

Concepts of e-Procurement

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Overview of Presentation

1. e-Government Concepts
2. Issues in Public Procurement
3. What is e-Procurement?
4. Components of e-Procurement
5. Challenges in e-Procurement
6. Examples of e-Procurement
7. Critical Success Factors

About e-Government

What is e-Government ?

It is the
Transformation of government
to provide

Efficient
Convenient &
Transparent
Services
to
the *Citizens & Businesses*

through
Information & Communication Technologies

Essence of e-Government

Enhanced Value for Customer

Computerization is not e-Government

Computerization is about *Automation*

e-Government is about *Transformation*

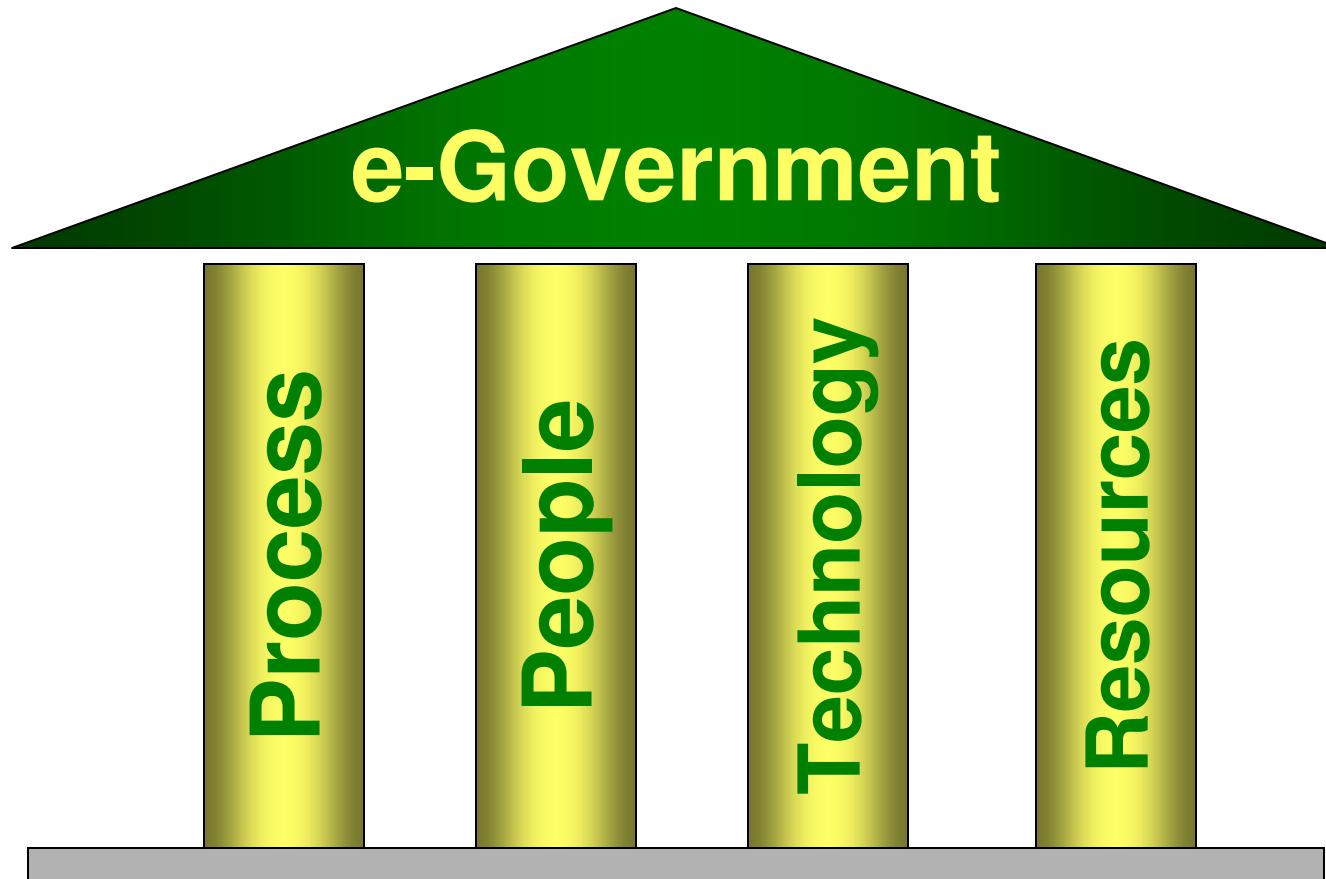
Computerization is *Output*-based

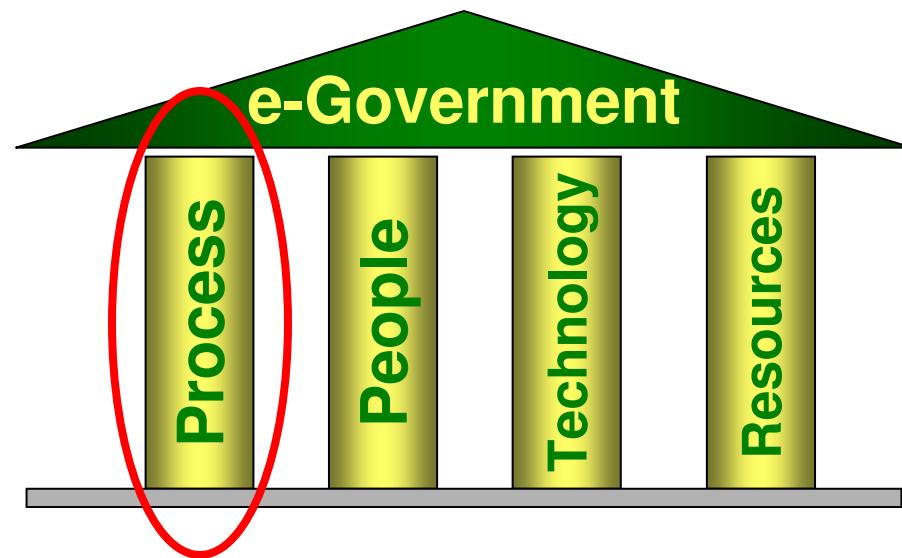
e-Government is *Outcome*-based

e-Government is NOT about 'e'

... but about Government !

