Russia

Electronic Government Procurement (e-GP)

Contribution to the Country Procurement Assessment
Update in the Russian Federation
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Introduction

This report is the result from the findings of initial discussions with representatives of the following institutions during a mission on February 8-10, 2006:

- Federal Center for Project Finance;
- Russian Chamber of Commerce & Industry;
- Business Opportunities Bureau at Federal Center for Project Finance;
- Procurement Management Institute at Higher School of Economics;
- Department of Organization and Methodology of Competitive Bidding at RAO UES (power generating company);
- Department of Public Procurement at the Ministry of Economic Development & Trade of the Russian Federation;
- Association for Development of Competitive Procurement.

In addition, the report reflects some considerations from the review of the following official documents of the Russian Federation:

- Federal Law on Electronic Digital Signature, No. 1-FZ of October 1, 2002;

Starting with a brief e-GP overview in Section 1; the report provides information on the current e-GP situation in the Russian Federation in Section 2, based on a set of e-GP adoption indicators jointly developed by the Multilateral Development Banks’ e-GP working group as part of an e-GP readiness assessment.¹ Section 3 provides some recommendations with regard to future possible actions towards the adoption of e-GP in the Russian Federation.

¹ http://www.mdb-egp.org/data/docs/Questionnaire.pdf
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Electronic Government Procurement (e-GP) – A Short Overview

Definition

1. Electronic Government Procurement (e-GP) is the use of Information & Communication Technology (ICT), especially the Internet, by governments in conducting their relationships with suppliers for the acquisition of works, goods, and consultancy services required by the public sector.

2. The level of e-GP implementation comprises three basic phases:
   - Online disclosure of information (e.g. publication of procurement notices, awarded contracts, and procurement law & regulations);
   - Online procurement transactions (e.g. electronic distribution of bidding documents and RFP/RFQ documents, electronic submission of bids/proposals/quotations, electronic bid opening);
   - Online procurement integration (e.g. integration of e-GP with systems for contract management, financial management, tax administration, and others).

3. Along the lines of traditional tendering and purchasing procedures, e-GP can be divided into e-Tendering and e-Purchasing:
   - e-Tendering can be defined as a solution designed to electronically handle the process of public tender for the acquisition of specialized works, goods, and consulting services that are of high value and low volume. Contracts are usually awarded on the basis of price and other factors (e.g. performance, quality, efficiency).
   - e-Purchasing is a solution designed to electronically facilitate the acquisition of low value and high volume standard goods and services. Contracts are awarded on the basis of price as the only evaluation criteria. E-Reverse Auctions and e-Catalogues are included in this category.

4. Examples of such systems include Mexico’s e-Tendering system Compranet\(^2\), and Brazil’s e-Purchasing system Comprasnet\(^3\). Chile’s ChileCompra\(^4\), Korea’s GePS\(^5\), and Western Australia’s Government Electronic Market\(^6\) are examples of systems supporting both, e-Tendering and e-Purchasing.

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\(^2\) [http://www.compranet.gob.mx/]
\(^3\) [http://www.comprasnet.gov.br]
\(^4\) [http://www.chilecompra.cl/]
\(^5\) [http://www.g2b.go.kr/]
Benefits

5. Breaking down the physical barriers of space and time, e-GP allows a more transparent and efficient information flow as well as improved access to information and services. Beneficiaries include not only governments and suppliers but also the public at large who can have access to transparent information on the public expenditure of taxpayers’ money.

6. Many countries around the world are investing into the design and implementation of more or less complex e-GP system as part of the modernization of their public procurement systems. Transparency, efficiency, and improved quality of government procurement are among the main benefits.

7. In capturing all relevant data and information into a securely operated electronic system and automating public procurement processes, thus making them more compliant with the public procurement legislation, governments can reduce corruption or collusion by minimizing the risk of data manipulation or misuse. At the same time, procurement data and information can be made transparent to government decision-makers who, by using these data, can improve the quality of their decisions in the context of public procurement.

8. Besides transparency, e-GP provides for efficiency gains in terms of costs and time. As competition can be increased by opening up the access to online procurement notices to more suppliers – provided an appropriate infrastructure is in place – and transaction costs of the procurement process drop considerably (usually between 50 to 75 %), prices of bids and proposals can be cut by usually 15 to 25 %. These savings include time savings due to automated procurement procedures. A detailed summary of e-GP benefits and some specific examples can be found in Appendices 1 and 2.

9. As the public procurement volume of a country amounts to a percentage of more than 10%, sometimes up to 20%, of the GDP, the use of e-GP may have a considerable impact on economic development due to huge savings and, in addition, due to the encouragement of small and medium enterprises to use modern technology and build the appropriate capacity.

Key Success Factors

10. Designing and implementing projects with major ICT components in the public sector have one issue in common: while ICT is basically available and can be used in many ways to improve government performance, there are some human factors which are critical to the success of any such ICT project including e-Government Procurement.

