E-GOVERNMENT AND E-PROCUREMENT

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The new information and communication technologies (ICT) allow public services to manage their resources more simply and efficiently. E-procurement is a way of implementing the potential advantages e-commerce offers. In this way, government bodies use the internet to purchase and procure goods and services from the private sector, disclose their requirements, select providers and make payments.

The role the government plays as a purchaser is enormous. It is often the largest purchaser in the country with a market value of considerable importance for the national economies. In 2002 total purchases by all levels of government represented almost 20% of national GDP in OECD countries (five billion US dollars) and approximately 14% (one billion dollars) in the others.

Although e-contracting offers obvious advantages through reductions in prices and administrative expenses, it is difficult to evaluate the investment and return of such projects. Early companies adopting e-procurement, however, report savings of between 8% and 15% and an investment that has more than paid for itself in less than a year.

E-procurement also affords greater transparency in public decision-making processes and is a dissuasive factor against hypothetical infringements of rules and corruption. In respect of administrative processes, it also enables a reduction in bureaucracy — including general expenses and funds earmarked for service administration — and of course savings in time and money. Lastly, an additional advantage is that regularly using these technologies should increase ICT knowledge among all system users.

On-line transactions are worth their cost in all public bodies. Companies though, irrespective of their size, could also feel encouraged to adopt ICTs and e-commerce practices in view of a possible contract.

Any successful implementation of government e-procurement is often the result of broad consultation with public and private sector representatives. A key objective of a strategy for all countries is to ensure a coherent approach to e-procurement in all areas of administration and that costs passed on to suppliers are as small as possible. In addition, development of an e-procurement strategy should involve a series of stages, each requiring careful examination:

- Definition of project scope and objectives
- Analysis and redesign of existing processes
- Selection of a solution or a platform
- Specification and implementation of a plan, including the necessary resources’ management and allocation and personnel training

An initial e-procurement strategy does not necessarily have to entail an overall e-contracting solution — for example e-tendering systems, e-marketplaces for goods and service procurement and a website offering a single access point for all business opportunities offered by the administration. Implementation of e-procurement could begin with a single improvement, such as providing up-to-date on-line public tender information.

Any e-procurement system requires a considerable degree of inter-operability so that no bidder may be excluded for not using the same IT system or applications as the public body. This can be resolved using open-access technologies. Similarly, free, open-access programmes do not require suppliers to adapt or convert their information to a patented format, a requirement that could increase supplier costs or impose obstacles for the smallest firms. The use of free, open-access programmes could foster the contracting of ICT...
services from local companies and strengthen local small and medium enterprises (SMEs) in the ICT industry. These programmes can also be easily adapted to local languages.

Governments could, however, opt for patented e-contracting systems. Agreements with patented system suppliers could offer a simplified method for ordering and acquiring products while enabling monitoring of IT programme licence acquisition developments.

The cost of these systems should depend on their degree of complexity: whether platforms used are intended for sales procedures such as tendering, registration of suppliers or tender management, for purchasing activities like invoicing and electronic payments, or both. An analysis of costs involved must consider those of licence purchasing (which can account for as much as 10% of general project expenses), internal and external resources, system installation and maintenance, integration of existing resource planning systems, process design, planning and adaptation to client requirements, training and communication, internal systems and bandwidth, technical updates and reorganisation. In relation to infrastructure, meanwhile, e-contracting systems could remain independent and just serve as an interface with office internal systems. This usually works as a provisional solution until full incorporation of the resource integration platforms is achieved, enabling transaction costs to be reduced as much as possible.

Goods and services traded on this type of platform are needed in all departments of an organisation and are often basic products like office material, computers and so on, as well as services like maintenance and meeting rooms and travel. Goods and services in certain departments like civil engineering services are much more specific and cannot benefit from the economies of scale needed to justify an e-procurement system’s costs.

As mentioned above, governments should bear in mind that adoption of e-procurement does not necessarily involve an entire system. They can make valuable improvements in processes, adapted to new resources available, orienting a public department towards e-procurement. For example, orders may be made by electronic mail or through an on-line order management system that extends to the entire distribution channel.

In order to evaluate the suitability of any e-procurement strategy, governments should not just analyse the efficiency benefits. They should also examine in detail how prepared the public and private sectors are in the area of IT and the suitability of partial or full procurement through these new means for its own e-government and business development strategies. This is particularly significant. It would serve little purpose to suggest e-contracting in countries where only some suppliers could benefit from its advantages and SMEs may be excluded from the e-procurement marketplace. In addition, e-procurement could trigger developments to the public body’s ICT and new technology capacity that could extend into other areas and the business community.

In any case, the respective governments should bear in mind that adoption of an e-procurement system could constitute a process of adaptation that would save resources and enable users to accumulate the necessary capacity to use it gradually. The investment should be profitable in the medium term. In the context of its e-government strategies, apart from its transaction capacity administrations that have still not introduced these systems could consider the possibility of improving interaction between government and business by providing tender forms and information and encouraging the awareness of the business community and registration of possible suppliers. Establishment of a transaction service portal could be a long-term objective resulting from general reforms aiming, firstly, at consolidating and rationalising public procurement and contracting and, secondly, at increasing transparency.
References and links

- International Chamber of Commerce (http://www.iccwbo.org/home/menu_electronic_business.asp)
- IDABC (European Interoperable Delivery of European eGovernment Services to Public Administrations, Business and Citizens) (http://europa.eu.int/idabc/)