The Four Pillars of eGov





5 Lessons in Process Transformation

Process

Lesson # 1

Don't TRANSLATE a process

TRANSFORM a process !

Process Lesson # 2

Service is Paramount

Process is subordinate.

Focus on Services, Service Levels

Process

Lesson # 3

Look at Best Practices

... if you don't find any,
INNOVATE

Process

Lesson # 4

Think Big,
Start Small,
Scale Fast

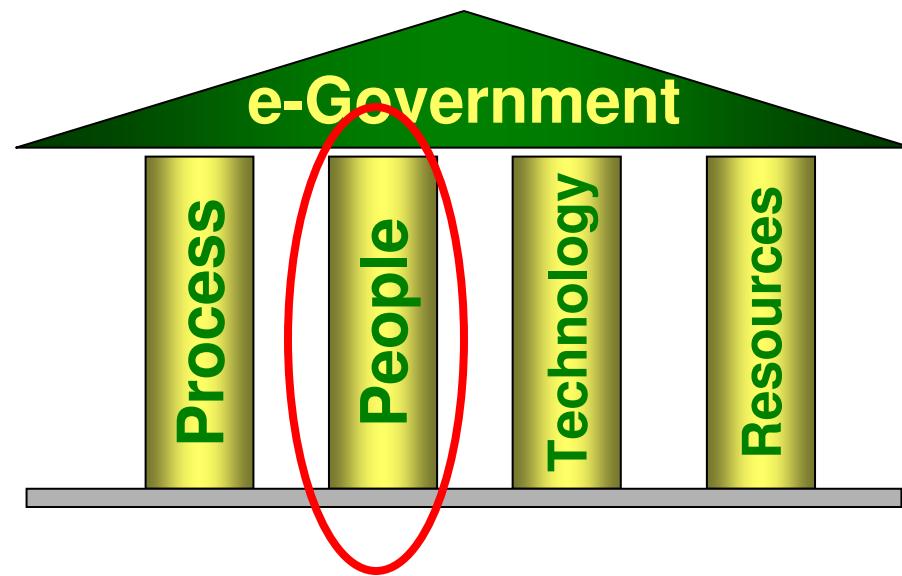
Big Bang Approach has pitfalls

Process Lesson # 5

Parallel runs ensure failure of
e-Government efforts

Manual Systems overtake Digital Systems

Kill inefficient alternatives



3 Lessons
in
Transforming People

People

Lesson # 1

e-Government is

..Of the People,
By the People,
For the People

.. Inform them, Involve them &
Incentivize adoption

People

Lesson # 2

BPR and Change Management are
Two Sides of a Coin

Design an appropriate
Change Management Strategy

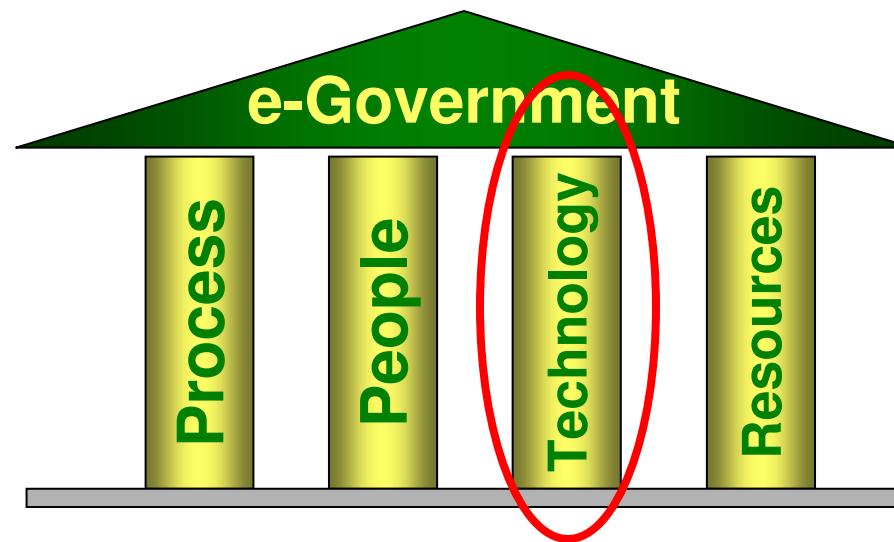
People

Lesson # 3

Build Capacity at 3 Levels ...

