e-Procurement
Best practices in Public Procurement

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Procurement can mean different things to different people

--- "Your self-esteem might improve if you got a job"

As what?

There's an opening in our procurement department you'd be perfect.

What does procurement do?

Their job is to prevent us from getting the computers we want.

Can I hit people with my tail?

In procurement, I'm afraid the equipment you want is not on the approved equipment list.

Let me think... if I add this to the approved list, that's more work for me. But if I say no, it's more work for you. Hmm. Think, think.

I'd like to see this alleged list.

Well, it's not so much a physical list as it is a philosophy.
What is e-Procurement

- e-Procurement is the application of technology to public procurement
- An e-Procurement implementation strategy is a management and reform program
- It applies to the acquisition of works, goods and services
- Objectives include to improve efficiency and management
What e-Procurement is NOT

- e-Procurement is not a software program
- e-Procurement is not centralization of procurement
India experience

- Early Movers
  - DGS&D, Indian Railways
  - Andhra Pradesh
  - ONGC, GAIL, BHEL

- Increasing adoption
  - All Central Ministries
  - Karnataka, Rajasthan, Tamil Nadu, Orissa, Goa, Delhi, Chattisgarh, HP

*e-Procurement is a mission mode project under eBharat project funded by the World Bank*
Begin goals are different

E-GP

GOVERNANCE
- Transparency
- Accountability
- Integrity
- Public Confidence

EFFECTIVENESS
- Efficiency
- Informed Management
- Value-for-money
- Quality Outcomes
International experience

Governance
Italy, Brazil, Australia, Thailand, India

Efficiency
United States, UK, Germany

Economic Growth
Hungary, Korea
Illustration: GePS, Korea

PPS Operation

Public Organizations (Buyers)

Private Businesses (Suppliers)

Use

Integrated notice

Portal

e-Procurement system

Supplier supporting service

Unit contract system

User registration

E-Guarantee

Supplier’s Performance

E-Payment

Surety insurance

Ministry of Finance And Economy

Construction CALS

Goods classification system

Contracted products catalogue

Commercial products catalogue

Documents distribution and outside linkage

Linkage

Certification-Related agencies

Construction-related Associations

Korea Financial Telecommunications & Clearings Institute

Ministry of Government Administration and Home Affairs

Construction CALS Linkage
• GeBIZ is an Integrated One-Stop Electronic Business Centre which provides a convenient channel for Public Sector officers to interact with their trading partners for procurement and revenue tender activities & enables suppliers to trade with the entire Government.

• Joint collaboration between Min of Finance, Defense Science & Tech Agency and Infocomm Development Authority of Singapore.
Dimensions of e-Procurement

Leadership

Technology

Process Re-engineering

Change Management
Technology

- Relates to technological standards and rules
- Benefits all stakeholders
  - Transactional efficiencies
  - Improved access & management of information
  - Easier document transmission
- Standard processes
Business Process Re-engineering

e-GP is more a business initiative aimed at procurement reforms rather than a technology implementation, leading to:

- Simple, consistent, modern processes
- Enhancing management and audit data
- Better supplier management
- Efficiency, security and lesser need for discretion
- Improved understanding through structured training/capacity building initiatives
Change management

Most critical dimension for success of e-GP reforms

- Business leadership
  - Process dimensions
  - IT dimensions
- Institutional arrangements
  - Responsibility & Accountability
  - Training & capacity building
- Stakeholder participation
Elements of e-GP strategy

- Policy
- Platform
- Process

Information & Comm Technology
Business Process Re-engineering
Change Management
Where to start?

