

Final Report on the
Research and Policy Development Consultation Meeting on
e-Procurement for Innovative Governance

(10-11 March 2011, Seoul, The Republic of Korea)

Prepared by Seung-hyun Kang, Rapporteur

Objectives of the Consultation Meeting

The Research and Policy Development Consultation Meeting on e-Procurement for Innovative Governance aimed at identifying strong points and shortcomings of e-Procurement system presently practiced in different groups of countries, identifying common challenges and issues for advancing innovative governance through the use of e-Procurement, and clarifying elements required for developing a common framework or a toolkit for a systematic application of e-Procurement schemes in developing countries.

Design of the Consultation Meeting

The Consultation Meeting was composed of 4 sessions to discuss (1) merits and shortcomings of the current e-procurement systems (1st Session), (2) common framework/toolkit for e-procurement (2nd Session), (3) methodologies for data collection and analysis (3rd Session), and (4) country survey (4th Session), for the purpose of achieving the main objective of the meeting, i.e. “to provide the UNPOG with technical input and guidance” to undertake 3 major initiatives as identified in the

approved Aidememoire. The subject of the 1st session is unique and no other international meeting has clarified fundamental features of e-procurement for innovative governance from the perspectives of merits and shortcomings of the current status of e-procurement. The 2^d session was designed to search for core elements of the newly identified programme that the DPADM/UNDESA and the UNPOG will jointly undertake. The 3^d and 4th sessions were expected to provide fora to examine various useful and practical means for information gathering and analysis that the DPADM/UNDESA and the UNPOG would carry out as new important members of the international circles of e-procurement.

The approved annotated Programme Agenda of the Consultation Meeting provides for details of subjects of deliberations and describes specifically expected accomplishments of each session. The participants were requested to complete and submit, prior to their arrival in Seoul, a template called the “Table of Technical Input”, during the meeting use their own Tables of Technical Input for delivering their own presentations at the outset of each session, and after the Consultation Meeting preferably by 18 March 2011 submit an edited version of their Tables of Technical Input reflecting their own discussions and considerations at the Consultation Meeting, along with their supporting documents.

Participants/Logistics

The Consultation Meeting was attended by 15 experts from 6 countries (The Republic of Korea, China, Italy, Japan, Mexico, and The Philippines) and 5 international

organizations (The Asian Development Bank, The World Bank, OECD, Pan-European Public Procurement On-Line of the European Commission, and the DPADM-UNDESA), besides the Head of the UNPOG and his staff. Another World Bank expert was not able to participate since he was not in the position to submit a medical certificate in time due to the fact that he was on a long business travel. One participant came from the private sector while the participating experts were primarily from the public sector.

The meeting proceedings were thoroughly video-taped by a professional company for future reference and uploading on to the UNPAN at a later date.

Proceedings

On 9 March 2011, the concerned UNPOG staff and the prospective Moderator and Rapporteur held a half day preparatory meeting and reviewed the purpose of the meeting, expected output, already produced documentation and meeting materials, participants, follow-up activities, and other relevant issues. Upon his arrival in Seoul, the DPADM Representative met with the Moderator, Rapporteur, and the Consultant to the UNPOG in the evening of 9 March 2011.

All the participants attended the Consultation Meeting on a full time basis. The Head of the UNPOG opened the meeting. On the basis of the proposal made by the Head of the UNPOG, Mr. Gian Luigi Albano and Mr. Seung-Hyun Kang were appointed as the Moderator and the Rapporteur of the Consultation Meeting, respectively.

