Understanding e-Procurement
From Feasibility Study for Government of Vietnam

I. Environment
II. AS-IS Analysis
III. Bench Marking
IV. TO-BE Design
V. Implementation Plan
VI. Expected ROI
I. Environment Analysis
I. Environment Analysis

1. Trend of Government Innovation in fast changing environment

• To deal with external environment, governments in many countries drive e-government as a strategic solution
• Main direction of e-Government is knowledge and information based government, it means the change toward transparent, decentralized, soft, networked and slim government
• Slim and Decentralized government to deal with fast environment changes should be supported by strong network between government organizations and transparency is the key prerequisite for this direction
II. Vision and Objectives

1. Vision

Social and Economic Development
Society of Happiness

e-Gov’t for National Development

- Developmental Government fully supported by IT
- Efficient Government in Services and Administration
- Transparent Government facilitating integration into Global economy
II. Vision and Objectives

2. Objectives

To be a leading country among ASEAN in e-Gov’t implementation

- Developing Gov’t
  - Provision of business support services with global standard

- Efficient Gov’t
  - Provision of major public services by on-line nation wide

- Transparent Gov’t
  - Improve transparency in Gov’t operation and transaction

- Building nation-wide e-Gov’t infrastructure
- Establishing an architecture and governing mechanism
V. e-Government Roadmap for Vietnam

1. Priority Projects

< Criteria for Selection >

A. Impact on Economic Development
- Projects are pre-requisite for integration into global economy
- Projects can raise national competitiveness
- Projects make large-scale effects on National Economy

B. Impact on e-Government
- Projects related to administration processes through multi-organizations
- Projects have back & forward effects

C. Feasibility
- Projects have high potentials of success
- Projects can be achieved in short-term period
V. e-Government Roadmap for Vietnam

1. Priority Projects

< Integrated TO-BE of the e-Government as a whole >

Integrated Vietnamese e-Government Model

1. Priority Projects

1. e-Procurement for Foreign Firms
2. e-Support for Foreign Firms
3. e-National ID
4. e-Customs
5. e-Agriculture
6. e-Land Registry
7. e-National ID
8. e-Finance
9. e-Educational Admin.
10. neo-SAM COM
11. PKI
12. Public Access Point
13. Gov't Info. Network

Citizens
Business

Government Agencies

Conceptual image of Information Sharing

Shared DBs
Information Sharing

PKI

Single Access Portal

neo-SAM COM

Future development task

 MPI

PPS

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II. AS-IS Analysis
1. Players in government procurement area

- **First Level**
  - Prime Minister
    (Approval of Nationwide Important projects)

- **Second Level**
  - Ministers
    Chairman of People’s Committee of provinces

- **Third Level**
  - Chairman of People’s Committee of districts
    Executive boards of joint-venture company
    the competent authority of state own enterprises

**Suppliers**

- Private Companies
- State-owned Companies
- Joint Venture Companies
II. AS-IS Analysis

3. Process

2. Overall Procurement Process

- Human and paper-based work process hinder the utilization of standardized process 100 percent. This situation makes government procurement vulnerable to delays, corruptions, and collusions.

Diagram:
- Procurement plan
- Bidding docs
- Bid Announcement
- Bid Opening
- Bid Evaluation
- Review and Approve bid results
- Announce the bid results
- Contract
- Obtain Bid Info.
- Submit bidding proposal

Diagram Flow:
- Procuring Unit:
  - Approval
  - Media
  - Channel
  - Method
- Procurement plan
- Bidding docs
- Bid Announcement
- Bid Opening
- Bid Evaluation
- Review and Approve bid results
- Announce the bid results
- Contract
- Obtain Bid Info.
- Submit bidding proposal
- Supplier
II. As-Is Analysis

3. Visualization of Direction of Procurement Information based on Decree 66

Decentralized procurement and decentralized procurement website

- Information of nationwide importance project, project group A/B and Bidder info. should be reported to MPI