11. Experience in many countries, no matter which income level, has shown that government leadership is the most important key success factor of e-GP. A strong champion (some countries have seen the President in this role) needs to give the mandate of leading the e-GP initiative to an agency with excellent planning and
management skills which is able to bring about collective commitment for change, inter-government coordination, and partnership with the supplier community.

12. Appropriate government leadership is also needed to meet the requirements of a few more e-GP key success factors:

   o Set a supporting policy & legal framework including a clear e-GP vision and strategy, the definition of roles & responsibilities, the legally enabling environment with sufficient flexibility in order not to become obsolete along the short innovation cycle of ICT;

   o Buyer and supplier activation, including awareness and capacity building among government, suppliers, and the public at large on the basis of a well-thought communication strategy, comprehensive training programs, and user help-desk facilities;

   o Technological infrastructure development including improved connectivity to promote equal access to online procurement data and information, interoperability based on common standards and procedures, appropriate security techniques, and clearly defined e-GP business models.
Current Adoption of e-GP

Government Leadership & Management Planning

13. According to the Resolution of the Cabinet of Ministers of Ukraine On Public Procurement System Management, #1469 of 09.27.2000, the Public Procurement Department (PPD) of the Ministry of Economy and European Integration (MoE) is the authorized agency responsible for public procurement policies, procedures, and regulations as stated in the public procurement law. In this function, the PPD also assumes responsibility for the introduction of electronic government procurement.

14. The Government of the Ukraine in general and the PPD in particular are aware of the important role that e-GP can play in order to meet the main objectives of public procurement as mentioned in the public procurement law:
   - maximum economy and efficiency;
   - fair competition among bidders;
   - openness and transparency at all stages of public procurement;
   - non-discrimination of bidders;
   - objective and impartial assessment of tender offers.

15. Besides increased transparency and competition by publishing procurement notices, contract award results, and other procurement information on a website; annual savings of up to USD 50-100 million could be achieved by conducting only 10% of the total public procurement (about up to USD 5 billion in 2004) online. These potential savings of 10-20% are calculated on the basis of the experience of countries, such as Brazil, Mexico, Romania, Korea, and India, who have successfully used the Internet to support public procurement procedures.

16. With the PPD as the authorized agency for public procurement policies, procedures, and regulations, the Ukraine is in line with the majority of those countries who have adopted e-GP: they all selected the central public procurement agency as the lead agency for the implementation of e-GP. While in some countries, this central procurement agency is part of the Ministry of Finance or an independent state procurement agency; it is subordinated to the Ministry of Economy and European Integration in the Ukraine.

17. The role of the PPD as lead agency for the introduction of e-GP in the Ukraine is not only defined by Resolution #1469 (see para.13) but also strengthened by the government itself. First, the Minister of Economy provides strong leadership and support to the PPD in its efforts to improve and modernize the public procurement system including any e-GP related initiative. Second, the Draft Strategy for Public Procurement Reform 41REV 2 C Draft 8-VIII-04 assigns the responsibility for the introduction of information technology in the area of public procurement to the PPD. Third, all interviewed governmental institutions acknowledged the PPD as the lead agency for e-GP implementation.
18. With such strong legal and political support in mind, the challenge to the PPD is to demonstrate true leadership in the process of adopting an e-GP program by pursuing a proactive and strategic approach to the e-GP planning process and coordinating the planned activities in this area with other relevant stakeholders in- and outside the government.

Policy & Legal Framework

19. Taking into consideration the increasing role of information and communication technologies in all spheres of the life, the Ukraine has developed a policy and legal framework, which provides a general foundation for the introduction of e-Government services. The Government’s Action Program Towards the People\(^7\) recognizes the significant role of modern technologies: “Informatization will give unique chances for development of the regions and guarantee all the citizens equal access to the information and form new workplaces. In order to achieve this the Government intends:

- to form the list of the top-priority high technologies (including nanotechnologies);
- to integrate all the field and regional programs in the realm of information into one program called “Electronic Ukraine”;
- to develop the all-national telecommunication networks using the newest world achievements in the sphere of high technologies;
- to liberalize the telecommunication market as a basis for the competition, to increase the quality and to low in price the telecommunication services;
- to introduce widely the electronic signature;
- to develop electronic trade, marketing and business on the basis of the Internet;
- to use the world network in order to advance domestic commodities to the foreign markets;
- to provide informatization of the education and knowledge management, basic computer competence, to work out and introduce the educational standards of all levels, to introduce computerized technologies for education and distance education.”