The 1st session started with short presentations by the participating experts and went on with very active deliberations focusing on the session's main subject. At the outset of the 2nd session the DPADM representative presented the basic ideas on the concrete contents of the proposed framework-toolkit and its relevance with the UNPACS and the UNPAN. The participants acknowledged DPADM's concern for harmonizing the meeting with UN's knowledge management initiatives, and agreed that the meeting should take advantage of other entities' works rather than duplicate works that have been done. In response, by the Moderator's proposal and the participant's acceptance, the meeting departed from the presentations scheduled on the agenda and adopted a free discussion on various subjects of framework-toolkit and other e-procurement issues. From this departure until the completion of the Consultation Meeting, the approved Programme Agenda was not followed. Instead, the expected accomplishments of the 4 sessions guided the Moderator and the meeting deliberations. The 2nd session initially aimed at deriving recommendations for a core framework with strategic guidelines, but the participants illustrated various challenges in developing a common set of recommendations for countries in widely varying environments. Many of the challenges were associated with insufficient IT infrastructure, different levels of internet accessibility in different regions within a country, lack of capacity building programs, and low level of political awareness. In the 3rd session, the participants recognized that, in order to develop a common core framework, it would be necessary to gather the survey results and data already made available by diverse entities, such as the MDB e-GP group, PEPPOL project team, and individual countries operating e-Procurement systems including Italy, Korea, Mexico, and the Philippines. The participants also

agreed that the current efforts being made by different international entities could achieve more productive results if such individual efforts are harmonized through coordination and collaboration. Thus, the 3rd session was dedicated to two activities. Firstly, participants discussed ways to coordinate the activities and surveys that are on-going or scheduled by the participating organizations, so that the results may be shared and redundant efforts may be avoided. Secondly, the participants established a goal that is more manageable than developing a core framework: to identify the most common misconceptions on e-Procurement and its implementation. In the 4th session, participating experts exchanged what knowledge and survey results are available from their respective organizations. The DPADM representative introduced UN Public Administration Network UNPAN and UNPACS as a possible platform for gathering and disseminating existing survey results, toolkits, and case studies. The participants also agreed to create a network among the participating experts, which will function as contact points for gathering further information and coordinating future efforts. Throughout the Consultation Meeting, the Moderator delivered excellent services to promote active and extensive discussions, and successfully lead to a number of valuable findings to achieve the planned objectives of the Meeting.

Outcome

Despite the unusual pattern of the meeting proceedings, the meeting flourished in the remarkably active exchange of views and information among the participating experts, and it came up with a number of invaluable recommendations, as well as with their expressed willingness to support the UNPOG and the DPADM for undertaking the

newly initiated e-procurement programme. In more concrete terms, the fundamental features of e-procurement for innovative governance were illustrated from the perspectives of merits and shortcomings of the current e-procurement status. The experts pointed out more than several key strategic issues for the development of a framework to support developing countries for advancing e-procurement for innovative governance. Experiences of the participants in undertaking various types of information gathering with different methodologies were generously shared and examined in the Consultation Meeting. Some experts, for instance, referred to the critical importance of recruiting national experts, who have direct access to the government information sources, in case country surveys on e-procurement are carried out. On the top of these positive outcomes, the meeting organizer was able to form a solid network of experts on e-procurement who are willing to collaborate with the UNPOG and the DPADM-UNDESA.

Issues Proposed at the Meeting

The following issues were discussed in the Consultation Meeting, and may require immediate attention and consideration of the management of the UNPOG and the DPADM-UNDESA.

1. The Asian Development Bank

The participating expert of the Asian Development Bank invited the UNPOG to

cooperate with the Bank in undertaking e-procurement country survey in some Asian countries. The expert also invited the UNPOG and the DPADM-UNDESA to take part in the forthcoming e-procurement conference to be organized by the Asian Development Bank in October 2011. He further indicated his interest in participating in the next meeting on e-procurement for innovative governance that the DPADM-UNDESA and the UNPOG may hold in Europe.

2. Ministerial Meeting on e-Procurement

The UNPOG gave particular attention to the suggestion of an expert to organize under the United Nations frameworks a ministerial meeting on e-procurement for the purpose of promoting awareness of the top-level policy makers on the importance and usefulness of government e-procurement for the sake of their own countries. Such a ministerial meeting would be an effective means to mainstream the subject of e-procurement, and the United Nations would be a suitable international platform if innovative governance with the application of e-procurement methodology would be included in an agenda of the ECOSOC and other high level policy-making meetings within the United Nations systems.