Policy Level
Management Level
Operational Level

.. It costs only 5-10% of project outlay



2 Lessons
in
Managing Technology

Technology Lesson # 1

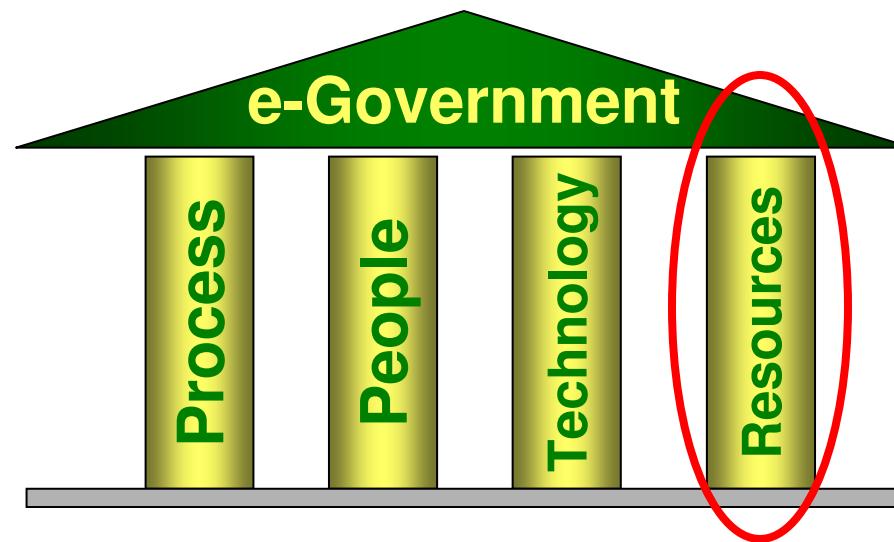
Adopt Enterprise Architecture

Avoid piecemeal approach

Technology Lesson # 2

Prescribe & Follow
Open Standards

Ensure sustainability, competition.



*2 Lessons
in
Managing Resources*

Resources

Lesson # 1

Explore PPP

*Combine Efficiency &
Customer Orientation
with
Accountability*

Resources

Lesson # 2

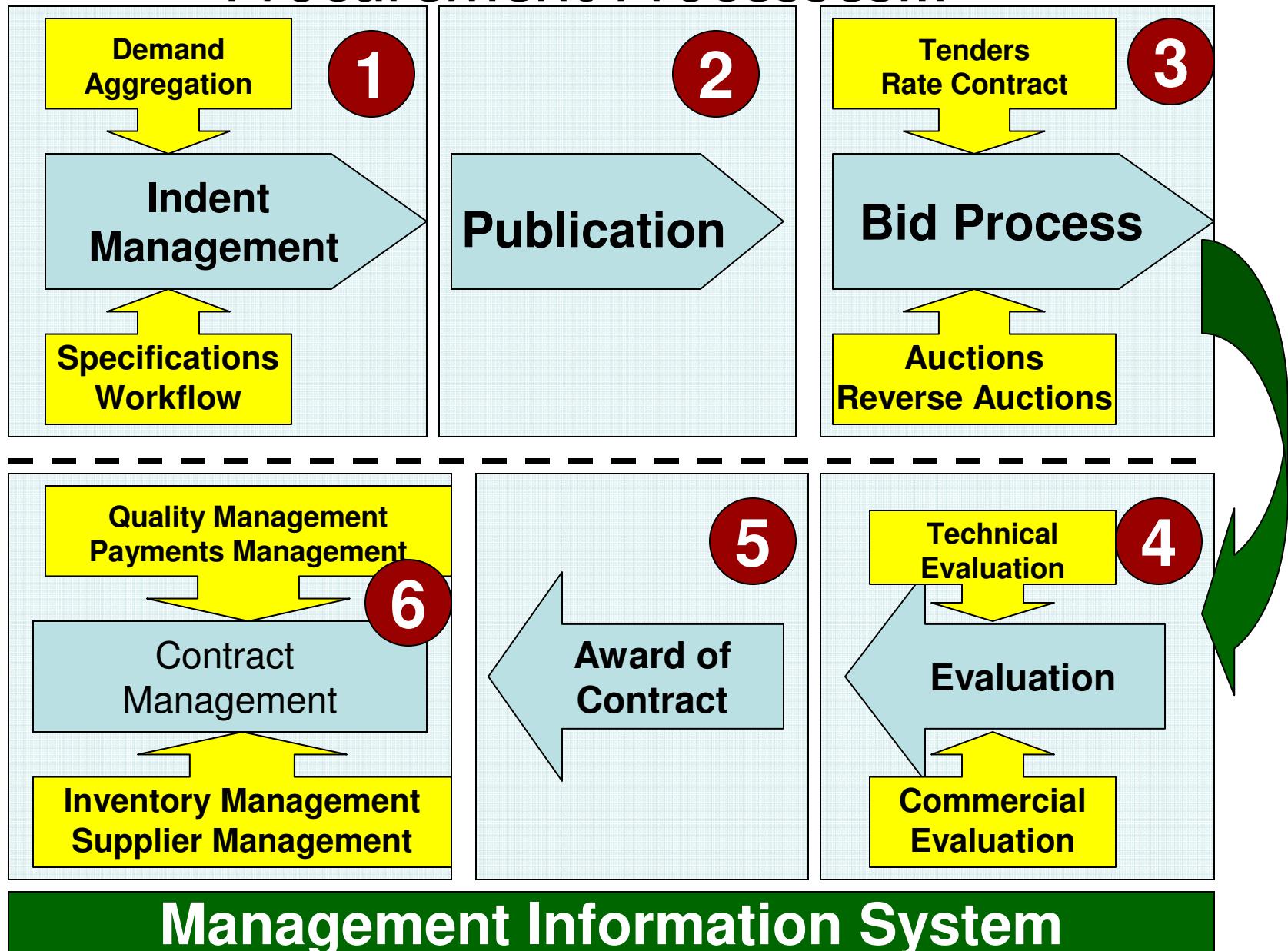
User Charges can be a
powerful resource

*Ensure Sustainability &
Value for Money*

e-Procurement

- *efficiency & transparency*

Procurement Processes...



