eProcurement Management Challenges and Good Practices

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5th July 2008
Agenda

• Challenges in eProcurement implementations
• Benefits to the providers and users
• Strategic framework
• Good practices
• Management of eProcurement
• Measuring eProcurement performance
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Lessons from 2007 MDB Survey

• Critical management challenges:
  – Included:
    • Effective government leadership and management
    • Change management
      – User buyer *and manager* training
      – Supplier *awareness* and training
    • Procurement process re-engineering
  – Did not include:
    • Technical issues

14 countries across Asia, Europe, South America & Australia
Linkages with other Systems

- 50% of the systems link all government departments
- 29% also link local governments
- 29% of eProcurement systems link to Budgeting and Financial Planning systems
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• **Benefits to the providers and users**
• Strategic framework
• Good practices
• Management of eProcurement
• Measuring eProcurement performance
Immediate benefits, as mentioned, Providers (govt)

- Improved transparency
- Increased competition
- Reduction in costs to provide procurement service
- Reduced time for procurement
- Availability of data to facilitate decisions
- Standardization and process compliance
Immediate benefits, as mentioned, to Users (suppliers)

- Reduced process time, less paperwork
- Improved access to procurement opportunities
- Improved transparency
- Reduced errors in documentation
- Better work integration with buyers
How to interpret the ‘e’

- electronic (technology)
- easy (process simplification)
- efficient (transaction efficiency)
- effective (focused on outcomes)
- empowered (capacity building)
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• **Strategic framework**
• Good practices
• Management of eProcurement
• Measuring eProcurement performance
Strategic framework

- Policy
- Platform
- Process

- Information & Comm Technology
- Business Process Re-engineering
- Change Management

Leadership
What e-Procurement is ‘NOT’

1. e-Procurement is not a software program
2. e-Procurement is not centralization of procurement
What is e-Procurement

• e-Procurement is the application of technology to public procurement

• An e-Procurement implementation strategy is a management and reform program

• It applies to the acquisition of works, goods and services

• Objectives include to improve efficiency and management
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What works (and what doesn’t)

Fail Markers

- Multiple sites
- Devolved strategy
- Technology driven
- IT implementation
- Closed standards / closed access
- Vendor driven

Success Markers

- Central site
- Leadership strategy
- Objectives driven
- Procurement reforms implementation
- International standards / open access
- Needs driven
Where to start?

Preparation

Selection

Purchasing

Tendering

Execution

Securities

China
Canada
Japan
Argentina

Australia
Bangladesh

Brazil
Armenia
Hungary
Indonesia
Good implementation practices

• Begin goals can define start
  – Limited manageable pilot
    • Establishes credibility of the program
    • Learn from experience
    • Builds something more sustainable
    • Develop department champions
    • Engage with suppliers
  – Policy and process reforms need to be co-initiated
Good implementation practices

• Use eProcurement as a vehicle for reforms
  – Legislative and Regulatory framework
  – Organization and management of procurement
  – Capacity building for users and managers of procurement
  – Interaction with private sector
  – Linkages with broader set of actions to improve quality of spending
eProcurement as an evolutionary concept

- Experience with eProcurement
- Potential improvements
- Gains in efficiency
- Value for money
- Economic development
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• **Management of eProcurement**
• Creating effective oversight and measuring performance
Managing eProcurement

• 3 Tier structure

Steering Committee

Procurement working group

Department champions

High level oversight
Day to day monitoring
Implementation
Managing eProcurement

• Steering Committee
  – High level government officials
  – Periodic monitoring based on agreed performance parameters
  – Policy guidance and support
Managing eProcurement

• Procurement working group
  – Led by a mid level government official with adequate staff to support the functions
  – Actively involved with the eProcurement team provide daily oversight and handholding
  – Inputs to steering committee for decision making
  – Coordinate with participating departments
  – Process reforms and training
Managing eProcurement

• Department champions
  – Nodal person for each participating department
  – Key responsibility to drive adoption in the respective department
  – Can be trained in procurement and technology to evolve into the Chief Procurement Officer for the department
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Effective oversight

• Traditional approach

Monitor transactions → Identify deficiencies → Minimize non compliance

• Modern approach

Systems evaluation → Use transactions for testing → System reforms
How to measure performance?

