be indicated.

With regard to automated administrative procedures, this applies to the realisation of administrative procedures in which there is no intervention of municipal staff that are limited, for this procedure, to the application of electronic signatures or the electronic seal of the Mayor's Office, or to resolutions for minor contracts whose value is equal to or greater than 18,000 euros, excluding VAT.

For the realisation of the resolution through the figure of automated administrative procedures, it is necessary, and therefore programmed, that the accounting transaction "AD" is audited favourably beforehand, electronically signed by the Audit and Internal Control Body, and is pending final accounting. This now brings an end to the electronic signature circuit of the draft resolution that will trigger the automated administrative procedure to develop the resolution.

In compliance with Articles 18, 30 and 39 of Law 11/2007, of 22 June, on electronic access of citizens to public services, the competent bodies have been established to define the specifications, programming, maintenance, monitoring and quality control and, where appropriate, audit of the information system and its source code. The competent body has also been identified for managing service and delivery, which in this case lies with the Department of Finance.

Phase I: Electronic Procedure for Minor Contracts

- Minor contracts for SUPPLIES AND SERVICES whose value is higher than 1,500 euros and less than 18,000 euros, excluding VAT.
- Minor contracts for WORKS whose value is higher than 1,500 euros and less than 50,000 euros, excluding VAT.

The objective is to rationalise and simplify the processing of minor contracts. E-government instruments are incorporated to ensure maximum competition, openness and transparency in the processing of minor contracts. The electronic presentation of tenders and automatic evaluation thereof is incorporated into the application of objective criteria in order to achieve effectiveness and efficiency of administrative procedures and fairness amongst suppliers.

Also guaranteed are the obligations established in Royal Decree Law 3/2011, of 14 November, approving the revised text of the Law on Public Sector Contracts, regarding the obligation for award authorities to treat bidders equally and without discrimination, and to adapt their actions to the principle of transparency.

The revised text itself states that in compliance with the principle of transparency regarding awards and the effectiveness and efficiency of administrative procedures, encouragement and preference will be given to bidders or candidates using electronic, IT and online media in procedures covered by this Law.

Phase II: Electronic Procedure for Minor Contracts

After launching the electronic procedure for minor contracts, in the first half of 2014 the plan is to progressively incorporate the electronic procedure for major contracts. Several electronic tenders are also being processed at the moment.

Terms

In the final quarter of 2013 and the first half of 2014, electronic tendering was progressively introduced, thus completing Phase 0 and Phase 1 of the project (mentioned above). Minor contracts of the City Council and its public companies are now all performed electronically.

Actions taken	Descripción
<ul style="list-style-type: none"> • Electronic procedure for minor contracts (Published in BOPA) 	<ul style="list-style-type: none"> • The procedure can be seen here: https://sede.asturias.es/bopa/2013/11/09/2013-20413.pdf
<ul style="list-style-type: none"> • E-administration instruments 	<p>The following instruments have been incorporated:</p> <ul style="list-style-type: none"> • Electronic document • Electronic signature • Electronic notification • Electronic contractor profile • Electronic file • Electronic register • Reuse of public sector information: RISP - Transparency
<ul style="list-style-type: none"> • Cloud service 	<p>The Gijón City Council electronic procurement platform is pay-per-use. It has certifications of compliance with the National Insurance Scheme and ISO standards of availability and security of information systems. It is a turnkey solution: Electronic register, electronic file, economic and financial management, electronic invoicing and electronic tendering</p>
<ul style="list-style-type: none"> • Reuse 	<ul style="list-style-type: none"> • It can be used by any other public administration by simply defraying the proportional cost of its use
<ul style="list-style-type: none"> • Related services 	<ul style="list-style-type: none"> • Online support and assistance for suppliers • View electronic file • Electronic invoice
<ul style="list-style-type: none"> • Electronic processing 	<p>All services have to be performed electronically. It is a totally electronic service</p>
<ul style="list-style-type: none"> • Lower charges 	<p>All services have to be performed electronically. It is a totally electronic service</p>
<ul style="list-style-type: none"> • Training and change management 	<p>Ten training, communication and provider awareness sessions were scheduled and held. Currently more than 420 people already know how to use the platform. There is a remote support helpline including access and personalised tutoring. A device has been set up internally to provide in-situ support and assistance for each user. Internal communication and training sessions were conducted beforehand.</p>
<ul style="list-style-type: none"> • Interoperability 	<p>Use of @firma, Valide, SCSP, DEH, SIR-ORVE, REA. FACe, an e-invoicing tool currently undergoing integration trials, will soon be incorporated.</p>