MPI
Website or Bulletin
Publishing
Procurement Information
Bidder Information

A ministry
Website or Bulletin
Agency

A Province
Website or Bulletin
Agency

B ministry
Website or Bulletin
Agency

B Province
Website or Bulletin
Agency

...ministry
Website or Bulletin
Agency

... Province
Website or Bulletin
Agency

Order Organizations
Owners of Joint venture projects
Owners of national important projects
Owners of Group A & B
Owners of Joint stock projects
Owners of Business Cooperation contracts

Bidders
Ministries
Ministry Equivalent Agencies
Government Agencies
Peoples Committee
II. AS-IS Analysis

4. Implications from AS-IS analysis

- **Separated Gov. Procurement on recurrent & capital expenditure**
  - Integrate government procurement information systems on invest and recurrent expenditure

- **Paper- oriented and labor-intensive procurement process**
  - Digitalize procurement process with a single information system

- **Difficulty in obtaining information on procurement**
  - Integrate & share information on government procurement

- **Difficulty in obtaining suppliers information**
  - Integrate & share information on bidders

- **Collusion and Consultation of bidders**

- **Insufficient ICT infra structure**
  - Invest & expand ICT infra structure step by step as a national strategic initiative

- **Insufficient ICT expert in public sector**
  - Develop various ICT training program and expand practical trainings

- **Scattered government procurement information**
  - Provide legal base for e-procurement

- **Absence of concrete base for e-Procurement**

- **Absence of legal base for e-document &digital signature**
  - Legislate digital signature and e-document

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MPI 11 PPS
III. Bench Marking
III. Benchmarking

1. Comparative Analysis

**Vietnam**
- Decentralized Process
  - Not yet
  - Single Information System

  - MPI
  - MOF
  - Provinces
  - SOE
  - ...

  - Website
  - Website
  - Website
  - Website
  - Website

**Korea**
- Centralized + Decentralized Process
- Single Shared Information System

  - PPS
  - Other Public Organizations

  - Single portal for All
    - (Notice, Limitation, Report)

  - Standardized Function

  - Application
  - Supporting Application
  - DB

  - Users
  - Information Channel

**Concept**

**Other Public Organizations**

**Doc. Management**

**Security**
III. Bench Marking

2. Amendments for adopting Government e-Procurement in Korea

☐ 4 major amendments to adopt government e-Procurement based on the ‘Acts on contracts to which the state is a party’

1. Announce All Bid notices (Article 33)

2. Allow one to submit tender documents in electronic format (Article 37)

3. Publicize the limitation of qualification over unjust person (Article 76)

4. Reporting on annual performance of contract (Article 93)
### III. Bench Marking

#### 3. Comparative Analysis (Law)

- Decree 66 of Vietnam and ‘Acts on Contracts to which the state is a Party’ of Korea have been compared

<table>
<thead>
<tr>
<th></th>
<th>Vietnam</th>
<th>Korea</th>
</tr>
</thead>
<tbody>
<tr>
<td>Announce Bid notices by procurement Information System</td>
<td>Section 2, Article 51</td>
<td>Article 33</td>
</tr>
<tr>
<td>Allow bidders to submit bids in electronic format</td>
<td>The validity of electronic version of bids has not been accepted</td>
<td>Article 37</td>
</tr>
<tr>
<td>Publicize the limitation of qualification over unjust person on information</td>
<td>Article 51</td>
<td>Article 76</td>
</tr>
<tr>
<td>Reporting on annual performance of Contract through information system</td>
<td>Only annual report in procurement performance in paper format</td>
<td>Article 93</td>
</tr>
</tbody>
</table>

S: Similar / D: different
III. Benchmarking

4. Implications from Benchmarking

- Decentralized and autonomous decision making *fully supported by integrated and shared information system*

  - **Process**
    - Integrate government procurement information system on investment and recurrent expenditure
    - Integrate & share information on government procurement
    - Integrate & share information on bidders

  - **ICT**
    - Construct a single information system for all public organizations and share it
    - Invest & expand ICT infrastructure step by step as a national strategic initiative
    - Develop various ICT training programs and expand practical trainings

  - **Legal Framework**
    - Provide legal base for e-procurement
    - Provide legal base for digital signature and e-document
III. Benchmarking

5. How we did extract directions

- Trend of Government Procurement & ICT
- Current situation of government procurement
- Experience of Korean GePS

Environment Analysis

AS-IS Analysis

Benchmarking

Implication

Legislation for e-Procurement
Integrated Information
Shared Services
Strategic use of ICT tech.