• Identify a set of indicators to define a baseline
  – Not more than 10
  – Focused on issues of critical importance to overall outcomes
  – Ease in data collection
  – Build performance variables into the structure of eProcurement system
  – Define target levels to be achieved
Example - Ghana

- Performance Assessment System (PAS) focuses on 4 main areas namely:
  - Management Systems
  - Program Design
  - Procurement Process
  - Contract Management

- Measured by a set of 14 Performance Management Indicators (PMI)
Ghana - 14 PMI

- **Advertisement of tender (bid) opportunities** – (% of open bidding procedures publicly advertised)
- **Publication of awards** (% of contract awards publicly disclosed)
- **Time for bid preparation** (Average no. of days between invitation to bid & bid opening)
- **Bidder Participation** (Average no. of bidders)
- **Bid Acceptance** (Average no. of responsive bids)
- **Method of Procurement** (% of contract awards publicly disclosed)
- **Bid Processing Lead-time** (Average no. of days between bid opening & contract award)
- **Cancelled bidding procedures** (% of bid procedure cancelled)
- **Protests** (% of bidding procedures with protests)
- **Resolution of protests** (% of outcome of bidding process changed)
- **Contract amendment** (Average increase per contract awarded)
- **Contract dispute resolution** (% of contracts with unresolved disputes)
- **Completion Rate** (% of contracts resulting in full & acceptable performance)
- **Late Payment** (% of payments made late)
Example - Chile

- Performance is measured along five broad parameters:
  - Governance
  - Competitiveness
  - Effectiveness and Value for Money
  - Private Sector trust
  - System Performance
### Chile - Advanced Performance Indicators

#### 1. CYCLE TIMES

<table>
<thead>
<tr>
<th>Activity</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Order times for different activities of the process</td>
<td>#</td>
</tr>
</tbody>
</table>

#### 2. EVENT INDICATORS

<table>
<thead>
<tr>
<th>Event</th>
<th>Indicator</th>
</tr>
</thead>
<tbody>
<tr>
<td>Issue of specification of Q. R.</td>
<td>#</td>
</tr>
<tr>
<td>Procurement receives specification of Q. R.</td>
<td>#</td>
</tr>
<tr>
<td>Delivery of Q. R. to suppliers</td>
<td>#</td>
</tr>
<tr>
<td>Issue of D. R. to suppliers</td>
<td>#</td>
</tr>
<tr>
<td>Delivery of bids for technical appraisal</td>
<td>#</td>
</tr>
<tr>
<td>Acceptance of bids</td>
<td>#</td>
</tr>
<tr>
<td>Negotiation</td>
<td>#</td>
</tr>
<tr>
<td>Decision and Award</td>
<td>#</td>
</tr>
<tr>
<td>Notification of award</td>
<td>#</td>
</tr>
<tr>
<td>Acceptance of notification of award</td>
<td>#</td>
</tr>
<tr>
<td>Issue of acknowledgment letters</td>
<td>#</td>
</tr>
<tr>
<td>Issue of quotation by engineer</td>
<td>#</td>
</tr>
<tr>
<td>Receipt of quotation by procurement</td>
<td>#</td>
</tr>
<tr>
<td>Issue of purchase order (P.O.)</td>
<td>#</td>
</tr>
<tr>
<td>Delivery of drawings for revision</td>
<td>#</td>
</tr>
<tr>
<td>Submit approved drawings</td>
<td>#</td>
</tr>
<tr>
<td>End of material purchase for fabrication</td>
<td>#</td>
</tr>
<tr>
<td>Issue of orders for sub-suppliers</td>
<td>#</td>
</tr>
<tr>
<td>Supply out of fabric</td>
<td>#</td>
</tr>
<tr>
<td>FOB delivery</td>
<td>#</td>
</tr>
<tr>
<td>Embarkment</td>
<td>#</td>
</tr>
<tr>
<td>Arrival to port CIF</td>
<td>#</td>
</tr>
<tr>
<td>Customs Clearance</td>
<td>#</td>
</tr>
<tr>
<td>On site</td>
<td>#</td>
</tr>
</tbody>
</table>

**Note:** Q. R.: Quotation Request  P. O.: Purchase Order

Symbol # reflects some problems detected.