20. In line with this program, the Draft Strategy for Public Procurement Reform 41REV 2 C Draft 8-VIII-04 addresses the implementation of e-GP in the Ukraine. In recognition of e-GP as a catalyzer of increased public procurement transparency, efficiency, and performance; the draft strategy suggests six steps to be taken:

- the nomination of a lead agency to guide and promote the adoption of information and communication technologies for public procurement;
- the assessment of the current use of ICT for public procurement;

• the collection of information and knowledge with regard to e-GP including international experience;
• the development of an e-GP implementation strategy;
• the implementation of e-GP pilot projects;
• the development of a single e-GP portal for all procuring entities and suppliers.

21. This strategy was drafted in August 2004 but has not been approved as an official document as of today. In addition, the Cabinet of Ministers drafted the Regulation on Approval of the Strategy of Public Procurement System Development for 2005-2009. This regulation has also not yet been officially approved but it is planned to get its approval by XXX. In line with the six e-GP related steps of the drafted strategy, the regulation suggests specific activities, i.e. the development of a single public procurement portal, the implementation of a pilot e-Tendering system, and an online public procurement monitoring facility.

22. While the strategy and regulation drafts include considerable e-GP implementation activities, breaking down these activities into a clearly defined e-GP strategy could serve as a better roadmap to the successful implementation of e-GP. Such e-GP strategy does not only need to address technology issues, but more importantly the management of business and personnel issues in order to ensure the successful application of e-GP technologies. More specifically, an e-GP strategy can define the objectives of e-GP implementation and provide a framework including clearly defined actions, roles, and responsibilities of how to achieve these objectives in the specific political, economic, and legal environment in the Ukraine.

Public Procurement Law (PPL)

23. As far as the legal framework is concerned, the Federal Law on Procurement of Goods, Works and Services No. 94-FZ of July 21, 2005, allows for the use of electronic means in public procurement. In particular, the PPL requires the use of official websites at Federal, Regional, and Municipal level in order to publish important public procurement information, such as procurement notices, evaluation and review minutes, and contract lists. The requirement of publishing these information contributes to increasing the transparency of public procurement in Russia.

24. In addition to the mandatory use of official websites for the publication of procurement information, the PPL offers the option of using electronic means to support the public procurement procedures and transactions, e.g. availability of electronic bidding documents, electronic amendments, electronic clarifications, electronic bid submission, electronic bid opening, or electronic reverse auctions.

25. The mandatory/optional use of electronic means according to the PPL refers to the open bidding and auction procedures as well as to shopping including prequalification. If it comes to the closed bidding and auction procedures; neither a
website nor any other electronic means are allowed. The PPL does not mention the possibility of using electronic means for direct contracting. Annex III provides a table with an overview of the information and procedures for which e-GP can or must be applied.

26. The PPL requires the publication of important procurement information in at least one official website besides in the official printed edition and leaves it up to the contracting agency to publish the same information in additional printed or online media.

27. It is clearly defined in the PPL that the Government of Russia selects and maintains one official Federal procurement website. This website needs to provide information on the addresses of the official websites of the Regions to be selected by the Region’s highest public executive authority. Similarly, the local administration needs to select the official website of the municipality. While Article 16 (1) requires the selection of a municipal official website, Article 16 (2) seems to contradict in requiring a municipality without an official website to use the official website of the Region which the municipality belongs to.

28. Infos to be published lengthy!

E-Legislation

29. There is a long list of laws, decrees, resolutions, and regulations available on the government portal of the Ukraine which all are related to the development of e-Government and, together with the Law on Protection of Information in Automated Systems No. 80/94-BP (04/05/1994) and the Law on Copyright and Related Rights No. 3792-XII (12/23/1993) complement the enabling legal framework for e-GP. The Law on Electronic Documents and Electronic Document Circulation No. 851 (5/22/2003) and the Law on Electronic Digital Signature No. 852 (5/22/2003) are two laws that recognize the legal validity and integrity of electronic documents and therefore are not only important in the context of e-GP but for any e-commerce and e-government related programs.

30. The electronic digital signature law appears to create some uncertainty. Unlike the suggested approach in the UNCITRAL model law on electronic signatures (2001) or in the European directive on a community framework for electronic signatures (1999), the Ukrainian law includes two conflicting attributes in its title: while a digital signature is always an electronic signature, not all electronic signatures are at the same time digital signatures. Both, UNCITRAL and the European directive do not limit the legal recognition of an electronic signature to the digital signature. Although

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9 http://www.welcometo.kiev.ua/pls/ili/ific_frame_law_result2.show?p_arg_names=law_id&p_arg_values=303
10 http://www.welcometo.kiev.ua/pls/ili/ific_frame_law_result2.show?p_arg_names=law_id&p_arg_values=90
11 http://www.welcometo.kiev.ua/pls/ili/ific_frame_law_result2.show?p_arg_names=law_id&p_arg_values=837
12 http://www.welcometo.kiev.ua/pls/ili/ific_frame_law_result2.show?p_arg_names=law_id&p_arg_values=838
the Ukrainian law states that an electronic signature may not be deemed invalid on the sole ground of being in electronic form or not being based on an enhanced key certificate, it is not clear whether the Ukraine recognizes the use of an electronic signature without digital cryptography and certificate as legally valid.