Merits of and Challenges in e-GP

The Moderator invited each participant to make presentations on the merits and shortcomings of the existing e-procurement systems on the basis of his/her experiences. Most of the benefits of e-procurement presented by the participants converged into

certain commonly recognized merits. However, shortcomings identified by each participant varied from country to country depending on the level of digitalization. The presentations are summarized as below;

1. The Philippines

The Philippine expert made a presentation on the merits of its e-GP system, PhilGEPS, as follows: improvement of transparency; enhancement of competition and, efficiency; to realize value for money; reduce cost ; to provide audit trail; and to serve as a medium in the implementation of government procurement policies. On the other hand, the expert pointed out the shortcomings of e-GP in the Philippines as follows: technology infrastructure and internet readiness; awareness and capacity building; limited use of e-Procurement by government agencies

2. Mexico

The two Mexican experts introduced the merits of its e-GP system, new version Compranet, to include 100% web accessibility, on-line registration for buyers and suppliers, traceability in all the electronic transactions done in the e-procurement system; reduction of administrative cost; enhancement of transparency; reduction of purchasing prices; availability of auction module, availability of module as a tool for the establishment of annual procurement program and plan for the procurement departments of the Federal Government.

3. Italy

The Italian representative discussed the general benefits to be gained from e-

procurement: to raise the degree of standardization and streamline all the stages of the procurement process, resulting in the reduction of cost; to foster higher participation of SMEs in the public procurement market.

4. Korea

The Korean expert made a presentation on the matrix of the merits and challenges of e-GP. The expert reminded participants of the risks inherent at each stage of public procurement conducted in a manual, traditional manner. And then, he elucidated the merits of e-procurement observed at each phase of procurement processes, which include increased transparency and competition, reduction of contracting officer's arbitrary discretion, prompt payment, reduction of transaction cost, contribution to the development of SMEs, increased productivity, and reduction of risks of corruption. The expert also discussed challenges Korea is faced with even after it has operated highly integrated and comprehensive e-procurement system, KONEPS. These challenges include difficulty in preventing collusion, new form of illegal practices such as borrowing and using other bidders' authentication certificates aimed to increase the possibility of getting the contract. In order to strengthen the role of a single window e-procurement system, Korea is in the progress of formulating an act on the use and promotion of e-procurement for the entire public entities.

5. China

The Chinese representative made a presentation on the merits and shortcomings of its existing e-procurement systems. The representative introduced the benefits of Chinese e-procurement systems being operated across the country, which include stimulation of

competition, risk circumvention, eco-friendly, easy for statistics, prompt reaction and communication.

Major issues facing China are as follows :the development of e-commerce is still immature; different public sectors and organs are taking their own roads due to lack of the coordination between themselves and a centralized e-procurement system; backward standardization system; uneven regional development; excessive e-procurement systems

6.ADB

From the viewpoint of ADB, merits of e-procurement system ABD lie in economic significance(enhanced competition, reduced transaction and purchase cost), governance(increased transparency, enhanced auditing and anti-corruption), efficiency and effectiveness(reduced procurement time, increased efficiency in government operations and project implementation), information management and analysis(improved market intelligence, resource allocation management and analyzing buying profiles), and environment(less paper and travel; less CO2).

In the meantime, ADB expert finds that major challenges include government policy and legal framework(e-GP is not just ICT); institutional capacity in public procurement(e-GP is implemented by human); internet availability and connectivity in remote areas(unequal access to e-GP); paper submission option(beat the purpose of e-procurement); the issue of integration(decentralizing vs. centralization); and electronic signature(as obstacle for cross-border e-procurement)

7.The World Bank

WB expert discussed merits of e-procurement which include increased transparency and efficiency of procurement throughout the process; reduced opportunity for fraud and corruption(less in-person contacts, automated compliance); improved management and quality of procurement by availability of data in electronic format).

The expert pointed out that challenges of e-procurement include lack of awareness and capacity building including change management. He added that technology can complicate rather than simplify procedures.

8.PEPPOL

Representing EU, the Norwegian expert from EU PEPPOL explained about the interoperable e-GP platform currently under construction for EU member countries. He also talked about the risk of vendor-biased construction of the e-Procurement system.