There is No Single Starting Point
Scope of e-Procurement

UPSTREAM

Supplier Selection
Ordering
Submission
Publication
Notification
Feedback
Monitoring
Payment

DOWNSTREAM

Procurement Need
Procurement Need
Sub Elements of e-Procurement process

- Government procurement processes require four different systems
  - Contract Development
  - Tendering or Bidding,
  - Purchasing or Quoting,
  - Contract Management or Execution
The functionality is complex (but not excessively so) and there is more than one possible starting point.
Phased implementation

Phase 1
- Information Service
- Tender Advertising
- Document Down-Loads
- Results Disclosure
- Bid Qualification
- Bid Up-Loads
- Bid Processing
- etc

Phase 2
- Contract Management
- Contract Development

Phase 3a
- Catalogue Purchasing
- Framework/Rate Contracts
- Online Transactions
- Online Workflow

Phase 3b
- Online Bidding
- Reverse Auctions

E-Tendering
E-Contract Management
E-Purchasing
Typical Implementation Schedule

Year 1
- Analysis & Scoping
- Central Site, Tenders
- Results & Plans
- Auto Search
- Policies, Reg & Guides
- Standard Documentation & Templates
- Bid Documentation & Plans
- Bid Submissions
- Online Payments
- E-Contract Management - Construction
- Goods & Services Catalogues
- Price Models
- Purchase Orders & Information
- E-Transactions
- Reverse Auctions

Year 2

Year 3

Enabling Strategies – Infrastructure Enhancement, Business / Gov Connectivity & Awareness, Legislation, HR.Policy, etcetera
Value Added Services

- Contract Management
- Procurement (E-Purchasing)
- Government Electronic Market Registries Catalogues
- Electronic Tender Lodgement
- Email Alerts
- Queries & Advice
- Tender Advertising
- Policies & Legislation

Contract Development

Web Based Contract Management

Governments

Departments
- Department A
- Department B
- Department C
- Department D
- Department E
- Department F
- Department G

Businesses
- Business A
- Business B
- Business C
- Business D
- Business E
- Business F
- Business G
e-Procurement Separate Portals

Departments
- Department A
- Department B
- Department C
- Department D
- Department E
- Department F
- Department G

E-GP Portals
- www.Version A
- www.Version B
- www.Version C
- www.Version D
- www.Version E
- www.Version F
- www.Version G

Businesses
- Business A
- Business B
- Business C
- Business D
- Business E
- Business F
- Business G
Financial Integration

- Legacy Systems
  - Finance management centric
  - High set up & maintenance cost

- Financial Systems

- E-Procurement
  - Open standards based
  - Market centric
  - Web systems

- Existing Banking Infrastructure

- Purchasing / Commerce Cards

Process mapping
Must haves

• Vision and leadership
• Have a strategy with objectives
• Small Business friendly
• Management not technology
• Get right expertise
• Needs vs. vendor driven (don’t listen to vendors until you know more about your needs than they do)
Must haves

• International standards based
• Small steps not big bang
• Education & training are essential
• Understand full scope including workflows, data captures, etc
• Customize departmental needs around common core architecture
What works (and what doesn’t)

Fail Markers
- Multiple sites
- Devolved strategy
- Technology driven
- IT implementation
- Closed standards / closed access
- Vendor driven

Success Markers
- Central site
- Leadership strategy
- Objectives driven
- Procurement reforms implementation
- International standards / open access
- Needs driven
e-GP is a journey
Further references

- MDB e-GP guidelines

www.mdb-egp.org
## Illustration: Time Savings

<table>
<thead>
<tr>
<th>Activity</th>
<th>Paper-based</th>
<th>Web-based</th>
</tr>
</thead>
<tbody>
<tr>
<td>500 A4 pages mailed to 9 suppliers</td>
<td>4.500 pages</td>
<td>1.4 Mb disk space</td>
</tr>
<tr>
<td>Preparation of tender</td>
<td>12 hours</td>
<td>0.5 hour</td>
</tr>
<tr>
<td>Data capturing – 10 fields per record at avg. 5 characters per field at 0.5 second per character for 2.000 items and 9 suppliers</td>
<td>125 hours</td>
<td>1 hour</td>
</tr>
<tr>
<td>Evaluation and what-if scenarios on 18.000 records</td>
<td>40 hours</td>
<td>1 hour</td>
</tr>
<tr>
<td>Contract preparation and other documents</td>
<td>8 hours</td>
<td>0.5 hour</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>185 hours</td>
<td>3 hours</td>
</tr>
</tbody>
</table>