Issues in Public Procurement

- Lack of a common Public Procurement Policy
 - Public Procurement Law and regulations
 - Dedicated Agency
 - Transparency in Procurement Act
- Lack of model bidding documents and contract documents
- Complicated procedures for bidding, approvals and payments.
- Lack of skilled resources
- No centralized system of registration of suppliers
- Delays in making payments to suppliers

Categorization of Procurements

- By Category of Goods & Services
 - Goods
 - Services
 - Civil Contracts
- By Nature of Procurement
 - Tenders
 - Rate Contract & Catalogue Buying
 - Auctions, Reverse Auctions
 - LCB, NCB, ICB
- By Size / Volume of procurement
 - High Value, low volume
 - Low value, High Volume
- By Portfolio of services needed
 - Requisition, Bid Process
 - Evaluation, Award, PO
 - Supply, Quality check, Inventory Management
 - Payment, Accounting, Audit
 - MIS, EIS

What is e-Procurement ?

It's a collaborative procurement of goods, works and services using electronic methods in every stage for bringing in efficiency & transparency

Objectives of e-Procurement

- To act as the catalyst for procurement reform
- To enhance transparency, monitoring and control in procurement process
- To bring in economies of scale through aggregation of demand
- To reduce cost of doing business for both government and suppliers
- To establish level playing field and “fair” competitive platform for the suppliers

e-Procurement
brings in
Transparency &
Efficiency

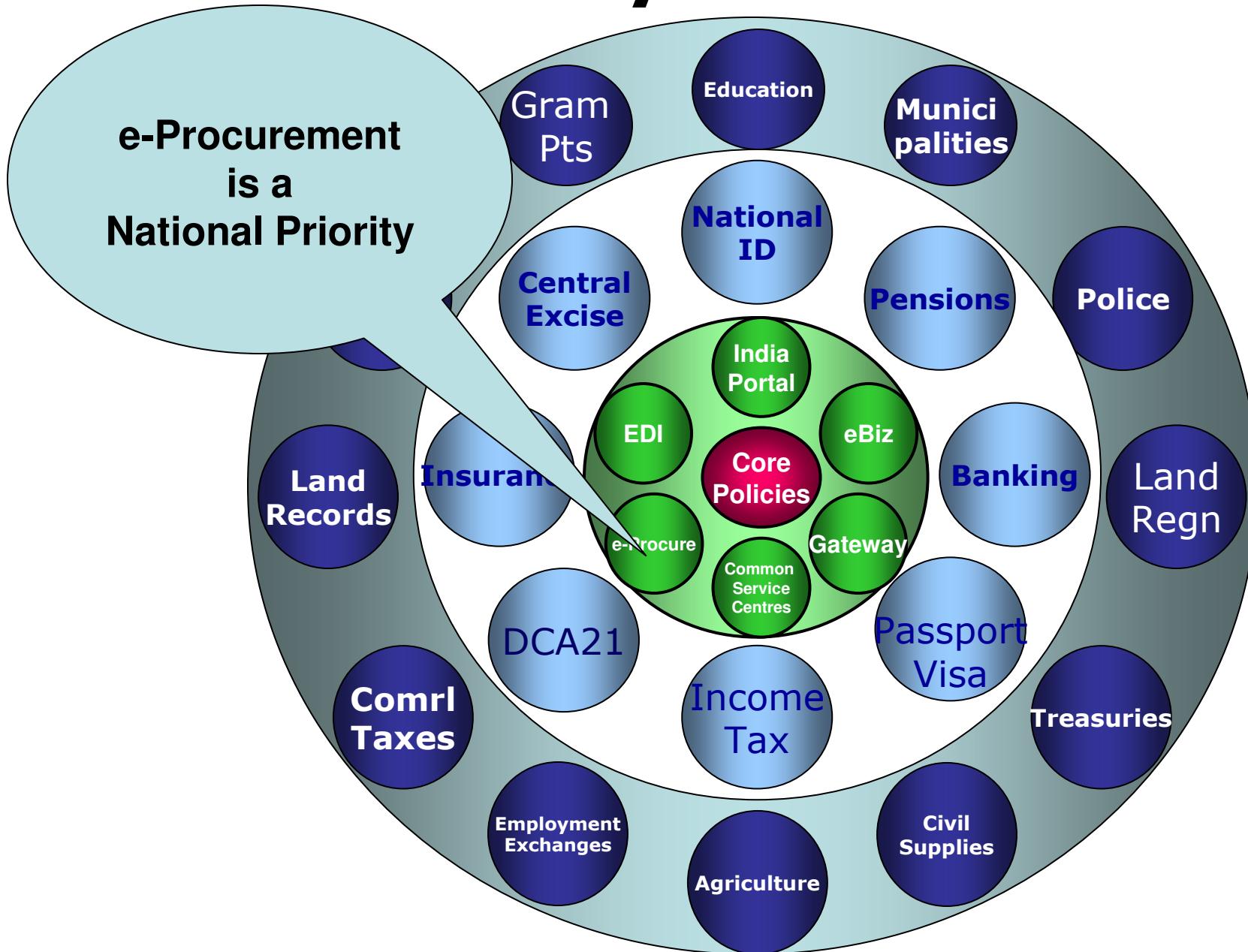
Transparency in public procurement

1. **WHAT** is being procured ?
2. **WHO** is eligible to bid?
3. **HOW** to bid ?
4. **WHAT** are the evaluation criteria ?
5. **WHO** has got the award ?
6. At **WHAT** cost ?
7. **WHAT** is the quality of work/ product/ service ?