9.Japan

The consultant from Japan introduced the merits of e-Procurement system his prefecture has used under the decentralized government procurement system in Japan. He also pointed out the danger of harboring misconception that e-Procurement system is a panacea.

Merits and challenges of current e-Procurement systems : the Matrix

As one of the four core components of the agenda, the meeting aimed to reach a concise

matrix of the merits and shortcomings of the current e-Procurement systems currently practiced in countries. Through the presentations by the participating experts and the ensuing discussions, the merits and challenges in the currently practiced e-Procurement systems were generalized as shown in the table below:

<Table 1. Merits and Challenges of Current e-Procurement Systems>

Merits	Challenges
<p>Significant improvement in transparency</p> <ul style="list-style-type: none"> - traceability of all transactions - effective for preventing fraud and corruption - provide audit trail <p>Enhances value for money</p> <ul style="list-style-type: none"> - enhance competition through improved accessibility - reduces procurement costs and transaction costs - facilitates on-line catalogue based purchases, such as framework contracts - improved market intelligence and resource allocation management - facilitates the analysis of buying profile <p>Ensures higher participation of SMEs</p> <ul style="list-style-type: none"> - improved market access for SMEs to government procurement - reduced marketing cost 	<p>Lack of awareness and capacity building programs</p> <p>Resistance to change</p> <ul style="list-style-type: none"> - procuring agencies' reluctance to convert to e-Procurement <p>IT infrastructure and internet readiness</p> <ul style="list-style-type: none"> - IT infrastructure for e-commerce not mature in many developing countries - IT divide in different regions within a country <p>Lack of cross-governmental coordination</p> <ul style="list-style-type: none"> - difficulties in legislation - multiple platforms may jeopardize long-term goals of e-procurement <p>Ineffective Implementation</p> <ul style="list-style-type: none"> - improper BPR - digitalization without procurement reform

Improved work efficiency <ul style="list-style-type: none"> - reduces disputes - better enforcement of regulations - reduced procurement time - standardization and streamlining of procurement process 	<ul style="list-style-type: none"> - technology can complicate rather than simplify procedures Obstacles for cross-border e-procurement <ul style="list-style-type: none"> - electronic signatures are recognized only domestically
--	---

Misconceptions on e-GP and Lessons Learnt

As a more manageable and immediately accomplishable goal than the core framework, the participating experts proposed and elaborated the most common misconceptions on e-Procurement and its implementation, as shown in <table 2>.

<Table 2. Most Common Misconceptions on e-Procurement and Its Implementation >

Misconceptions	Reality
E-GP is not primarily an ICT project	It's primarily a procurement project <ul style="list-style-type: none"> - e-GP project should be led by the organization in charge of government procurement rather than IT authorities or IT

<p>Single window e-Procurement portal requires centralized procurement system</p>	<ul style="list-style-type: none"> - Initiating e-GP may not require legislation - Light legal framework can be used in combination with complementary regulations and guidelines. <p>Single window e-Procurement portal can be adopted in countries with decentralized procurement systems</p> <ul style="list-style-type: none"> - Single window e-Procurement portal only requires a system operating entity. - Individual contracting agencies may commonly use the single window portal, while individually conducting biddings
--	---

In addition to the misconceptions summarized in <table 2>, a number of noteworthy experiences were brought to attention. A Korean expert pointed out that, while it is often thought that e-Procurement adoption will lead to improved productivity and consequently a sharp downsizing of procurement workforce in the government, Korea's experience did not show a notable downsizing of the workforce. In Korea, some contracting officers were reassigned to perform newly created functions, such as the operation of the e-Procurement system and improving procurement services. As a result, Korea's government procurement agency maintained the size of its workforce, reallocating some of its contracting officers for expanding the range of its services. An expert from the Philippines also pointed out the possible misconception that e-GP would put SMEs in a disadvantageous position. Contrary to this possible misconception, market opportunities for SMEs in the Philippines' government procurement have increased. A Japanese expert tabled the possible misconception of the technological neutrality of IT vendors. He pointed out the risk of 'vendor lock-in', the IT vendor's behaviour of applying non-standard specifications that are specifically associated with its own technologies or intellectual propriety rights. This may result in the system's vendor-dependency for maintenance and future development. The expert from the PEPOL project added that, wherever the e-Procurement system design contains off-standard technologies, the project owners should carefully examine the technology to avoid vendor lock-in. Choice of off-standard should not be left to the technicians, and a thorough policy documentation is required to ensure the interoperability of e-Procurement systems.

