

E-PROCUREMENT STRATEGY OF PUBLIC PROCUREMENT REGULATORY AUTHORITY

I. BACKGROUND AND INTERNATIONAL EXPERIENCE

Background: Public procurement is a key aspect of public administration that links the public financial system with social and economic outcomes. Governance of procurement is pivotal to public trust and is a determinant of quality service delivery and effectiveness of the Government. Government procurement accounts for a substantial proportion of Gross Domestic Product (15-20% or more in most countries) and Public procurement in one form or another accounts for 70% of government expenditure in developing countries.

Global trend in achieving procurement effectiveness is towards adoption of e-procurement. As a result of the introduction of e-Procurement, different countries have reported substantial savings ranging from 5-30% of public expenditure in public procurement. In Pakistan the public sector, excluding interest payments and defense expenditures, accounts for approximately 10% of GDP. This represents approximately Rs 2300 billion for the 2013/14 financial year. Of this, about 30% is for non-salaries and wages. Even if it is assumed only 1% saving were made for Pakistan, this would mean approximately Rs 7000 million / year could be saved.

Taking cognizance of this trend, the National Procurement Strategy (2013-16) endeavors to lay down a roadmap for procurement regulators in Pakistan to realize procurement performance effectiveness, and mentions e-procurement as an important step forward. Pakistan is however one of the few countries in the region where e-procurement is yet to be implemented. In 2013/14 PPRAs with assistance of the World Bank conducted an e-Procurement Readiness Assessment followed up by developing an e-Procurement Strategy. Based on these assessments Pakistan is considered generally ready for e-Procurement in both the public and private sector. The private sector is also enthusiastic about the benefits of e-procurement.

International Experience: Problems inherent in traditional paper-based procurement processes include incomplete management information, inefficient procedures, high compliance costs for suppliers and departments, simplistic and inferior procurement methodologies, and a profound lack of transparency. Persistence with paper-based procurement processes also slows the take-up of productive information technologies in the economy and results in uncoordinated buying across government with different departments having different contracts and different prices for the same goods.

International experience has varied widely with, in some cases, e-procurement being rolled out and adopted quickly, while in other cases rollout has been followed by only slow take-up if at all. In Andhra Pradesh, e-bidding was mandated and implemented without a transition period. In Bangladesh, a significant phase-in process over several years is currently underway for the complete system, and in Kazakhstan an e-procurement system is being phased in terms of individual functions. A partial system is being phased in by Nepal. Across the European Union (EU) as a whole, the development and application of e-Procurement has been slow by international standards.

Features of e-procurement are generally similar across various countries depending on details of national laws, customs, the supplier base and institutional arrangements. Many of the states in India have got their own state-wide e-Procurement system having very similar functionalities.

BOO is the common model applied in India. Malaysia started its ePeroleham e-Procurement system in the year of 2000 in Build-Own-Operate (BOO) model with a private company but regulated by the Finance Ministry. It covers selected procurement methods like quotation, open tendering, direct purchase from catalogues, and reverse auctions. Seventy-five (75%) of the public agencies have adopted the system.

A key lesson from all national developments is that e-Procurement is not simply a software application, and approaching it in those terms will not lead to a successful outcome. It is rare for a system of e-Procurement that has been developed for one jurisdiction to be successfully adopted unchanged by another.

II. SALIENT FEATURES OF THE STRATEGY:

The e-Procurement strategy reflects on local constraints including issues of capacity, legislation, system interoperability, the business model, and the governance framework for procurement. The system is conceived as a collaborative government procurement platform. All the stakeholders in the procurement process will have appropriate access using their secured user name and access codes and will have private secured working dashboards. Direct users of the system may be the procuring entities, the PPRAs, suppliers and other business entities, and maintenance service providers and the general public.

The institutional arrangements in Pakistan, whether at National or regional levels, can be satisfactory for the implementation of e-Procurement depending on adequate political support, and leadership from the PPRAs. There is also a need for a Project Management Unit that will focus the required expertise. This will be discussed in the Implementation Plan and would be formed by the PPRAs.

Common Unitary-e-Procurement infrastructure: It is recommended that there should be a common Unitary e-Procurement Infrastructure, with separate accesses to various PPRAs. Separate developments of e-procurement within individual provinces or within individual ministries or departments fragment the opportunities and would not be an optimal solution, duplicating costs and raising risks of security, lack of interoperability, common data capture, performance assessments and financial integration.

The Common Unitary e-Procurement Infrastructure refers to the establishment of a single set of Primary Data Centre and Disaster Recovery Centre. An e-Procurement Software Solution should be procured with licensing arrangement in such a way that the e-Procurement System database could be separately clustered for individual provinces. It should also provide facility for the separate instances of the user interface, procurement processes and practices of the e-Procurement portal could be configured based on the prevalent federal and provincial procurement processes and practices, but still having provision of interoperability and information exchange facilities across the provincial and federal portals. Options of utilizing the existing infrastructure should be explored.

Planning and Management: Planning and management of procurement are governed by consistent legislation, standard bidding documents, and standard processes apply generally. These aspects are substantially addressed in the current regulatory framework. These features will make the Business Process Reengineering (BPR) for e-Procurement a relatively efficient process.