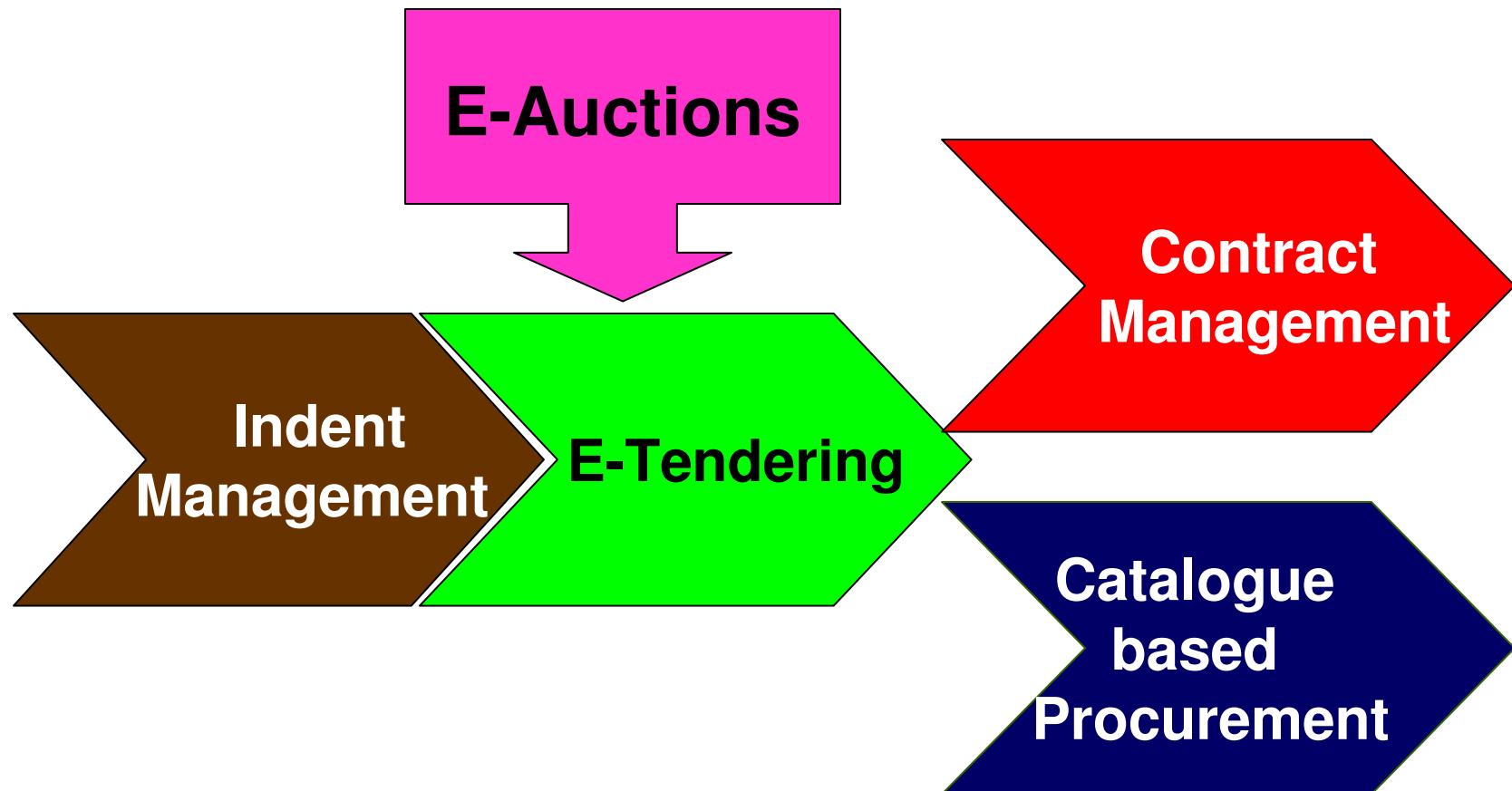
Efficiency in public procurement

1. Clear Specifications
2. Ease of Registration / Bidding
3. Speedy Evaluation
4. Efficient payment system
5. Strict Quality Checks
6. Cost Effectiveness of Procurement
7. Cost Savings in procurement spend
8. Accountability of public functionaries