In addition to the common misconceptions, the participating experts also tabled a number of lessons learnt from their e-Procurement implementation experiences. These lessons were presented very succinctly as below:

1. Harvest the “low-hanging fruits” first: embarking on the most burdensome components of e-GP, such as e-Ordering, e-Catalog, should be considered after harvesting the more immediately achievable components including e-Notice and e-Submission. At an initial stage, it is strategically wise to limit the project scope to components that require a manageable level of change management and organizational capacity.
2. Don't forget the suppliers: e-GP is about the government but also about the suppliers. The system needs to be in harmony with the business practices and technologies used in the private sector.
3. Don't set unnecessary barriers for the participants by implementing e-Procurement: one of the critical success factor of e-Procurement is to get the ‘buy-in’ from the private sector. Without the overarching power, nothing will be solved.
4. e-Procurement requires solid political will: a commonly recognized requirement for a successful e-Procurement adoption is a strong commitment and leadership in the political dimension. As e-Procurement brings cross-governmental impacts on the purchasing behaviours of a large number of contracting authorities, its implementation requires a leading agency capable of inter-ministerial coordination and the overarching power from the top political level.

In the aspect of procurement regime, participating experts also exchanged their views on whether a mandatory use strategy is effective for successful conversion to e-

Procurement. This discussion yielded divided opinions. The experts from Korea, the Philippines, and Mexico presented positive opinions on the mandatory use strategy. However, experts from the WB and ADB expressed concerns for possible discriminatory effect that may be created by the mandatory use strategy, since many remote areas in developing countries do not have the access to the internet. As possible solutions for this concern, they recommended the establishment of regional internet access points, as well as leaving the option of paper bid submission for suppliers.

Coordination among National and International Entities for Collecting Information on the Current Worldwide Status of e-GP

One of the expected output of the Meeting was to develop methodology for gathering information on the current worldwide status of e-GP. The course of the meeting, however, revealed that similar efforts, although not in worldwide scale, have already been made or being scheduled by participating organizations. Participants expressed concerns about the heavy burden imposed on the survey subjects when they get questionnaires individually from multiple international organizations, and the consequent lowering of the quality of their responses. Thus, upon the suggestion by the representative of DPADM-UNDESA, the participants agreed that the current efforts being made by different international entities could achieve more productive results if such individual efforts are harmonized through coordination and collaboration. Some of the outputs of previous efforts introduced at the Meeting included the e-Procurement Toolkit developed by MDB e-GP working group, and the results of surveys conducted by the group. The Meeting also found that there are methodologies and survey

questionnaires independently developed by the participating organizations. They include the questionnaire developed by MDB e-GP working group for e-Procurement self-readiness assessment; questionnaire developed by EC for an 2010 survey for preparing a green paper on revising EC's public procurement directives; and questionnaire developed by the system developer of Korea's e-Procurement system which was used for e-Procurement implementation in Korea, Vietnam, Mongolia, and Costa Rica. The participants from the respective organizations offered to share the questionnaires with UNPOG for developing a more refined set of questionnaire. One of the main benefits of the Meeting was the agreement on sharing of knowledge and resources available at the participating organizations.

The participating experts also discussed ways to coordinate future efforts. The participant from ADB proposed collaboration with UNPOG, for a survey planned to be conducted by ADB on the e-GP status in its developing member countries that are currently implementing or planning to implement e-GP. The critical success factor for the survey is to obtain local resource persons with the access to the overall government procurement framework of the subject country, and cooperation among international organizations may facilitate the process of locating such resource persons. The Meeting recommends that UNPOG consider the possible cooperation with ADB on e-Procurement status survey in Asia-Pacific region, as well as other cooperation opportunities on worldwide or regional e-Procurement surveys.