32. This uncertainty is supported by the Cabinet of Ministers’ Resolution No. 1452 (10/28/2004) on the Approval of the Procedure of the Electronic Digital Signature Utilization by State Authorities, Local Self-Administration Bodies, State-Owned Enterprises, Institutions and Organizations. The resolution seems to restrict the legal validity to digital signatures only. Under such conditions, the digital certification procedure including any costs and renewal mechanisms has to be designed in a way that would not restrict the public procurement principle of open and fair competition.

**Buyer and Supplier Activation**

33. Moving public procurement information and transactions online requires buyers (contracting agencies) and suppliers (private industry) to change their mindset of doing business. In line with the management of such change, it is critical to achieve common understanding among the buyers and suppliers about the benefits of e-GP for the Ukraine and to develop collective commitment to achieve these benefits. Appendices 3 and 4 provide some possible components of a buyer and supplier activation strategy.

**Awareness Raising**

34. While many buyers and suppliers may not be familiar with e-GP, there may also be a considerable number of those who are knowledgeable about e-GP. Some may have an interest in moving public procurement online and others may not. Only if the majority of buyers and suppliers is convinced of the benefits and values e-GP offers to them, the government of the Ukraine does not run the risk of investing into the adoption of e-GP without delivering the promised benefits.

35. To this end, it is critical to raise the awareness of the important role of e-GP to develop a highly efficient and transparent public procurement system in the Ukraine. Such awareness may be raised not only among the buyers and suppliers but also among the public at large, i.e. the taxpayers. The Ukrainian taxpayers may have an interest in being informed about plans and methods to increase the efficiency and transparency of the government when spending taxpayers’ money.

36. While the government of the Ukraine provides a considerable amount of transparency in its information policy (the Internet portal of the Government offers multiple political, economic, and other information), the communication of the planned introduction of e-GP seems to offer some potential for improvement. Several websites (see para. 63 on page 17) provide public procurement related information but do not offer any details in terms of e-GP plans or activities.

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37. It is important to communicate the e-GP program including its benefits to all stakeholders and to demonstrate political will and leadership. An e-GP awareness raising campaign as part of the e-GP strategy and the public procurement reform agenda can help to improve the communication of the planned e-GP activities. The transparency of the government’s plans in the area of e-GP can be increased by publishing them online as much as the transparency of public procurement can be increased by publishing procurement information online.

38. The Internet, however, is only one channel in order to efficiently communicate the planned e-GP program within the government including the contracting agencies and outside to private businesses, business associations, non-governmental organizations, and the public at large. Other channels include typical communication platforms such as the printed media, radio, TV, conferences, etc. References to good e-GP practices and achieved benefits in other countries may be taken into consideration when distributing information through these communication channels.

Capacity Building

39. The introduction of e-GP requires training and skills development on different levels. While the awareness raising program may already contribute to understanding the basics and benefits of e-GP; more extensive capacity building is required in the areas of managing the design and implementation of e-GP, using the implemented e-GP applications appropriately, and providing e-GP systems operation and support services.

40. The successful management of the design and implementation of e-GP depends from the appropriate staffing of the responsible lead agency. Staff should not only be positive about e-GP but also pursue a strategic approach to the adoption of e-GP. Public procurement expertise should play the dominating role over IT expertise. The DPP seems to be well staffed to this end. However, the available resources of currently 19 persons may not be sufficient in order to manage, coordinate, monitor, and evaluate the implementation of e-GP in the Ukraine. Even with the planned increase to 28 staff in the DPP, the future e-GP work may still constitute a challenge. In this context, much will depend on some strategic decisions, e.g. whether

- a single or multiple e-GP systems will be implemented;
- a single e-GP system will be operated within or outside the government;
- an e-GP standards framework will have to be developed in case of accepting the use of multiple e-GP systems;
- the delivery of user training to buyers and suppliers will be contracted to third parties or provided by the DPP;
- user help desk services will be provided by third parties or the DPP.

41. User training needs to address not only the issue of how to use an e-GP application but also the issue of changing from traditional to new methods of conducting public procurement. With thousands of contracting agencies meaning tens of thousands of
public procurement agents to be trained as potential future users of an e-GP application, training will definitely require a considerable amount of resources and planning. User training to thousands of more trainees from the supply side should be taken into consideration.

42. The training to use an e-GP application can be delivered through a whole range of channels. The concept of training the trainer may be a good way in order to effectively enable contracting agencies to work with a new e-GP application. This approach can also work for suppliers, particularly if business association representatives are trained as trainers. In-person training at workshops is the more traditional method; whereas online training programs, online demo versions, user manuals, online help facilities, and user help desk facilities add to the variety of training delivery channels.