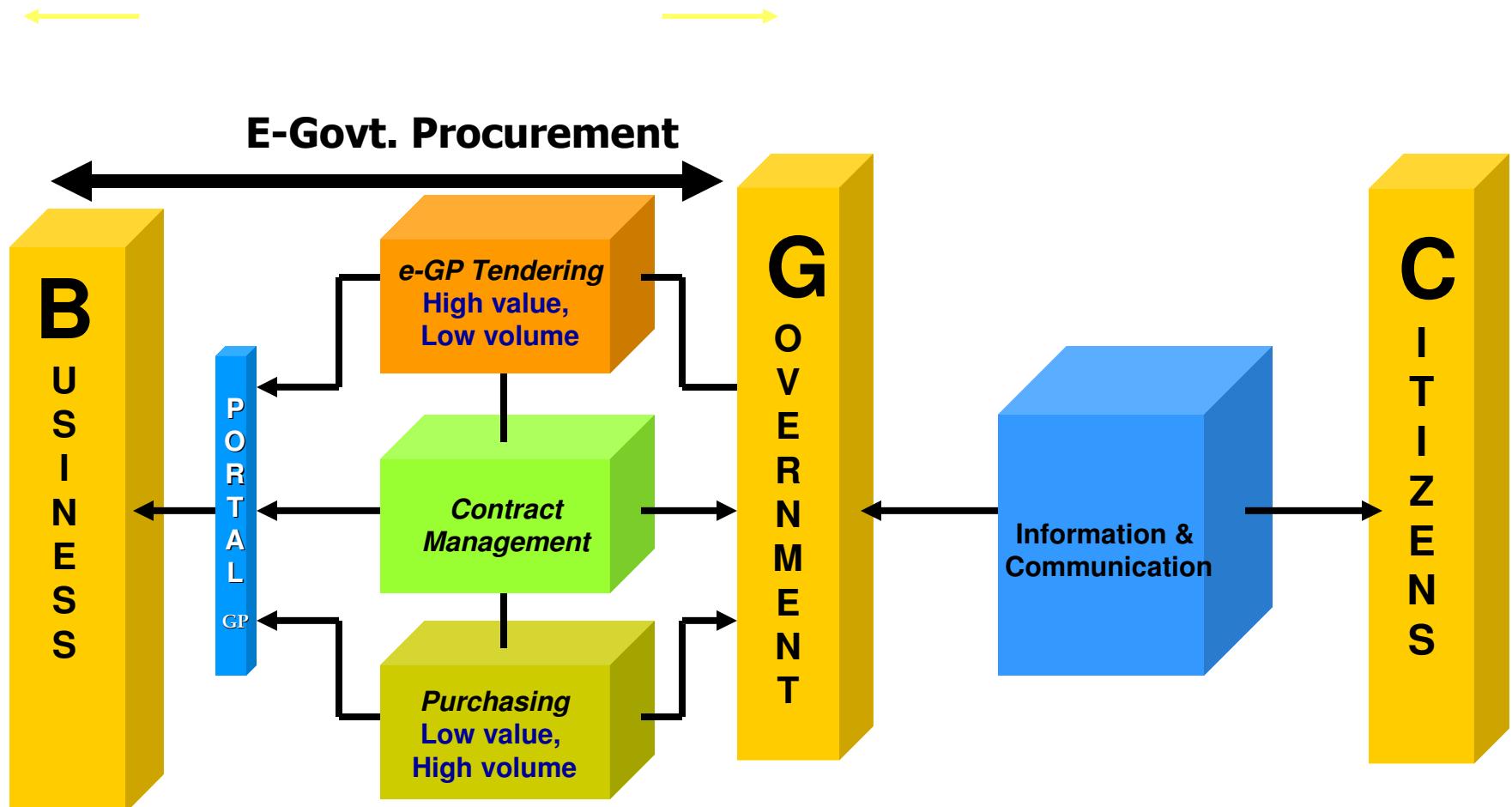
A Bird's Eye View of NEGP



Components of e-GP



Functional View of e-GP



Features of Supplier Registration Module

- Enables online registration of suppliers/ contractors
 - of different categories
 - of different classes
- Maintains a database of the list of suppliers
 - with their qualifications & infrastructural capabilities
- Stores Information about
 - Projects undertaken
 - Supplier performance data
- Registration module is used to
 - enable suppliers to tender online
- Blacklisting of suppliers is done in a centralized manner

Features of Indent Management

- Preparation of Estimates & Design Documents
- Administrative Approval & Technical sanction
 - including the workflow involved
- Collation of Demand of different field units
 - in rate-contract procurement
- Preparation of NIT

Features of e-Tendering

- Publication of NIT
- Uploading of Tender/ RFP
- Downloading of Tender documents by contractors/ suppliers
- Online submission of tenders by bidders
- Opening of bids
- Auto-bid evaluation
- Publication of award
- Technical bid evaluation is sometimes handled manually
 - automating this requires a well-functioning contract mgmt. and supplier mgmt. modules

Features of e-Auction

- There are two types of auctions
 - forward auctions e.g auction of assets
 - reverse auctions – online bidding
- In forward auctions, the price line goes upwards
- In reverse auctions, the price line goes downwards
- e-Auction may be used to select the L1 / H1 bidder
 - after technically qualified bidders have been identified.

Features of Contract Management

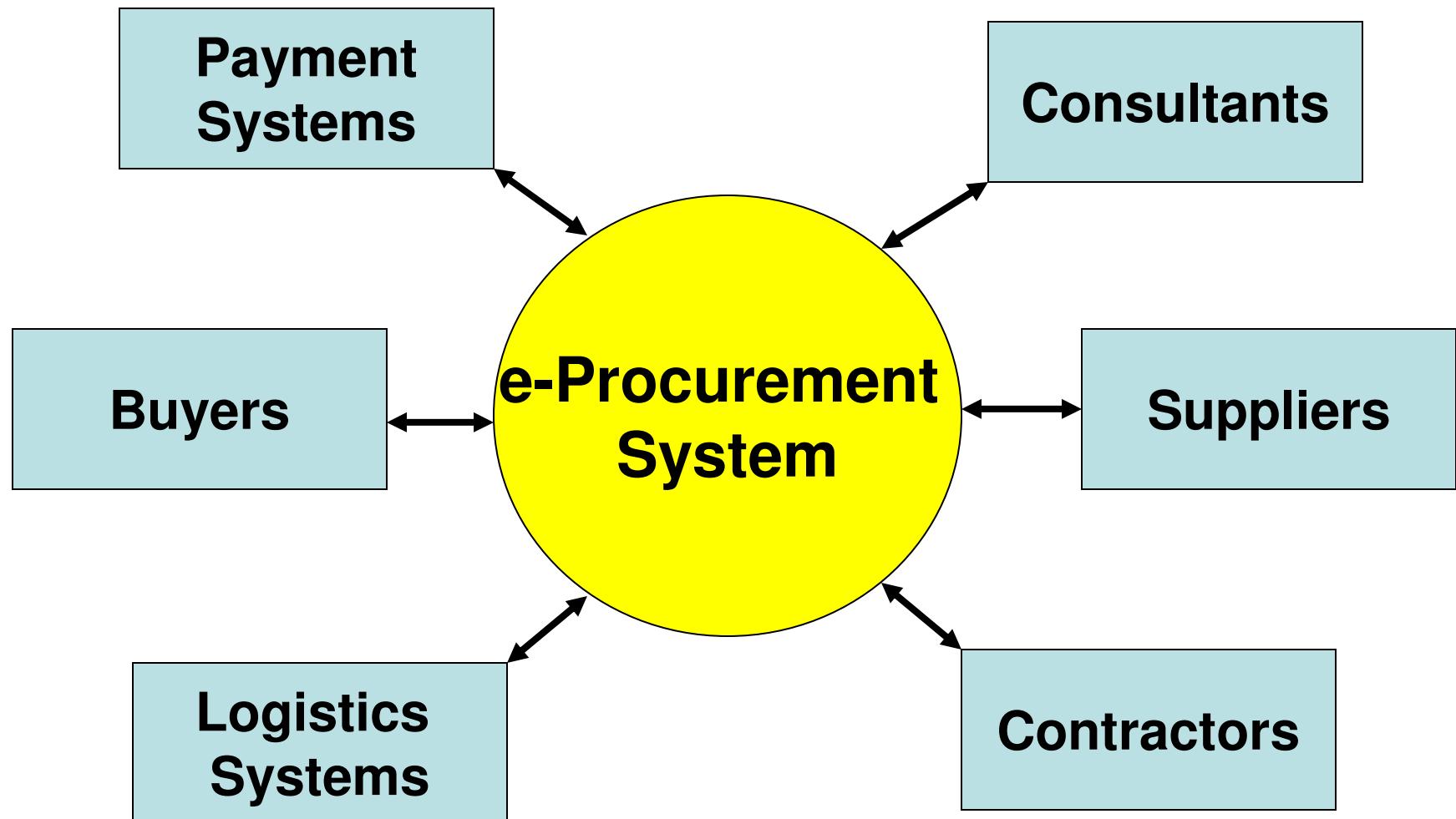
- Useful in managing the contract from award to completion of supply/ completion of work
 - mainly used in the Works departments
- Handles activities such as
 - Measurement of Works
 - Quality Inspections
 - Payments
 - Monitoring progress of works
- Measurement book is maintained online
- Workflow involved in making the payment to suppliers is also done online.

