



# **Value for Money in Singapore's Government Procurement Regime**

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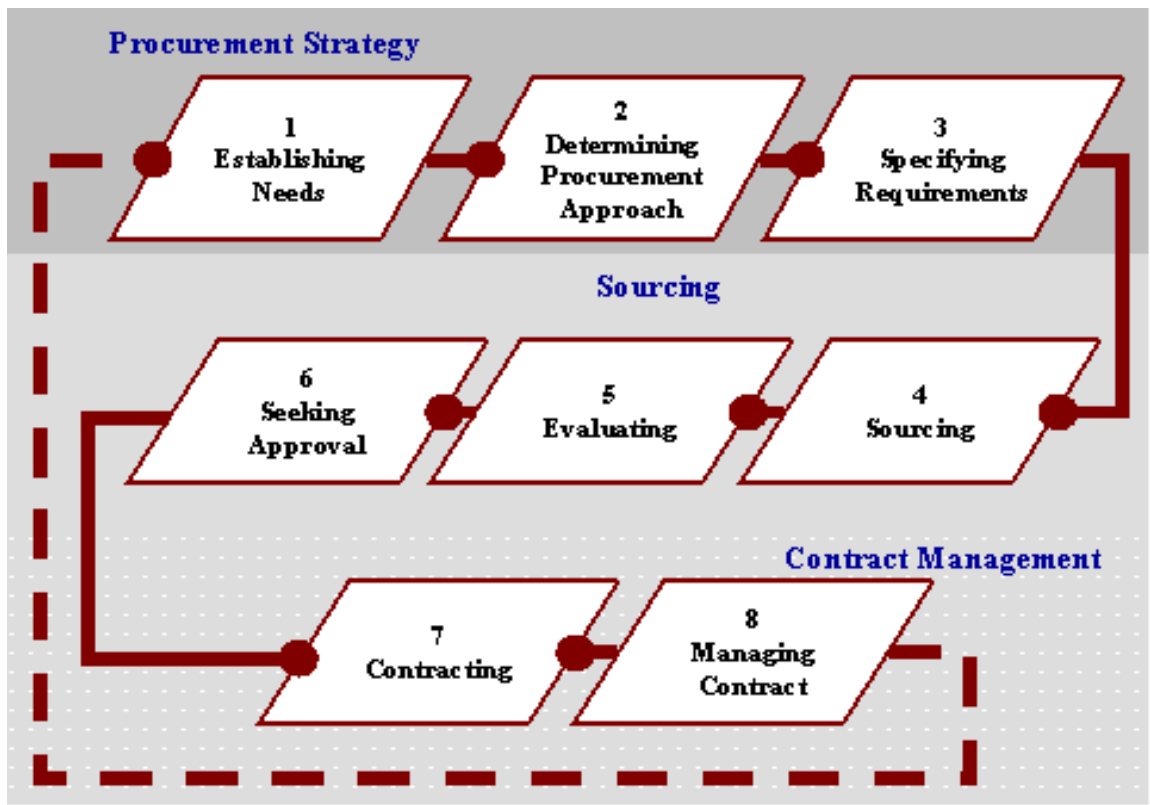
Prepared by:

**Civil Service College, Singapore**

# Value for Money in Singapore's Government Procurement Regime

## Background

1. The Ministry of Finance (MOF) sets rules and guidelines on Government Procurement in Singapore. The procurement regime is underpinned by:
  - a. Government Procurement Principles (highlighted below) and
  - b. International Agreements and the enabling Singapore legislation:
    - In 1997, Singapore acceded to the plurilateral 1994 Agreement on Government Procurement (GPA) under the WTO;
    - Singapore is a member of the Government Procurement Experts Group (GPEG) under APEC; and
    - Government Procurement is also an area covered by a number of bilateral Free Trade Agreements (FTAs) that Singapore has entered into.
2. Nevertheless, procurement policies are structured to be more principle-based as this gives the public agencies more flexibility to decide on the detailed operational procedures. Execution of procurement activities is also largely decentralized to each line agency. Gone are the days when public agencies would normally approach a Central Procurement Office (CPO) which would act as a central purchaser, manager of bulk contracts as well as provider of warehouse and storage facilities for common goods in the public sector.
3. Singapore basically adopted an 8-stage process in procurement. It clearly defined the various policies and procedures for each stage of the procurement in an Instruction Manual, available to all public sector officers on an electronic Government Intranet system.