Knowledge Management Design

The Meeting found the need for consolidating and managing available knowledge on e-Procurement, individually produced by multiple entities. The DPADM representative introduced UN Public Administration Network UNPAN and UNPACS as possible platforms for gathering and disseminating existing survey results, toolkits, and case studies. The participants agreed on the usefulness of the platforms, and recommended that UNDESA-DPADM disseminate existing tools and resources with hyperlinks and credit to the originators of such resources. The Meeting also agreed to collect e-Procurement case studies to be disseminated through UNPACS.

The participants agreed to create a network among the participating experts, which will function as contact points for gathering further information and coordinating future efforts. This network will work for the consolidation of a roadmap, including e-GP cases, toolkits, key focal points and access to methodologies for addressing the various stages of e-procurement. They also provided the resource websites of the organizations of their affiliation, which are listed below:

Philippines : www.philgeps.net (e-GP Portal of the Philippines)

Korea : www.pps.go.kr/english (website of Public Procurement Service)

Italy : www.consip.it. (website of CONSIP), EU Public Procurement Learning Lap

(URL not provided at the Meeting)

PEPPOL : www.peppol.eu (PEPPOL project website)

WB : www.mdbegp.org (MDB e-GP website)

Japan : www.jacic.or.jp (website of Japan Construction Information Center)

China : Website of Ministry of Finance, and Central Procurement Agency (URL not provided at the Meeting)

Mexico: <http://www.compranet.gob.mx> (e-GP Portal of Mexico)

Evaluation of the Meeting

From the organizational aspect, the meeting was very successful in gathering the most knowledgeable and experienced experts from organizations with first-hand experiences in e-GP implementation. Thanks to the unique and well-drawn composition of the participants and the set-up that effectively encouraged a focused round table discussion, the Meeting was able to cover a broad range of issues on e-Procurement from the high policy level to the practical implementation level. It brought together the viewpoints of the practitioners at national procurement agencies and the experts from international organizations that showed some differences in their priorities. For instance, national practitioners showed a preference for mandatory-use policy for prompt conversion to e-Procurement, while experts from MDB took a more reserved stance in consideration for possible discriminatory effect against the regions with low internet accessibility. It was also very timely in that the Meeting was able to address the much needed coordination among e-Procurement initiatives individually carried out by different international organizations.

The meeting was designed to maximally exploit the knowledge and expertise of the

participants. The organizer set clear goals and concrete agenda and circulated it well in advance among the participants. The participants were asked to submit technical inputs prior to the meeting, which helped them organize their knowledge in advance. As a result, the meeting proceeded more time-efficiently with many resourceful ideas and suggestions.

The meeting differentiated itself from other e-Procurement conferences in its practical and hands-on experience-oriented nature. Some issues raised in the Meeting were very new even among e-Procurement professionals, such as the issue of illicit lending and borrowing of e- authentication certificates needed for bidders to enter the system. It also brought to attention the most commonly committed mistakes in planning for e-Procurement adoption, which will constitute a part of core framework for e-Procurement to be developed in time.

At the policy-making level, the Meeting identified the obstacles that hinders the dissemination of e-Procurement, and proposed potential solutions. For example, it addressed the similarities and differences in adopting e-Procurement under decentralized procurement regime and central procurement regime. It also recognized the need for grouping countries by current e-Procurement status, and developing roadmaps accordingly. With regard to the lack of political awareness, which is one of the biggest challenges in the current e-Procurement scene in developing countries, it was proposed that international organizations develop programs to raise awareness among political leaders.

Lastly, the Meeting provided a platform for cooperation among national and international organizations, including UN, MDBs, EC, and individual countries. The participants expressed their willingness to support the UNPOG and the DPADM for undertaking future e-procurement programmes, including the sharing of survey results, and knowledge products. They also agreed to contribute to future surveys and other activities initiated by UNPOG. In particular, the proposed coordination among UNPOG, MDB e-GP working group, and UNDESA-DPADM may increase the efficiency of the current international initiatives for e-Procurement dissemination, and deliver a broad impact in the current e-Procurement scene.