



中华人民共和国财政部

Updates on Country Systems: EGP in China

Zhao Bi

*Treasury Department (Office of Government
Procurement Administration),
Ministry of Finance,*

P.R.CHINA

Oct 2017



中华人民共和国财政部

Part I Overview of Government Procurement System Reform in China



中华人民共和国财政部

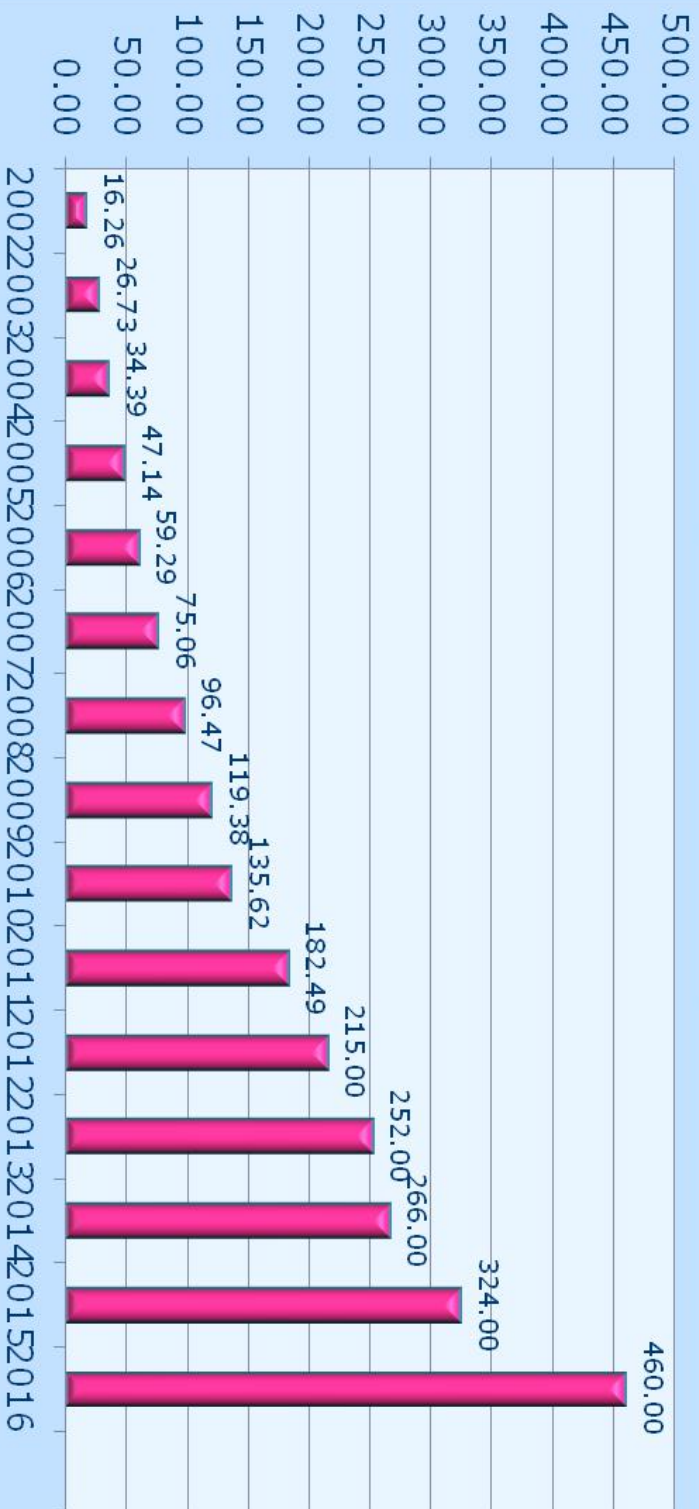
Scale of Government Procurement

	2002	2016
Coverage	traditional goods	goods , services and construction services
Scale	16.26 billion U.S. dollars	460 billion U.S. dollars
Scale/Fiscal expenditure	4.6%	13.7%
Scale/GDP	0.99%	3.5%



