

STRATEGIES FOR SMES TO WIN PUBLIC TENDERS ABROAD

Joint work of the TENDERIO, PPACT, SESAM and IPPON project.

Type of "Tactic"

States what the tactic is

 Submission of an "Expression of Interest" and upon the "Invitation to participate to tender" subcontracting or partnering with a company which has not expressed an interest before (and therefore, in many cases is not eligible to bid) and is best positioned to do the job

 Using a benchmarking service and teaming up with previous winners.

 In certain tenders, the quality/price ratio is (still) 60/40 motivating companies from lower income countries (Eastern and Central Europe) to apply.

 Consortium based approach

 Teaming up with large companies

 PPACT Bidding Teams following a Consortium based approach

 Participating as partners in PCP (pre-commercial procurement) or PPI (Public Procurement of Innovative Solutions) or replying to PCP / PPI tenders

 Replying to "green procurement" tenders

 Bidding for a public contract published by an international organisation, such as the UN, AFD, OSCE, ERBD, etc. (Statistically, the number of offers received by these procurers is lower compared to the tenders at national or regional level).

Brief Explanation

Briefly describes the tactic

There was an expression of interest (prequalification notice) published by a procurer inviting a number of service providers to submit their offers for supplying a Media Contact Database for the EFSA in Italy.

A benchmarking service (amongst others) is offered by the Tenderio project (see here: <http://www.tenderio.com/benchservice.html>). With this service, any company can benchmark their business against companies which have been successfully awarded contracts, in the segment or the sector related to their expertise. This will give them insight into best practices, and how to improve their chances of submitting offers that will ultimately yield success. Furthermore, companies will have the opportunity to use this service to identify opportunity niches in the market. Such valuable information can be used to develop opportunities in often overlooked market segments, where the potential for growth for them through successful bidding is greatest.

The SMEs located in lower income countries can specifically search for tenders where the financial offer has a greater weight.

Before a call for tenders is published, a core group of companies which have worked successfully with each other in the past sets up a 'nucleus' of the consortium. Once the tender specifications are known, they may invite other partner(s) in order to fill in the missing competences or references.

An SME identifies a large company with the necessary resources and capacities, offering them a value in return for which they submit the tender together (and therefore significantly increase their success chances).

PPACT launched a strategy to foster Bidding-Teams (BT) in 5 Smart city segments (Transportation, Energy, Water, Waster and Housing) and throughout its European-wide network (5 regions directly involved, UK, Ireland, Italia, Ile de France and Catalonia, and some other collaborating, such as Hungary and Belgium). Up to 37 companies provided the 3 project references required (of either national or international projects). TheReferences's template used the standard EU format, with Profile of Bidder, Tenderer, Details of Tender and Services provided. For a successful when tendering it is key (and not a minor challenge) to have a Leading Partner/Prime as a tractor: this is either a company with international experience or one with, at least, a leading role in national public sector projects, with an orientating turnover of €10m. Each Bidding Sector Team should appoint a sector coordinator(s), ideally a staff of one (or more) of the companies within the Bidding Sector Team, to ensure that someone with knowledge of the sector helps the PPACT in coordinating the group from a technical perspective. To ensure that BT go further and give shape to real consortia able to bid, we offered Mentoring services, to address specific skillset needed by firms, such as preparation of references, how to do pre-bid agreements, and also on submitting Expressions of Interest and Technical proposals.

If targeted solutions or products are not yet available on the market, a Pre-Commercial Procurement (PCP) project may be a useful opportunity to find a solution for a defined problem. In a PCP project, the international procurer consortium contracts a three-stage research project (feasibility study, prototype development and prototype test), in which companies can provide demand-driven tailored R&D services.

EU funding is up to 90% of the costs of purchasing for the demand-driven development of innovative solutions, and indirect costs are funded with a flat rate of 25%. International consortia of at least 3 independent legal entities from different EU member states or countries associated to Horizon 2020 are eligible to apply, at least 2 of them have to be independent public procurers. In PPI, public procurers act as "first-time buyers" for innovative products and services that are already available as test products or that have been newly launched. The R&D phase of the products must already be completed at this point. The consortium of procurers defines the criteria for the selection process and publicly announces the innovation to be procured. EU funding amounts to up to 35% of the costs of procuring the innovative solution or products, while indirect costs are funded with a flat rate of 25%. International consortia of at least 3 independent legal entities from different EU member states or countries associated to Horizon 2020 are eligible to apply, at least 2 of them have to be independent public procurers.