43. User help desk facilities can offer a hotline phone service or an email service to contracting authorities and suppliers who may have questions on an e-GP application or run into problems of technical or procedural nature. While not all problems need to be solved by the same person, a user help desk should be structured in levels that ensure high quality and a quick response time. The availability of these services may be restricted to the business hours or open on a 24/7 basis. The latter could be offered for procurement transactions that may attract international businesses from different time zones throughout the world.

44. The third level of skills development is linked to the selected business model of operating an e-GP system. While the current public procurement law requires the DPP to be in charge of maintaining a list with the approved e-GP applications in the Ukraine, it does not mandate that these applications have to be operated by a government agency. To this end, outsourcing could be an alternative business model for the operation of an e-GP application in the Ukraine. Both approaches are common in countries all over the world. Outsourcing the operation to the private sector is very often justified with the risk that staff leaves the government for the better-paying private sector after having passed an expensive training program financed by the government and not been offered appropriate incentives to stay. However, such outsourcing approaches fail sometimes due to the fact that the selected service provider cannot cover the costs. In addition, outsourcing contracts require excellent expertise to design and manage this type of contract.

45. As part of the capacity building program, the Ministry of Education can issue licenses for agencies or associations to provide procurement training to procurement agents of contracting agencies or private suppliers. On the basis of such approach, the Ministry of Education could issue the license for e-GP awareness raising and capacity building. Although it may not be easy to identify experienced e-GP training providers, some of the existing providers may be in the position to design and deliver e-GP related training to contracting agencies and suppliers.

46. The Chamber of Commerce may be a good candidate, since it has already extensive experience as a licensed training provider in the area of public procurement in close
coordination with the Ministry of Economy. The Chamber of Commerce has a very
good training facility and provided public procurement training to about 6,000
procurement agents in 2005. With more than 7,000 private companies being
members, the Chamber of Commerce constitutes a perfect platform to reach out and
promote the e-GP agenda in the Ukraine.

47. The donor community can also contribute to raising the awareness and building
capacity in the relatively new area of e-GP in the Ukraine. Particularly the donors
interviewed during the mission expressed their interest in helping to provide e-GP
related training by co-sponsoring learning events (e.g. workshops, conferences) or
including appropriate components as part of TA programs.

Infrastructure & Standards

Infrastructure

48. The situation in terms of Information Technology and Internet penetration in the
Ukraine is similar to that in other low- and middle-income countries. While these
technologies are used in government agencies, private businesses, and individual
households, there is a digital divide between municipalities, such as Kiev or Odessa,
and small or rural regions with less population and more infrastructure constraints.
However, the Chamber of Commerce forecasts a rapid future development of the IT
infrastructure and Internet connectivity.

49. A recent statistics overview on the Internet usage in Europe\textsuperscript{16} found that the Internet
is being used by almost 5.3 million people in the Ukraine with a total population of
about 46.7 million. To this end, the Internet penetration equals 11.3\% in the Ukraine.
With this rate, the Ukraine belongs to those European countries with a rather low
Internet penetration rate. Interestingly, the calculated Internet usage growth between
2000 and 2005 exploded in a few countries, e.g. Albania, Bosnia-Herzegovina,
Macedonia, Moldova, and the Ukraine. In terms of Internet usage growth during the
last five years, the Ukraine is on the second place with 2,539.1\%. This figure clearly
is positive about the future expected Internet penetration in the Ukraine.

50. Even if the government of the Ukraine can organize the access to and use of Internet-
based applications in public contracting agencies in a coordinated way, it may be
more difficult to close the digital gap for small and medium enterprises in the regions
with infrastructure constraints. In addition to promoting the use of modern
technologies by setting up an enabling framework with regard to the development of
the telecommunications and IT sector, the government can help to establish a network
of business centers in remote locations, which provide Internet access including
appropriate instructions for private businesses without connectivity.

51. Many countries have introduced such access points in order to ensure Internet
accessibility. Other countries include Internet cafes or similar public places with

\textsuperscript{16} \url{www.internetworldstats.com}
Internet access in their strategy of developing an IT infrastructure all over the country. However, the access through computers in public places may have some serious implications with regard to security aspects. For example, if a digital signature is required to sign an electronic document before submitting it online, it would not be feasible to use a software-based private key, as such key would need to be stored in the public computer. The option for better security is the use of a token- or smartcard-based private key, which in turn requires appropriate HW devices.

52. On the other hand, those small and medium enterprises in the Ukraine which are not yet connected to the Internet may be willing to get connected in line with the efforts of the government to move public procurement online. Several countries have seen an increase of the Internet penetration rate among private businesses due to the fact that they understood the move towards online public procurement as an incentive to get linked to the web.
Standards

53. Keeping the objective of the European Integration in mind, the Ukraine may think of adopting standards that meet the requirements of the framework set out by the European Directives in the area of public procurement. Such standards refer to the national legal procurement framework and include e-GP specific requirements in terms of procedures (e.g. e-reverse auctions, dynamic purchasing systems), templates/formats (e.g. the format for publishing procurement notices in TED), and product classification (e.g. the CPV code).