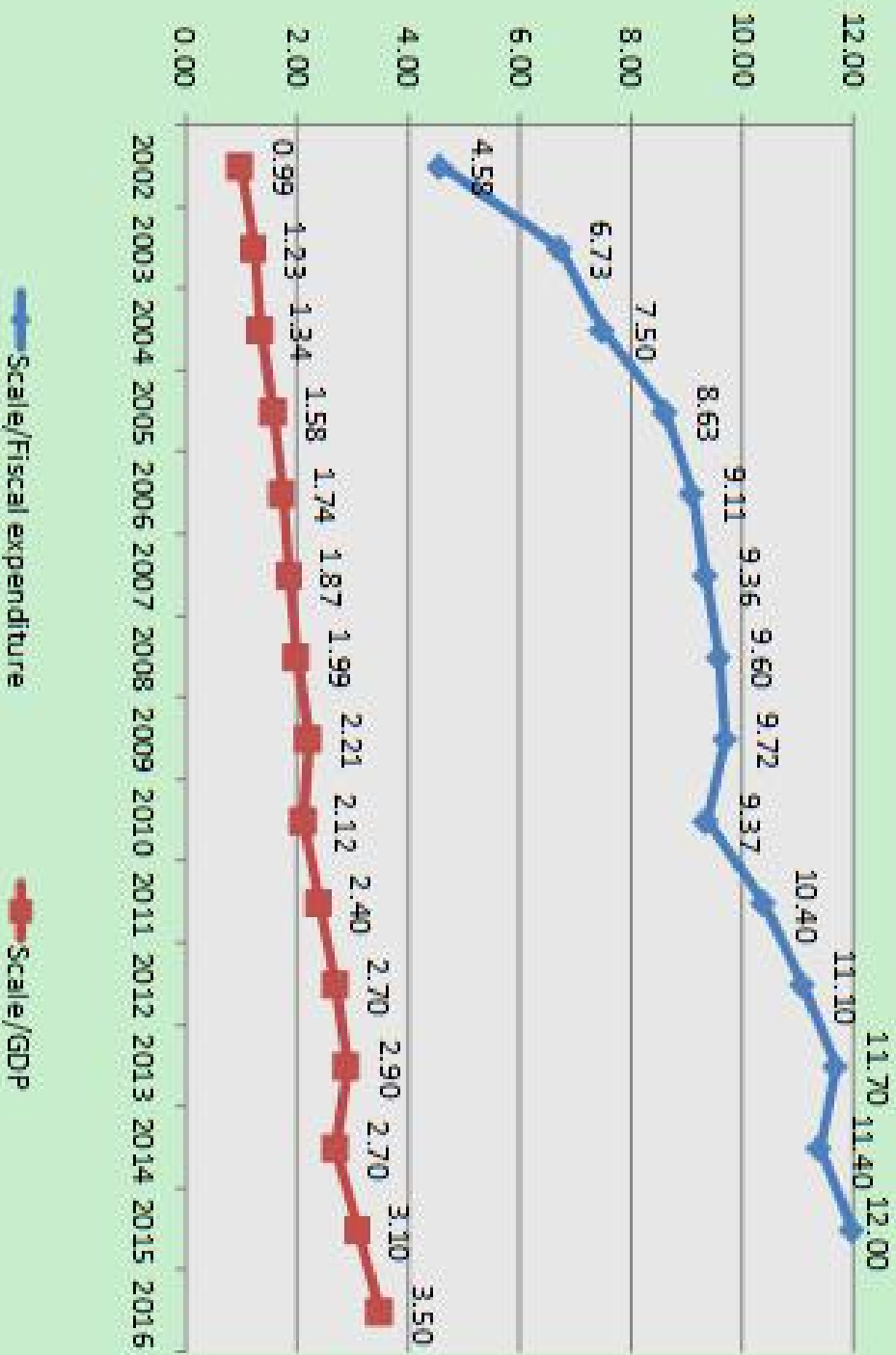
中华人民共和国财政部

Scale of Government Procurement from 2002 to 2016 (billion US dollars)