(Source: Singapore Ministry of Finance)

## Fundamental Principles of Procurement

4. Singapore's procurement regime adheres to the following fundamental principles:
- Transparency;
  - Fair and Open Competition; and
  - Value for Money.

### Fundamental Principles of Procurement

#### Transparency

“We subscribe to an open and transparent procurement regime across all stages of the procurement lifecycle. The government's procurement objectives, criteria and procedures **would as far as possible be made known** to suppliers.”

#### Fair and Open Competition

“An open and competitive environment will encourage suppliers to **give their best offers**. Suppliers are given equitable access opportunities and **compete on a level playing field**.”

**Value for Money**

“Government will procure from sources that can best meet its requirements and which offer the best value. Value for money is derived from the optimal balance of benefits and costs on the basis of total cost of ownership. As such, **value for money does not necessarily mean that a tender must be awarded to the lowest bidder.**”

5. Value for money takes into consideration the 3 E’s:

Economy	Spend less
Efficiency	Do things right
Effectiveness	Do the right things

6. All public agencies are expected to achieve value for money in their respective procurement. However, from a strategic standpoint, MOF adopts various policies intended to help the public sector achieve greater value for the government as a whole. This includes:

- a. Demand Aggregation;
- b. eProcurement System;
- c. Best Sourcing Initiative;
- d. Centre for Shared Services;
- e. Public Private Partnership Arrangements; and
- f. Other related MOF budgetary and procurement policies.

**Demand Aggregation**

7. Although procurement by public agencies has been largely decentralized, the government recognizes opportunities in reaping better economies of scale from bulk purchases. It continues to emphasise demand aggregation and the use of master contracts. The broad steps for demand aggregation is as follows:
- a. An appointed public agency will centrally coordinate and gather demand and requirement information from all public agencies and prepare tender invitation.
  - b. The central agency calls a bulk tender to invite interested tenderers to participate.
  - c. The central agency establishes master contracts with the awarded contractors (usually not just one but a few of them).
  - d. Subsequently, the individual public agencies would place individual purchase orders (POs) with the awarded contractor(s), and receive the items, based on the terms and conditions of the master contracts.
  - e. The individual public agencies will settle the payment directly with the contractors. An administrative fee for the use of such master

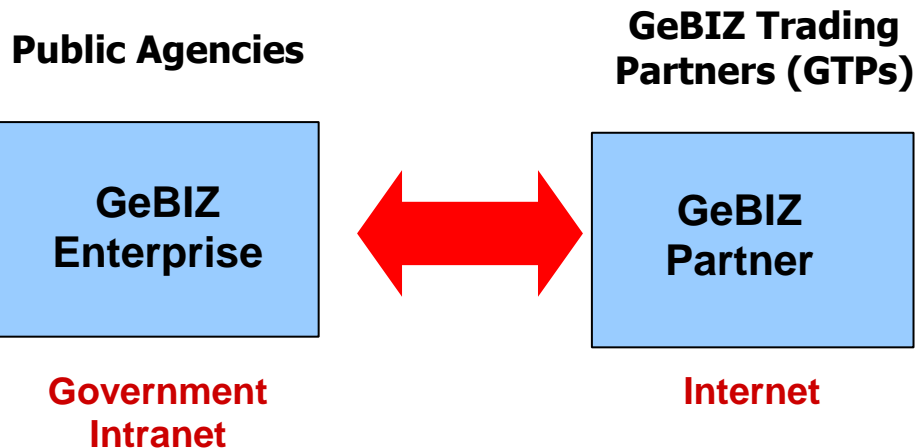
contracts usually applies – this will be paid to the appointed central agency that coordinated the bulk tender.