54. Standards have already been set by the MoE’s Internal Order No.128 for the procedures and formats of the procurement information to be published online (e.g. procurement plan, procurement notice, contract award results). While these standards may not fully meet the requirements of the European Directive, it should not be a problem to modify them accordingly if required. Other standards that were set by law (e.g. public procurement law, electronic digital signature law) may need to be reviewed in terms of some potential alignment with the European Directives.

55. Information systems that are relevant for e-GP should meet the principle of open and free access and non-discrimination. Common technical standards may include open system architecture, generally available web services, and security standards (e.g. SSL). In particular, it may be important and efficient to apply technical standards (e.g. XML) that ensure interoperability of several government IT systems. In this way, the requirement of publishing procurement notices online could be monitored automatically in the Financial Management System with a link to the system for publishing procurement notices.

Systems & Procedures

56.
Recommendations

57. The role of the PPD as authorized agency for public procurement should be strengthened continuously in order to keep the positive momentum of moving towards e-GP in the Ukraine. On the one hand, the PPD should continue to demonstrate true leadership in the process of e-GP adoption by pursuing a proactive and strategic approach to the implementation of e-GP and coordinating the planned activities in this area with the major stakeholder in- and outside the government. On the other hand, such strong leadership of the PPD requires collective agreement and support on high political level including the President, the Prime Minister, the Cabinet of Ministers, and the Parliament.

58. In line with the public procurement reform draft strategy, the PPD should develop an e-GP implementation strategy which, based on an assessment of the current e-GP readiness, provides the objectives of the e-GP program and a roadmap of how to achieve them including a phased action plan with clearly defined roles, responsibilities, and timelines. Such e-GP implementation strategy should be defined in a separate document as part of the public procurement reform strategy.

59. In drafting an e-GP implementation strategy, the PPD should take into consideration the availability of relevant resources reflecting the experience and lessons learned of several governments in designing and implementing e-GP. Such resources include but are not limited to the EC’s guidance for electronic public procurement\(^\text{17}\), the Multilateral Development Banks’ suggestions for e-GP implementation\(^\text{18}\), and the experience of different countries. It is recommended to organize an e-GP workshop with international participation before finalizing and approving the e-GP implementation strategy.

60. The latest version of the *Law on Public Procurement of Goods, Works and Services* should be reviewed with the objective of either reducing the articles on e-GP to a minimum ensuring the legal validity of e-GP or addressing the issues raised in paragraphs 25, 26, 29, 32, and 33 of this document by modifying the respective articles in the law appropriately. It is recommended to give preference to the first thought of keeping the e-GP relevant text in the primary legislation to a minimum and cover the rules of e-GP procedures and requirements in the secondary legislation.

61. The idea of offering the choice to contracting agencies to select an e-GP system, which needs to be approved and listed by the PPD, should be reviewed. It is recommended that the PPD has the mandate to decide about a single e-GP portal which ensures compliance with the public procurement policy and constitutes the official public procurement portal of the Ukraine.

62. The mandatory publication of public procurement information on the Internet should be limited to one electronic public procurement bulletin. While contracting agencies would need to publish the required information in such online bulletin, they could

\(^{17}\) [http://europa.eu.int/comm/internal_market/publicprocurement/e-procurement_en.htm#intro](http://europa.eu.int/comm/internal_market/publicprocurement/e-procurement_en.htm#intro)  
\(^{18}\) [http://www.mdb-egp.org/data/docs_tools.htm](http://www.mdb-egp.org/data/docs_tools.htm)
choose additional online or offline media to publish the same information if they wish so.

63. The electronic digital signature law should be reviewed with regard to the issues raised in paragraph 37 of this document.

64. In the context of designing and implementing an appropriate e-GP legislation, the Ukraine may wish to take into consideration Directive 2004/18/EC (3-31-2004) of the EC, which provides a public procurement framework to member countries including e-GP. To this end, the Ukraine would not only have a procurement legislation that is compatible with its neighboring European member countries thus enabling cross-border trade, but also bring the Ukraine another step closer to the EC accession.

65. The DPP should develop an e-GP awareness raising and capacity building program as part of the e-GP implementation strategy. Such program should address both, contracting agencies on the buy-side and private businesses on the supply-side. Multiple communication channels (e.g. printed media, Internet, radio, TV, conferences, exhibitions) as well as partnerships with potential training facilities (e.g. Ministry of Education, Chamber of Commerce) and the use of online training methods (e.g. distance learning, demo versions, help desk) should be explored at an early stage.