The proportion of government procurement scale to fiscal expenditure and GDP





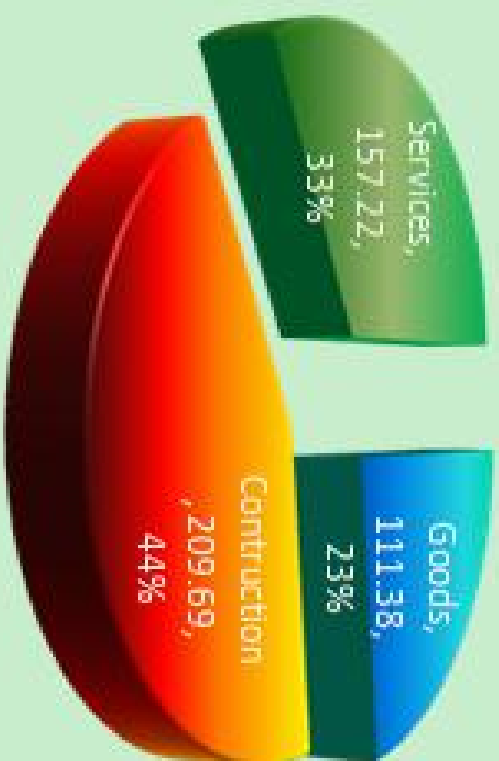
中华人民共和国财政部

The scale of goods , construction and services

2002



2016



Billion US dollars



中华人民共和国财政部

Part II

Updates on Country Systems: EGP in China



中华人民共和国财政部

Background of EGP in China

1. Principal-Agent Problems
2. Laws support for EGP in China
3. Transform government functions
4. Development of China's Electronic Commerce Technology