Features of Catalogue Procurement

- Relevant for the procurement of goods of large volume but small value , as per demand
 - Medicines, Stationery, Educational aids
- Rate contract information is posted in an e-marketplace.
 - End-users log into the e- market and place an order using the rate contract module
- The goods sought by End-users are delivered directly to their location
- Workflow involved in authorizing a purchase and making the payment is handled online
- Demand aggregation is an important feature

Challenges in e-Procurement

e-Procurement Scenario



The Buy-side Issues

Issue	Approach
Complexity of Procurement Procedures	Procurement Reforms
Wide Range of items to be procured -Goods -Works -Services	•Conduct an ABC Analysis •Select 'A' items initially
Organizational Resistance	Change Management
Lack of IT Skills among employees	Training
Lack of resources with Government	Public-Private-Partnership

The Sell-side Issues

Issue	Approach
Difficulties in changing over to new systems of tendering	Supplier adoption
Low levels of technological skills	<ul style="list-style-type: none">•Training•Help Desk
Difficulties in access to site	E-Procurement help centres
Resistance to change	Change Management

The 'e-Procurement system' side

Issue	Approach
Difficulties in establishing & maintaining the system	By sharing responsibility through PPP
Lack of Financial resources for maintenance & transaction handling	<ul style="list-style-type: none">Designing appropriate business modelLevy of service charges
Concerns of <ul style="list-style-type: none">Confidentiality of bidsAuthenticity of bids	Digital Signature Certificates
Varying requirements of Multiple Departments	<ul style="list-style-type: none">Process ReformsStandards-based system

eProcurement – Some Examples

International Experiences



**Public Procurement
Service, Korea**



GeBiZ, Singapore



Gatetrade, Denmark



State of North Carolina, USA

National Experiences

State of Andhra Pradesh

State of Chhattisgarh

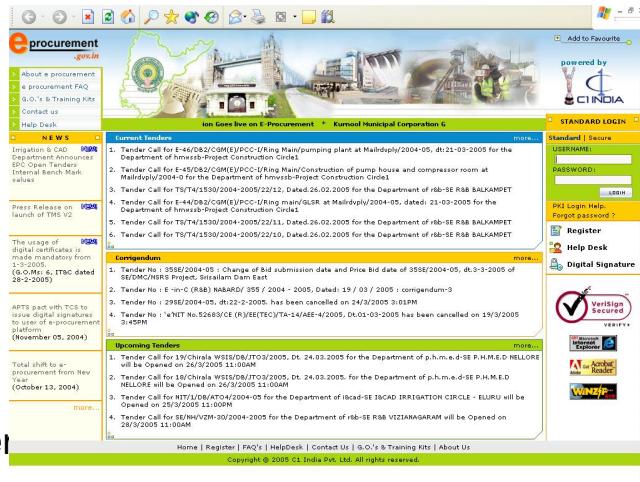
State of Karnataka

Indian Railways

National Informatics Center

Example: Govt of Andhra Pradesh

- Hosted by C1 India Pvt. Ltd.



eTendering

- Displays Tender Notices
- Contract Award Notices
- Submitting queries of Tender
- Submitting Tender Offers
- Open Tendering
- Selective Tendering
- Single or Restricted Tendering

eAuctions

- Forward auction
- Reverse auction

General Features

- Online Registration for Vendors
- Web based secure access (PKI) enabled for vendors and buyers
- Training kits and FAQs online

Departments covered

- Irrigation
- Panchayat Raj (Engineering)
- Andhra Pradesh Tech Services
- Roads & Buildings
- State Road Transport
- AP Health

Example: Hong Kong Government

- ❖ Hosted by government supplies dept.(GSD)

- ❖ eTendering
 - ❖ Displays Tender Notices
 - ❖ Contract Award Notices
 - ❖ Submitting queries of Tenders
 - ❖ Submitting Tender Offers
 - ❖ Open Tendering
 - ❖ Selective Tendering
 - ❖ Single or Restricted Tendering



General Features

- ❖ General T&C for govt. supplies dept.
- ❖ Online Registration

Products & Services

- ❖ Chemicals & related products
- ❖ Electrical Equipments
- ❖ Leather and Rubber products
- ❖ Machinery including pumping equipments
- ❖ Medical items
- ❖ Road Vehicles
- ❖ Textiles, garments etc.