66. The DPP in cooperation with other relevant institutions should also think of possible ways to address infrastructure constraints with regard to Internet access and connectivity. While a good e-GP system requires contracting agencies with the appropriate equipment to access the Internet, competition can only be increased if private businesses, particularly small and medium enterprises, are connected to the world wide web. To this end, the government of the Ukraine should continue to promote the use of information and communication technologies by setting up an enabling framework in the telecommunications and IT sector. In addition, the DPP should explore possible partnerships in establishing a network of business centers in remote locations, which could provide Internet access not only to private businesses to participate in online public procurement but also to citizens for any kind of available e-Government services and more.

67. Besides taking into consideration the UNCITRAL model law on electronic signatures (2001) or the European directive on a community framework for electronic signatures (1999) when reviewing the current version of the electronic digital signature law, it is recommended to follow existing international standards rather than creating own national standards in the context of designing and implementing e-GP in the Ukraine. The adoption of international standards (e.g. product classification on the basis of UNSPSC or CPV and technical standards such as XML) is critical for future interoperability not only between government systems within the Ukraine but also beyond the national borderline.

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68. Given the coexistence of multiple official public procurement websites (see paragraph 62 of this document), the PPD should try to avoid the emergence of more such websites. In contrast, it is suggested to focus on one portal to be declared as the official public procurement website to be used for disclosing public procurement information as required by the law and for conducting public procurement transactions, such as e-Tendering and e-Purchasing.

69. The Public Procurement Bulletin’s website www.tender.com.ua or any other future official public procurement website should offer public procurement notices and contract award results for free without having to pay a fee. In addition, the functionality of automated email notification may be added to notify registered private businesses automatically about new business opportunities in their area of interest. As part of the online registration facility, it is recommended to describe the procedure and conditions of such registration clearly on the same website so that contracting agencies and private businesses can learn and fully understand the implications and consequences before getting registered online.

70. After having selected a single portal as the official public procurement website for the disclosure of public procurement information, the PPD should incrementally add more e-GP functionalities in line with the e-GP implementation strategy which would allow to conduct public procurement transactions online.
Appendix

I – Benefits and Beneficiaries of e-GP

<table>
<thead>
<tr>
<th>Transparency</th>
<th>Government</th>
<th>Supplier</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Anti-corruption</td>
<td>Increased fairness/competition</td>
<td>Access to public procurement information</td>
</tr>
<tr>
<td></td>
<td>Increased number of suppliers</td>
<td>Improved access to govt. market</td>
<td>Monitor public expenditure information</td>
</tr>
<tr>
<td></td>
<td>Better integration and inter-action between governments</td>
<td>Open the government market to new suppliers</td>
<td>Participation</td>
</tr>
<tr>
<td></td>
<td>Professional procurement monitoring/management</td>
<td>Stimulation of SME participation</td>
<td>Government accountability</td>
</tr>
<tr>
<td></td>
<td>Higher quality of procurement decisions and statistics</td>
<td>Improved access to public procurement information</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Political return from the public</td>
<td>Government accountability</td>
<td></td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Efficiency</th>
<th>Costs</th>
<th>Supplier</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Lower prices/transaction costs</td>
<td>Lower transaction costs</td>
<td>Redistribution of fiscal expenditure</td>
</tr>
<tr>
<td></td>
<td>Staff reduction</td>
<td>Staff reduction</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Reduction in fiscal expenditure</td>
<td>Improved cash flow</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Time</th>
<th>Government</th>
<th>Supplier</th>
<th>Public</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Simplification/elimination of repetitive tasks</td>
<td>Simplification/elimination of repetitive tasks</td>
<td>Communication anywhere/time</td>
</tr>
<tr>
<td></td>
<td>Communication anywhere/time</td>
<td>Communication anywhere/time</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shorter procurement cycle</td>
<td>Shorter procurement cycle</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Shorter procurement cycle</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
II – Examples of e-GP Benefits

- By using the national education portal www.feonline.net in Great Britain, some 500 schools achieve price reductions of up to 100 million British Pounds per year and time reduction of about 90% in order processing.  
  
  Source: Public E-Procurement, Gehrmann/Schinzer, 2002

- With the phased introduction of the Government electronic Procurement System (GePS), Korea is able to save some US$ 2.7 billion of all government procurement (US$ 17.1 billion) as compared to US$ 26 million investment. Between 1998 and 2002, staff of the Public Procurement Service PPS were reduced from 1,058 to 935, while the total government procurement volume increased by some 30% (from US$ 12.8 billion to US$ 17.1 billion). Payments to suppliers are electronically transferred which usually takes no longer than 4 hours.
  

- During the first three years of the procurement portal COMPRASNET, the Federal Government of Brazil spent about US$ 7million on system development and maintenance. During the first two years of on-line reverse auction use, the Federal Government is estimated to have saved up to US$ 1.5 million. While the normal procurement process takes more than two months, the on-line reverse auction may be completed in less than 15 working days. The use of on-line procurement has also increased the participation of small businesses in government supplies.
  