Legislation and Regulatory framework: Existing legislation in Pakistan is adequate and supportive of e-procurement. Government of Pakistan adopted its IT Policy in the year 2000

after studying UNCITRAL model laws, looking at various legislation of both Civil and Common law countries, reviewing different implementation schemes of electronic authentication, regulatory models and best practice guidelines. Within the procurement rules, it is recommended that e-Procurement guidelines/implementing regulations be published, which will document all the operational, technical, security, stakeholder relationship, terms and conditions of e-Procurement use, legal, compliance, performance, authentication, authority, processes and practices to be applied in case of e-Procurement.

Human Resources management: Adequate training and education programs should be conducted for the bidding community as well as government procurement personnel.

Infrastructure and Web service: Pakistan has coverage of network infrastructure with good accessibility that is quite adequate to support most functions of e-procurement. This coverage is inclusive of major cities and the regional centres and is considered to be affordable. The Public sector departments in Pakistan are currently not well equipped with storage capacity, backup or disaster recovery except for some specific applications.

Private Sector to be on board: As mentioned before Private sector was found receptive to introduction of e-Procurement reform. The private sector is considered to have reasonable competence with e-commerce, and its ability to take-up e-procurement is likely to be good. However, there was strong requirement of regular supply side trainings and interaction to improve the competitive environment. It was recommended by leading private sector association of constructors that e-Procurement be phased first with high value contracts as the firms participating are more active and have adequate IT capacity to handle and participate in e-bidding process. This is fully consistent with the international experience and can be adopted in the Implementation Roadmap.

It is recommended that the bidding community be consulted; required skills enhancement trainings are organized on regular basis; and partnered in e-procurement system implementation.

Implementation Schedule: It is preferable that the e-Procurement services and functions be introduced in a phased manner. This represents a risk-managed approach and is to be recommended over a 'Big Bang' that would carry high risk of incompatibility with user requirements and capacities.

The phased approach operates at two levels. First, e-procurement should be rolled out in a handful of lead agencies, rather than all agencies at the same time. This will enable issues to be identified without affecting numerous agencies – this is the lead agency or a Pilot Implementation method. At a second level it is also preferred in some countries, to rollout e-bidding first, then follow up with e-purchasing and other modules. This approach can and should be used in parallel with the Pilot Agency method. The Figure below provides a guide as to how the implementation timetable of e-procurement should be undertaken. This programme would require effective project management.

Draft Implementation Scheduling

E-Procurement Implementation - Guide					Timelines												
					Year 1				Year 2				Year 3				
No.	Project Task				Kickoff	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
A	PPRAs to establish commitment																
B	Establishment of Institutional Structures																
	Project Steering Committee																
	Project Implementation Committee																
	PMU with Programme Director																
	Decision on Business Model including revenue options																
C	PPRAs																
	Confirmation of Common item code classification standards - CPV																
	Development and publication of E-procurement Guidelines																
	Specification of supplier register and pre-qualification processes																
	Publication of compatibility policies to enable e-procurement																
	Publication of e-signatures and e-documents rules																
D	E-Procurement in Pilot Entities																
	Identification of 3-4 pilot entities																
	Formation of task teams in pilot entities																
	Business Process Re-engineering of processes																
E	Customise and launch e-procurement service																
	Confirm functional requirements																
	Confirm technical requirements																
	Select COTS partner and national counterpart																
	Launch the Procurement Portal																
	Pilot implementation of e-tendering module																
	Roll-out of e-tendering module																
	Pilot implementation of e-quoting																
	Roll-out of e-quoting																
	Design and pilot the vendor registration module																
	Roll out the vendor management module																
	Design and develop the e-purchasing module																
	Consult banks re payment gateway - launch with lead banks																
	Pilot the e-purchasing module																
	Roll out the e-purchasing module																
	Design and develop the e-contract management module																
	Pilot the e-contract management module																
	Roll out the e-contract management module																
	Integrate the e-payments module																
	Online Service - help desk 24/7																
F	Hardware and Infrastructure																
	Data centre, Disaster recovery, and PE hardware as appropriate																
G	Change management capacity and awareness programs public and private sectors																
	Media releases																
	Civil service training sessions and online modules																
	Business / supplier sessions and online training																
H	Establish Operations and Maintenance management, cost recovery / SLA																

The complexity and cost as well as the regulatory requirements, integration issues and expertise and understanding of the various sub-components mean that a lead-agency model should be adopted to initiate rollout: This means that rollout should commence with just nominated lead agencies, each of which should be large procuring organisations. Not all procurement entities within these lead agencies need to be involved, but if possible some champions should be identified to lead.

III. RECOMMENDATIONS: In order to achieve the above stated goals of greater transparency and competitiveness in the public procurement process, which is vital for clean and effective governance, e-procurement needs to be implemented in a phased manner. Since this would be a new concept in Pakistan it would require investment for the initial setup as well as the training of both public and private sector. It is therefore proposed that donor agencies like World Bank, ADB and USAID may be approached to provide adequate funding/ grants/ support to turn the above proposed concepts into reality. Such assistance would go a long way in providing sustainable impetus to the growing economy by adopting a more efficient and cost effective means of procurement, thus releasing more funds for the already constrained development budget. This would be in line with the changing scenarios in the world towards e-governance and with the stated objective of more efficient and transparent governance.