Companies with particular technological know-how or particular expertise can check out for interesting PCP or PPI tenders. More information:

<https://ec.europa.eu/digital-single-market/en/news/innovation-procurement-power-public-purse>

The trend in public procurement is away from "price" as the only awarding criterion. For a lot of entrepreneurs this means a better opportunity to win the contract, because they can win the competition thanks to high-quality and sustainable products.

Public procurement funded by international funders are a major development opportunity for enterprises: this market represents more than \$142 billion per year. One of the advantages is that many of these tenders are published in English language.

Real Life example

PEDAL Consulting (SME), located in Slovakia, identified the opportunity and answered the call to the expression of interest based on which it was later invited to prepare the full offer. When preparing the application, this SME did not have the technical expertise to execute the tender. So it looked around Europe for a company best suited to execute the tender. This company was found in England. PEDAL subcontracted this SME to do the job as it was best positioned to implement the tender and tender specifications allowed this. PEDAL won the tender in Italy and they are implementing the project together with the subcontractor in the UK.

Here, an SME in Romania being interested in applying for a specific tender used the benchmarking service to know who won a similar tender in the past, where they were from and the offers they received. Once they gathered all the requisite information, they reached out to the former winner from Slovakia offering to partner with them to answer the current call with an offer of some value addition to the process and when they reached an understanding, they answered (and won) the call together.

In 2014, an SME from Central Europe participated in such a call (for DG CONNECT) – being able to meet the basic thresholds required in the tender specifications and was able to win the tender due to the price offer. The price it offered was lower than what the competitors were willing to do and even though it scored less in the qualitative part, the low financial offer secured them this contract. Nevertheless, the financial offer they submitted was still economically advantageous for them.

Estonian, Slovak and Portuguese companies, which have worked previously successfully on the various EU funded (Horizon 2020) projects identified relevant calls published by DG CONNECT. The time for the preparation of offers was rather short, but since they had the majority of the necessary references and documentation ready from the past collaboration, they decided to invite one more domain expert and submitted the proposal successfully within the deadline.

An SME in Central Europe contacted a large enterprise in Greece with the offer to form the consortium and answer a tender for the European Commission together. Normally, a large enterprise would probably decline the offer due to the fact that they have all the necessary resources and there is no need to share the eventual profit with other partners. However, thanks to the right timing and the strong arguments, the large company agreed to form the consortium and submit the bid together. In terms of the timing, an SME approached them only 10 days before the deadline (which is normally not enough time to prepare the winning offer 'from the scratch'). Another aspect was that the whole burden of the bid writing was on the shoulders of an SME. Therefore, a large company did not really take any risk while an SME significantly increased their chances to be successful thanks to the teaming up with this large enterprise.

During the lifetime of the PPACT, three Pre-bid cross-border agreements have been signed by subsequent Consortia, in order to address existing tenders. To date, one of those bids was not won, whereas the other two still remain to be awarded.

We expect more pre-bid agreements to be fostered after the end of the Project, and eventually some of them resulting in new contracts.

We will follow up on all of them, providing them with further assistance, including additional services, such as the new acquired skills in the Tender Review Service methodology.

<https://www.innovation-procurement.org/ppi-in-action/>

(see also the factsheet produced by SESAM: <http://en.parp.gov.pl/publications/ebook/119>)

Green public procurements demand certain ecological /environmental friendly features or effects. It is usually proved by certification of built-in / materials, components, equipment, provided by manufacturers. This is not problematic for SME's. Problems for SME's arise when tenderers demand international certification such as SIST EN 45011 / ISO 65 / ISO 14001 / EMAS scheme, which are very costly and often unreachable for SMEs. In Slovenia SME's are dealing with this problem by joint bidding with companies with appropriate certificates. After the simplification of green PP system in Slovenia from April 2018, there are known cases when SME "proved" the suitability of service and ensuring of demanded environmental effects simply by providing the "statement of accordance of service". This is possible because the supervisory institutions do not have the capacities or practices for assessment of these statements - yet. (See also the fact sheet produced by SESAM. Available under: <http://en.parp.gov.pl/publications/ebook/120>)

The International Investment Bank based in Moscow, Russia issued a tender seeking for the consulting services for their client in regard to the verification of its innovative products and their suitability for agricultural production in Vietnam. The SME located in Central Europe submitted an offer according to the tender specifications and secured this contract. (see also the fact sheets produced by SESAM: <http://en.parp.gov.pl/publications/ebook/117> and <http://en.parp.gov.pl/publications/ebook/118>)