  Source: http://www.egov4dev.org/brazproc.htm, 2002
### III – Use of Electronic Means according to the Russian Procurement Law

<table>
<thead>
<tr>
<th>Procurement Notice (PN)</th>
<th>Open Bidding</th>
<th>Closed Bidding</th>
<th>Open Auction</th>
<th>Closed Auction</th>
<th>Shopping (incl. prequalification)</th>
<th>Direct Contracting</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>mandatory</td>
<td>not allowed</td>
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<td>not allowed</td>
<td>mandatory*</td>
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<td>PN Cancellation</td>
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<td>not indicated</td>
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<td>not allowed</td>
<td>not indicated</td>
<td>not indicated</td>
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<td>Bid Submission</td>
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<td>not indicated</td>
</tr>
<tr>
<td>Bid Opening</td>
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<td>not allowed</td>
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<tr>
<td>Evaluation Protocol</td>
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<tr>
<td>Result Clarification</td>
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<td>optional</td>
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<td>optional</td>
<td>NA</td>
</tr>
<tr>
<td>Auction Process</td>
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<td>NA</td>
<td>NA</td>
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<td>Auction Protocol</td>
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<tr>
<td>Contract List</td>
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<td>not allowed</td>
<td>mandatory</td>
<td>not indicated</td>
</tr>
<tr>
<td>Mala Fide List</td>
<td>mandatory</td>
<td></td>
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</tbody>
</table>

* optional under Article 42 (5)
# IV – Developing a Buyer Activation Strategy

<table>
<thead>
<tr>
<th>Target groups</th>
<th>Issues</th>
<th>Key messages</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Procurement professionals</td>
<td>☐ Job security</td>
<td>☐ Professional opportunity</td>
<td>☐ Help desk</td>
</tr>
<tr>
<td>☐ Small-value buyers</td>
<td>☐ Discretion</td>
<td>☐ Convenience</td>
<td>☐ Brochures</td>
</tr>
<tr>
<td>☐ Finance officers</td>
<td>☐ Technological literacy</td>
<td>☐ Policy transparency</td>
<td>☐ Online information</td>
</tr>
<tr>
<td>☐ Regional development agencies</td>
<td>☐ Transparency</td>
<td>☐ Document standardization</td>
<td>☐ Interactive demonstrations</td>
</tr>
<tr>
<td>☐ Industry development agencies</td>
<td>☐ Connectivity</td>
<td>☐ Discretion and control</td>
<td>☐ Templates</td>
</tr>
<tr>
<td>☐ Professional associations</td>
<td>☐ Centralization</td>
<td>☐ Agency customization</td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Site operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Bandwidth</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Preferred suppliers</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Contract packaging</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Security</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Catalogues</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>☐ Procurement Policy</td>
<td></td>
<td></td>
</tr>
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</table>
### V – Developing a Supplier Activation Strategy

<table>
<thead>
<tr>
<th>Target groups</th>
<th>Issues</th>
<th>Key messages</th>
<th>Support</th>
</tr>
</thead>
<tbody>
<tr>
<td>Existing contractors</td>
<td>Business competition</td>
<td>Why this is important to you</td>
<td>Help desk</td>
</tr>
<tr>
<td>Construction industry</td>
<td>Cost</td>
<td>Value proposition</td>
<td>Brochures</td>
</tr>
<tr>
<td>Sub-contractors</td>
<td>Technological literacy - skills</td>
<td>E-GP is here to stay</td>
<td>Online information</td>
</tr>
<tr>
<td>SMEs</td>
<td>Transparency</td>
<td>Greater access to opportunities</td>
<td>Road shows</td>
</tr>
<tr>
<td>Support businesses</td>
<td>Business status eg tax</td>
<td>Improved information access</td>
<td>Workshops &amp; seminars</td>
</tr>
<tr>
<td>Associations</td>
<td>Profile</td>
<td>Policy transparency</td>
<td>Interactive demonstrations</td>
</tr>
<tr>
<td>Regional businesses</td>
<td>Connectivity</td>
<td>Convenience</td>
<td>Association assistance</td>
</tr>
<tr>
<td>Include supplier representatives in the design phase</td>
<td>Site access</td>
<td>Policy transparency</td>
<td>Internet cafés</td>
</tr>
<tr>
<td></td>
<td>Site operation</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Bandwidth</td>
<td>Document access</td>
<td>Government office desk service</td>
</tr>
<tr>
<td></td>
<td>Equipment</td>
<td>Document standardization</td>
<td>G2G links</td>
</tr>
<tr>
<td></td>
<td>Contract packaging</td>
<td>Interactive advice</td>
<td>Catalogue hosting</td>
</tr>
<tr>
<td></td>
<td>Security</td>
<td>Push service</td>
<td>How to get involved</td>
</tr>
<tr>
<td></td>
<td>Catalogues</td>
<td>Early warning service</td>
<td>How to access</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>How to download</td>
</tr>
</tbody>
</table>