Background of EGP in China

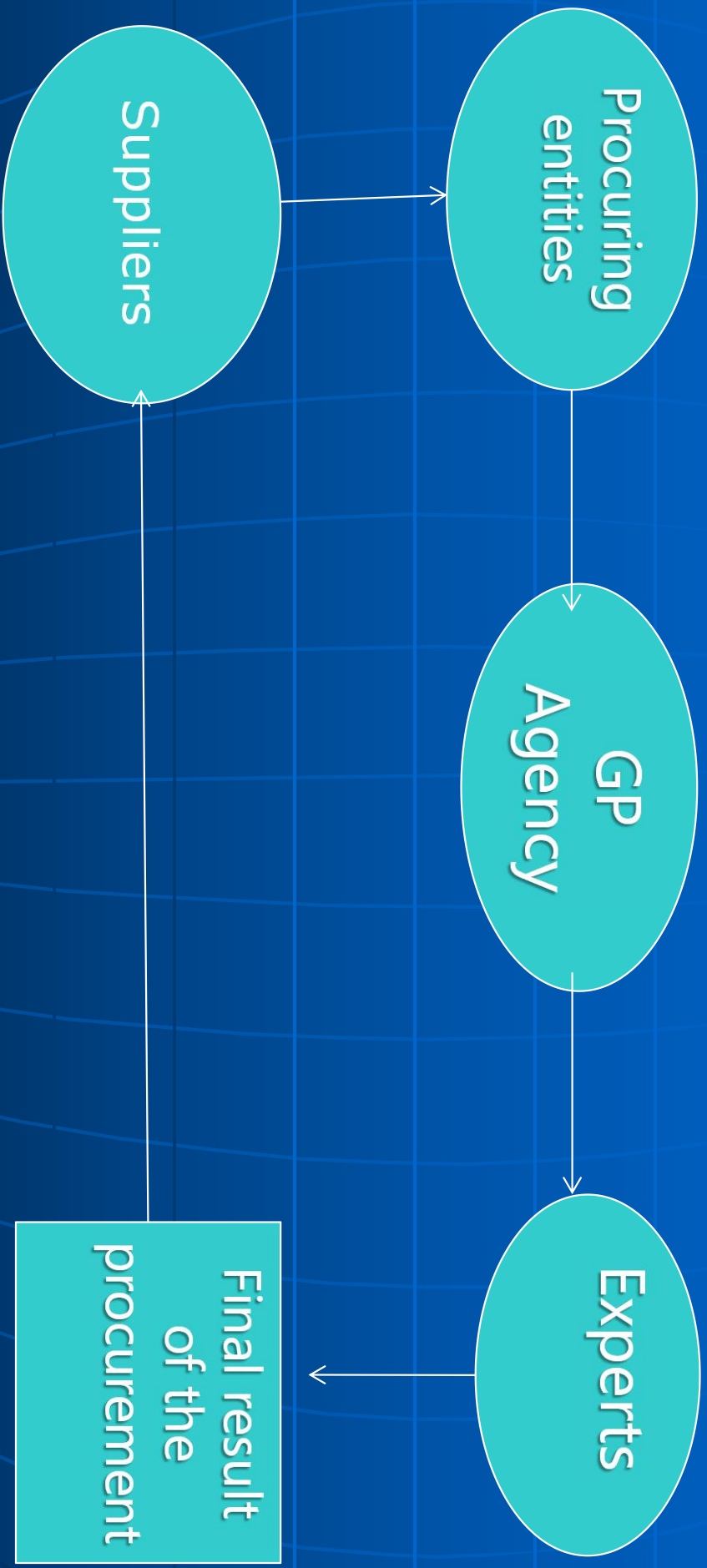
◆ 1. Principal-Agent Problems

With the increasing scale of procurement, the existing procurement methods can not meet requirements. (from 16 billion to 460 billion)

- Efficiency problem——affect the performance of government functions.
- Quality problem——affect the supply of public goods, the development of society and economy.
- Price problem——if too high, increase the expenditure of government; if too low, lead to market turmoil, “good money is driven out by bad money”, “starving the competitors, exhausting oneself, and killing the employers.”



The Process of Government Procurement





- It is difficult to monitor the GP price.
- Without the EGP system based on the internet, it is difficult to open the information of the GP price to the whole society. The process and result of GP is unsupervised.

USB Flash Memory



Ipod





Background of EGP in China

◆ 2. Laws support for EGP in China

- 2005, Electronic Signature Law of the People's Republic of China.
- 2015, Opinions of the State Council on Vigorously Developing Electronic Commerce to Accelerate Economy Development, which says "to further encourage the use of electronic commerce in government procurement".
- 2015, Work Program of Integrating and Establishing A Unified Public Resources Trading Platform, which is issued by office of the State Council; soon Ministry of Finance issued the Notice of Establishing the work program, which required that "to basically realize electronic procurement throughout the public resources transaction, and transform the public resource transaction platform from relying on physical sites to electronic network.
- 2016, A Pilot Scheme of Promoting "Internet + Government Services" and Benefiting People by Information, issued by office of the State Council.