Development team and Suppliers

Over the past four years, Gijón City Council has been updating its internal management systems for them to run in a web environment and work exclusively with electronic formats. These systems have been integrated, functionally and operationally, to the highest attainable standard. At the same time, its electronic certification workers have been trained in how to use their new smart cards, which certify their membership and position at Gijón City Council. Once all administrative procedures of the procurement process were successfully being processed electronically, except for tendering itself, preparation began for the systems to work with invoices submitted by suppliers in electronic form, including the creation of a Central Electronic Invoicing Registry.

All these systems are integrated into the various web services provided by the Spanish Ministry of Finance and Public Administration based on interoperability, such as the "@firma" platform or the Elimination of Paper Certificates (SCSP) system.

The last link incorporated and which completes the solution is the procurement of services on a cloud-based commercial electronic tendering platform that offers legal and technical security.

Economic Valuation

The cost of use and maintenance of the various management systems used by the Gijón City Council are included in a single global contract signed with the company T-Systems. Payment for the cloud-based Electronic Procurement Platform service, VORTAL, is via a fixed annual fee for usage.

First Results

Since beginning to publish our minor contracts in electronic form (September 2013) until 8 May, 2014, 169 minor contracts were managed through the electronic trading platform, corresponding to Gijón City Council, the Municipal Water Company, the Urban Transport Company and the City Business Centre. The main results are:

For the City and its Public Companies:

- Total savings of up to 50% on tenders already awarded. So far in 2014 the average saving of tenders managed through the platform has been 22%.
- Reduction in award time (in seven calendar days the procedure may be awarded)
- Increase in the average number of bids submitted by tender (4.9 bids per procedure in the case of the City Council)
- Access to a greater number of potential suppliers (currently more than 1,500 companies)
- Possibility of economic/financial control from the start of the administrative procedure.
- Achieving full transparency in all phases of the bid, evaluation and award of contracts.

For Bidding Companies:

The City Council has estimated a €407,000 annual reduction in administrative burdens on companies and freelance bidders. This result was obtained by applying the simplified method for measuring administrative burdens and by using the APLICA system provided the Ministry of Finance and Public Administration.

Some of the companies using the platform gave their first impressions to the local media:



"The new platform makes us more competitive and more transparent"



"You have to get used to the system, but now you do everything without moving around"

Conclusions and Next Steps

To date, the satisfaction of both public employees and bidders is high. In the coming months, the City Council is going to implement the electronic procedure for major contracts, thus completing all phases of the project.

Our goal is to become the first Spanish Public Administration to process ALL its tenders electronically, pre-empting the obligation that will be imposed by Europe. Transparency and the optimisation of resources are the main driving forces behind this project. Dedication to this project is maximum and progress is constant.

CONCLUSIONS

In these pages we have seen how the introduction of electronic tendering has been beneficial to all those involved in public procurement. Europe is obliging us, but do we have to wait the date set for Europe or should we make our own headway?

We have seen how our current legislation already enables public entities to oblige bidders to submit their bids electronically, thus eliminating the role of the whole process. The need to reduce public spending, the social demand for transparency and the excessive bureaucracy and therefore inefficiency of current public procurement processes are the perfect breeding ground to foster this change.

Enabling electronic media will save physical barriers and broaden the scope of companies' actions regardless of their size, facilitating relations with the administration and speeding up processes. It has been shown that electronic procurement has a positive economic effect, helping to reduce costs and increase competitiveness in all phases of public procurement processes, and for all players too.

The public sector has shown that it has the capacity to make this leap. In fact, it has innovated a great deal in recent years in citizen services through the Internet. Continuing with this positive trend, the next step is to bring this innovation to the relationship between government and bidders, so that everyone can enjoy the benefits already enjoyed by citizens.

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