### 3. MANAGEMENT INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Frequency of days late in advance, regarding target</td>
<td>#</td>
</tr>
<tr>
<td>Number of cases where request for supply on planned date for use in construction</td>
<td>#</td>
</tr>
<tr>
<td>Number of changes in specifications</td>
<td>#</td>
</tr>
<tr>
<td>Number of change orders</td>
<td>#</td>
</tr>
<tr>
<td>Number of urgent specifications</td>
<td>#</td>
</tr>
<tr>
<td>Days of air transport</td>
<td>#</td>
</tr>
<tr>
<td>Number of changes to air transport</td>
<td>#</td>
</tr>
<tr>
<td>Amount of supplies with reception problems</td>
<td>#</td>
</tr>
<tr>
<td>Cases of problems with reception, under and over deductible insurance</td>
<td>#</td>
</tr>
<tr>
<td>Cases where goods were not inspected</td>
<td>#</td>
</tr>
<tr>
<td>Damage on transport</td>
<td>#</td>
</tr>
<tr>
<td>Number of bills of lading (B. L.) rejected by period</td>
<td>#</td>
</tr>
<tr>
<td>Days of difference between arrival and the reception</td>
<td>#</td>
</tr>
</tbody>
</table>

### 4. COST INDICATORS

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of days to break with (days)</td>
<td>#</td>
</tr>
<tr>
<td>Number of days in warehouse (days)</td>
<td>#</td>
</tr>
<tr>
<td>Number of days in customs / delivery (aircraft)</td>
<td>#</td>
</tr>
<tr>
<td>Number of days in customs / delivery (truck)</td>
<td>#</td>
</tr>
<tr>
<td>Number of bills rejected / number of bills accepted</td>
<td>#</td>
</tr>
<tr>
<td>Number of bills accepted / number of bills rejected</td>
<td>#</td>
</tr>
<tr>
<td>Number of bills processed / number of possible fiscal credits</td>
<td>#</td>
</tr>
<tr>
<td>Number of (days spent) corrections, repairs</td>
<td>#</td>
</tr>
<tr>
<td>Number of special transports / period and accumulated</td>
<td>#</td>
</tr>
<tr>
<td>Time until release of containers for delivery / job site</td>
<td>#</td>
</tr>
</tbody>
</table>

### 5. REFERENTIAL VALUES

<table>
<thead>
<tr>
<th>Indicator</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amount of Q. R.'s issued / period and accumulated</td>
<td>#</td>
</tr>
<tr>
<td>Amount of P. O.'s issued / period and accumulated</td>
<td>#</td>
</tr>
<tr>
<td>Amount of orders issued / period and accumulated</td>
<td>#</td>
</tr>
<tr>
<td>Amounts involved in orders / period and accumulated</td>
<td>#</td>
</tr>
<tr>
<td>Embarkments by period (general)</td>
<td>#</td>
</tr>
<tr>
<td>Embarkments in transit by period (general) and (details)</td>
<td>#</td>
</tr>
<tr>
<td>Amount of money in embarkments by periods</td>
<td>#</td>
</tr>
<tr>
<td>Gross receipts performed</td>
<td>#</td>
</tr>
<tr>
<td>Gross receipts performed</td>
<td>#</td>
</tr>
<tr>
<td>% advance engineering (fabrication - specification engineering procurement)</td>
<td>#</td>
</tr>
<tr>
<td>Domestic purchases / Import purchases</td>
<td>#</td>
</tr>
<tr>
<td>Number of supplies according to criticality level (relationship industry - events)</td>
<td>#</td>
</tr>
<tr>
<td>Amount of inspection by order</td>
<td>#</td>
</tr>
<tr>
<td>Total amount of supply (discounted amount)</td>
<td>#</td>
</tr>
</tbody>
</table>
Thank you