Example: US Federal Government

- ☞ Managed & Administered by GSA Federal Technology Services
- ☞ Uses the best technology available in the commercial space

- ☞ Private Auctions (Reverse auction)
 - ☞ Real time dynamic price negotiations
 - ☞ Creates dynamic competition
 - ☞ Used for any procurement where price/performance tradeoffs can be easily evaluated



- ☞ eFast
 - ☞ Used for procuring commodities
 - ☞ Has aggregation capabilities, individual small quantities can be grouped with substantive quantities
 - ☞ Bulk purchases

- ☞ Quick Quote
 - ☞ Issuing of RFQ and receive quotes
 - ☞ Shopping cart used for bulk transfer to private auction for procurement
 - ☞ Used to procure complex & hard to find services & direct procurement goods
 - ☞ Examples: construction projects, production materials, temporary staffing

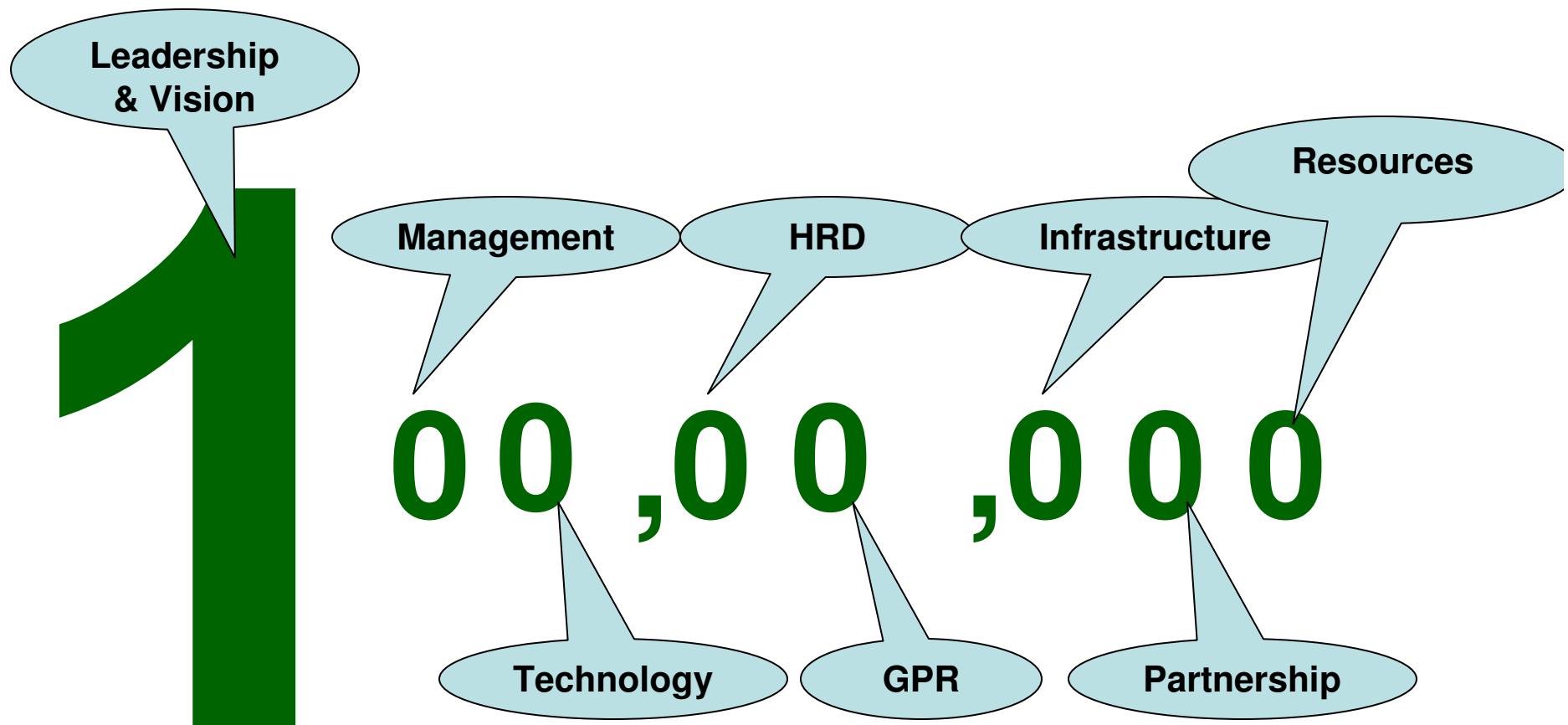
Critical Success Factors of e-Procurement

- Effective Procurement Policy & Reform
 - Process re-engineering to transform government procurement
 - Sound legislative and regulatory framework
- Well-designed Business Model
- Adequate participation and commitment from participants
 - Effective Communication Strategy to disseminate benefits
 - Strategies for adoption of buyers & suppliers
 - Flexible systems for meeting requirements of all agencies
- Effective Training and Change Management plan
 - Developing effective skill-base in new procurement methodologies
- Open standards based, interoperable technology infrastructure

Conclusion

- Procurement is a sensitive function of the state
- e-Procurement enhances transparency & efficiency in public procurement
- Electronic Interface with suppliers/ contractors can save time, effort and cost.
- There are several challenges in implementation
- A planned approach can lead to successful implementation
- PPP models are ideal for e-Procurement projects

Value of Zero !!





Thank You

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