8. In Singapore, Demand Aggregation (DA) is the norm for the procurement of *common* goods and services of all public agencies:
  - a. The public agencies are encouraged to use the DA master contracts. However, if they decide not to procure from master contracts, they need to provide justification to the relevant approving authority (e.g. existence of existing master contracts; justification on why such master contracts are not used; and the price differential);
  - b. Public agencies are encouraged to minimise customisation so as to be able to ride on future DA contracts. This will enable them to enjoy the benefits of standardisation.

<b>Examples of Common Items Being Demand Aggregated</b>		
<ul style="list-style-type: none"> <li>• Audio visual (AV) equipment &amp; accessories</li> <li>• Bus hiring</li> <li>• Car rental</li> <li>• Copiers</li> <li>• Corporate air tickets and travel services</li> <li>• Courier services</li> <li>• Electronic &amp; electrical appliances</li> <li>• Electricity</li> </ul>	<ul style="list-style-type: none"> <li>• Food and Beverage (F&amp;B)</li> <li>• Fire fighting equipment</li> <li>• Grease, oil and lubricants</li> <li>• Ground fuels</li> <li>• Hardware and DIY items</li> <li>• IT hardware, supplies, software and services</li> <li>• Kitchen equipment</li> <li>• Laundry services</li> </ul>	<ul style="list-style-type: none"> <li>• Office furniture</li> <li>• Office equipment</li> <li>• Paper</li> <li>• Printing services</li> <li>• Stationery</li> <li>• Vehicle maintenance</li> </ul>


### **eProcurement System**

9. Singapore uses an eProcurement system known as Government Electronic Business (GeBIZ). It is an Internet-based Government-to-Business (G-to-B) portal, which covers the entire procurement cycle. It enables public agencies to transact with suppliers online on a worldwide basis. GeBIZ is owned by MOF, but developed and managed by the Defence Science & Technology Agency (DSTA), a Statutory Board under the Ministry of Defence.



10. The GeBIZ Enterprise is accessible from the Singapore's Government Intranet website. Ministries can:
  - a. Procure from existing contracts (e.g. service-wide Demand Aggregation contracts);
  - b. Call and process electronic quotations and tenders; and
  - c. Issue electronic PO, Letter of Award / Letter of Acceptance (LOA).
  
11. The GeBIZ Partner is accessible from the Internet at <http://www.gebiz.gov.sg>.
  - a. Suppliers can check for tender and quotation opportunities; and
  - b. Registered suppliers (known as GeBIZ Trading Partners or GTPs) can submit electronic bids, and receive GeBIZ POs.

## Benefits That GTPs Enjoy



- Unlimited access to vast business opportunities (\$S\$10B annually) on GeBIZ
- Participation in Invitation-to-Quote (ITQ) and Invitation-to-Tender (ITT)
- Free downloading of tender documents
- Electronic receipt of Purchase Orders (PO) and submission of invoices

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## e-Procurement



- Benefits to suppliers
  - Increased value and convenience to suppliers through the use of GeBIZ
  - Enhanced security for electronic communications and transactions through use of electronic authentication and digital signatures
  - Promotion of open and fair competition through the publication of quotations and tenders on GeBIZ
- Open electronic GeBIZ Invitation-To-Quote and Invitation-To-Tender is norm of procurement in the Singapore Government

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(Source: DSTA)

12. Essentially, it is mandatory for all public agencies to use the GeBIZ system for all of their procurement except for certain exceptions such as for small value purchases. GeBIZ has been interfaced with most of the public agencies' financial systems to enable integration with the fund commitment and payment processing. The GeBIZ system is also continually being enhanced to reflect changes to the Singapore's procurement regime.