Directions
III. Bench Marking

6. Extracted directions

1. Adopt Single Procurement Service Channel

2. Provide Shared Service and guarantee the autonomy of procurement

3. Integrate procurement information

4. Digitalize all Procurement Process in line with global standard

5. Equip legal base make e-Procurement available

6. Expand ICT infra structure as a national strategic initiative
IV. TO-BE Design
1. Vision & Objectives

**Vision**

The Transparent & Effective Government Procurement System

**Objectives**

- To improve the effectiveness and the efficiency of the procurement system
- To improve transparency and accountability on government procurement
- To unify and publicize procurement information
- To save costs for concerning parties
- To improve competitiveness through the transparency of information
- To meet the requirement of e-Government and economic integration
IV. To-Be Design

2. Strategy for Implementation

- All SOES
- All Provinces
- All PMUs
- All Ministry level agencies
- All Ministries

Implementation by stage from Core to Sub functions

1st Stage

2nd Stage

3rd Stage

One-Stop-Service supporting all process from the start of procurement planning to payment and reporting

MPI’s control

Beyond MPI’s Control

Planning
Bidding
Contract Singing
Inspection
Payment

MPI

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PPS
IV. To-Be Design

2.2 Strategy in a transition period

- It might take a longer time to make sufficient legal, physical infra and cooperation from related government organizations. We suggest several solutions, some of them obtained from the experience of Korean case.

- Include procurement service supporting recurrent expenditure in VGePS
- Develop minimized digital signature system
- Temporary parallel on/off-line Public Procurement Admin.
  - Automatic reporting function for paper–based bulletin
  - Accept paper bids & register in single procurement information system
- Emphasize on education based on online-education center

- Separated recurrent capital/expenditure
- No digital Signature Act
- Insufficient ICT Infra-structure
- Insufficient IT expert in public sector

Separated recurrent capital/expenditure
No digital Signature Act
Insufficient ICT Infra-structure
Insufficient IT expert in public sector
IV. To-Be Design

4. VGePS Providing One-Stop-Service for all Public Organizations

- Supplier’s Performance
- e-Payment
- e-Guarantee
- Data Warehouse
- Integrated Bid Notice / Electronic Bidding
- E-Procurement Application
- Service Provider Facility Construction
- Customer Relationship Management
- User registration
- Application Program Interface Management
- MPT
- MOF
- ....

MPI

PPS
IV. To-Be Design

6. GePS Functions of Vietnam

- The following is implementation target by phase in consideration of basic functionalities of electronic transactions, the information sharing and use for procurement, the link with relevant system and information infra provision.
### 7. Example clauses for TO-BE Legal framework

<table>
<thead>
<tr>
<th>Section 1, Article 51, Decree 66CP</th>
<th>Means of disseminating information on procurement</th>
</tr>
</thead>
<tbody>
<tr>
<td>The means of disseminating information on procurement is the government procurement Information System and the Procurement Bulletin. That it may, if deemed necessary, be repeated by means of other websites and other mass media also (b and c would be abolished).</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 3, Article 51, Decree 66CP</th>
<th>Agency responsible for management</th>
</tr>
</thead>
<tbody>
<tr>
<td>a) The Ministry of Planning and Investment shall be responsible for managing the Procurement system all procurement contract and Procurement bulletin</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Section 3, Article 51, Decree 66CP</th>
<th>Agency in charge of information provision</th>
</tr>
</thead>
<tbody>
<tr>
<td>c) Owners of projects of all level of projects shall provide all items mentioned in section by using the government procurement system</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Article 9, Decree 66CP</th>
<th>Submit of tender document</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Bidders can submit their tender document in electronic forms through the government procurement website.</td>
<td></td>
</tr>
</tbody>
</table>
V. Implementation Plan
V. Implementation Plan