### Best Sourcing Initiative

13. Best sourcing helps public agencies focus on what is core to the organisation, i.e. what only government can do, and should do and to make sure that the government does it really well. For the non-core functions, the government should consider letting others carry out the work.
14. Best sourcing involves a change in mindset.
  - a. From → Government as a service provider
    - Direct provision of public services to citizens
  - b. To → Government as a service purchaser
    - As buyer of specific public services from either "in-house" or external provider on behalf of citizens or businesses
15. It can take place through the following approaches:
  - a. Outsourcing
  - b. In-sourcing

Market testing is usually carried out to determine which approach provides for greater value for money.

16. Common areas for best sourcing include:
  - a. Call Centres
  - b. Facilities and Estate Management
  - c. Human Resource Administration
  - d. Financial Administration
  - e. Information Technology
  - f. Document Management

#### **Best Sourcing**

“...Best Sourcing requires public sector agencies to undertake “market-testing” so as to compare the cost of providing their services in-house against the cost of having private sector vendors provide the services. If the private sector vendor can deliver the service more economically, it will be engaged to do so. The public sector agency will then discontinue the function, and either redeploy or release the affected staff...”

2004 Budget Statement

*(Delivered by then DPM and Finance Minister Lee Hsien Loong)*

#### **Centre for Shared Services**

17. Known as Vital.org (<http://www.vital.gov.sg>), a department under the MOF, it is the public sector’s efforts to aggregate common corporate services to drive economies of scale. It currently provides services to most Ministries, Organs of States as well as several Statutory Boards.
18. It delivers the following key corporate services:
  - a. Asset and Inventory Management
  - b. Finance Services
  - c. Human Resource Administration
  - d. Payroll and Claims Administration
  - e. Recruitment
  - f. Scholarship Administration
  - g. Learning And Development
  - h. Travel Management, etc.

## Public Private Partnership (PPP) Arrangements

19. A typical PPP project would involve these 3 elements:
- Public Sector as the purchaser of services;
  - Private Sector brings in innovation, efficiency and finance to provide public service; and
  - Partnership where there is co-operation and sharing of risk by the parties

### Public Private Partnership (PPP)

“The Public Private Partnership (PPP) initiative is an extension of the Best Sourcing concept. PUB [a statutory board who is in charge of national water] recently awarded a PPP deal to the private sector to design, build and operate the new Ulu Pandan NEWater Plant. The Government will consider the PPP approach for new infrastructure projects where the private sector can add value.”

2005 Budget Statement

*(Delivered by then DPM and Finance Minister Lee Hsien Loong)*

20. Examples of PPP in Singapore include:
- Desalination Plant (PUB)
  - Ulu Pandan NEWater Plant (PUB)
  - Incinerator Plant (National Environment Agency)
  - TradeXchange (Singapore Customs)
  - Sports Hub (Ministry of Community Development, Youth and Sports / Singapore Sports Council)
  - Development of the new Institute of Technical Education (ITE) College West

## Other Key Initiatives

21. Value for money is not just constrained within Singapore’s Government Procurement regime. The same philosophy also applies throughout its public expenditure management policies and practices. One of the key principles under the Singapore Government’s Budget Management Framework is “Achieving Value for Money”. Under this principle, it adopts various practices such as the use of a Manpower Management Framework, to keep staff resources in check and an Economy Drive initiative, to instill in the public sector, a mindset of ensuring value for money.
22. It is only through an integrated and holistic approach that the concept of Value for Money can be fully realized in the Singapore public sector.

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Handbook, MOF

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*For enquiries, please refer  
to:*

#### **Ms Iva Aminuddin**

Senior Manager, CSCI, Civil Service College

Email: [Iva\\_AMINUDDIN@cscollege.gov.sg](mailto:Iva_AMINUDDIN@cscollege.gov.sg)

Tel: +65 6874 5635

#### **Mr Winston Tan**

Associate Trainer, CSCI, Civil Service College

Email: [winston@wellern.com](mailto:winston@wellern.com)

Tel: +65 9834 9716