1. Implementation Plan

**Phase 1**
* e-Infra (2005.6 ~ 2006.5)
  - Build the IT foundation for e-Procurement
  - Integrated Bid Notice / Electronic Bidding
  - Portal (phase 1)
  - Supplier's Performance
  - User Registration
  - Document Distribution (phase 1)
  - Develop minimized digital signature system
  - Legislate to enable and support e-Procurement
  - Build a training program for expanding e-Procurement

**Phase 2**
* e-Process (2006.6 ~ 2007.12)
  - Achieve qualitative/quantitative growth of the e-Procurement market
  - E-Payment
  - E-Guarantee
  - E-Procurement ASP / Supplier's Supporting Service
  - API Management
  - Portal (phase 2)
  - Document Distribution (phase 2)

**Phase 3**
* e-Improvement (2009.1 ~ 2009.12)
  - Realize the integrated environment for e-Procurement
  - Data Warehouse
  - Customer Relationship Management
## V. Implementation Plan

### 2. Estimated Budget

<table>
<thead>
<tr>
<th>Category</th>
<th>Phase 1</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Fee for Development</td>
<td></td>
</tr>
<tr>
<td>S/W Development</td>
<td></td>
</tr>
<tr>
<td>PKI Construction</td>
<td></td>
</tr>
<tr>
<td>Consulting</td>
<td></td>
</tr>
<tr>
<td>Data Entry</td>
<td></td>
</tr>
<tr>
<td>Management Fee</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Fee for equipment purchase</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td></td>
</tr>
</tbody>
</table>
VI. Expected Benefit
VI. Expected Benefit

1. Quantitative Return (How to measure)

- Benefits would be estimated at US$ 165 million per year
  Benefits of digitalized processes and sharing of Integrated data would be US$ 122 million per year

<table>
<thead>
<tr>
<th>Components</th>
<th>Work improvements</th>
<th>Benefits (million US$)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Private sector</td>
</tr>
<tr>
<td>Simplified process</td>
<td>Cutting down red tapes, etc</td>
<td>6</td>
</tr>
<tr>
<td>Standardized process</td>
<td>Using the standardized way of contracting, etc</td>
<td>26</td>
</tr>
<tr>
<td>Digitalized process</td>
<td>E-bidding, bid notice on the Internet, etc</td>
<td>14</td>
</tr>
<tr>
<td>Integrated data sharing</td>
<td>Obtaining information in a single window, etc</td>
<td>103</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>149</strong></td>
</tr>
</tbody>
</table>

※ Logic of Estimation = \( \frac{\text{GDP of Vietnam 2003}}{\text{GDP of Korea 2003}} \) * Estimated Benefit of Korea

- Rising rank in Corruption Perception Index

<table>
<thead>
<tr>
<th>Components</th>
<th>Work improvements</th>
<th>2004</th>
<th>After VGePS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corruption Perception Index</td>
<td>Rise rank in CPI Index</td>
<td>102</td>
<td>?</td>
</tr>
</tbody>
</table>
VI. Expected Benefit

2. Qualitative Return

- Improve transparency & efficiency in public procurement
- Accelerate government Digitalization
- Greater efficiency of the entire industries
- Better e-Biz in industry
- Increase convenience & efficiency in procurement
- Drive vitality of related industries

Order Government Organizations

Procurement cost reduction

Invigorating Economy

High efficiency & low cost e-Gov.

Competitiveness Enabler ‘G2B’

Government competitiveness

Industry competitiveness

Reduce Sales cost

Focusing on High value-added

Increase process efficiency

Transparent Government Procurement

Order Government Organizations

Driving e-Procurement

Suppliers

Suppliers
Q & A
Thank you