Background of EGP in China

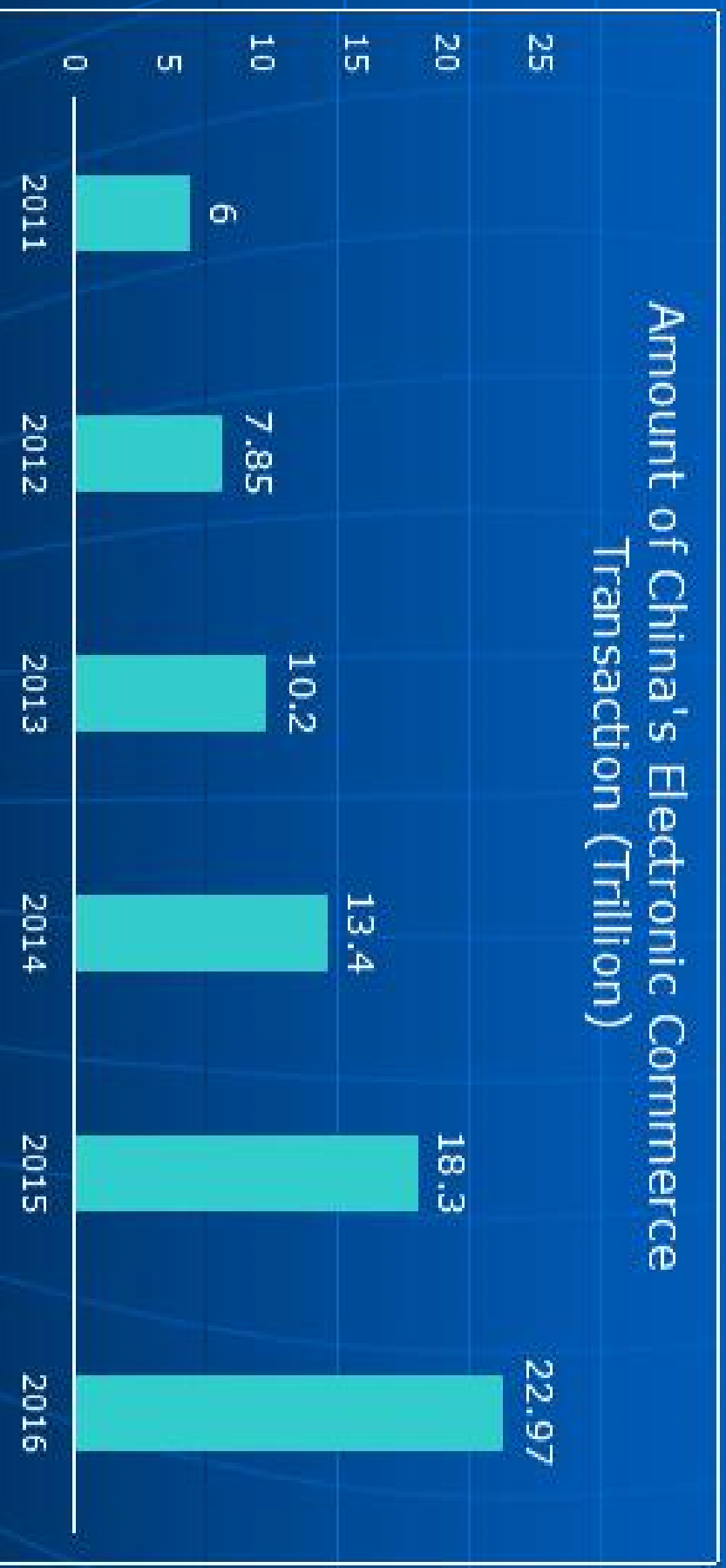
- ◆ 3. Transformation of Government Functions
 - streamline administration and delegate power
 - The market plays a decisive role in the allocation of resources.
 - The central government accelerates supply-side reforming, aiming to promote Internet-based government services.





Background of EGP in China

- ◆ 4. Development of China's Electronic Commerce Technology





Background of EGP in China

- ◆ 4. Development of China's Electronic Commerce Technology
 - From 2012 to 2016, the amount of China's e-commerce transaction has increased at an average annual rate of **31%**.
 - In 2016, China e-commerce transactions amounted to **3.48** trillion US dollars.
 - As an important part of the B2C trading market, government procurement can learn from the technical means of e-commerce and business model to achieve change.



中华人民共和国财政部



Alibaba

Listed on NYSE in 2014.



Jing Dong

Listed on Nasdaq in 2014.



中华人民共和国财政部



- The development of broadband technology, especially the mobile Internet technology, creates the technical conditions for EGP.
- 4 G network, which makes the speed of downloading above 100Mbps, now covers most cities in China.



中华人民共和国财政部

Part III
Practice of EGP in China



- The use of electronic means to transform the existing procedures
 - Expert library
 - Agency library
 - Online auction, electronic remake, electronic tender and evaluation



中华人民共和国财政部

■ Advantages:

- increase efficiency,
- more open and transparent.

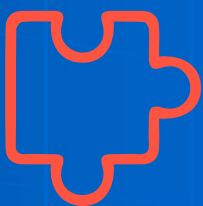
■ Disadvantages:

- does not get rid of the original model,
- efficiency is not high enough,
- information sharing is not sufficient,
- lack of price monitoring.

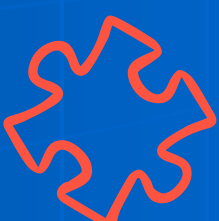


Government procurement cloud

- Based on PPP mode, by market operation(win-win mode)
- Construct a set of platform "online transactions, online supervision and online services"
- Using taobao(ebay)-like business model



- high-price
- ineffective
- low quality



B2C

- effective (Even receive goods in 24 hours)
- low price
- friendly user experience





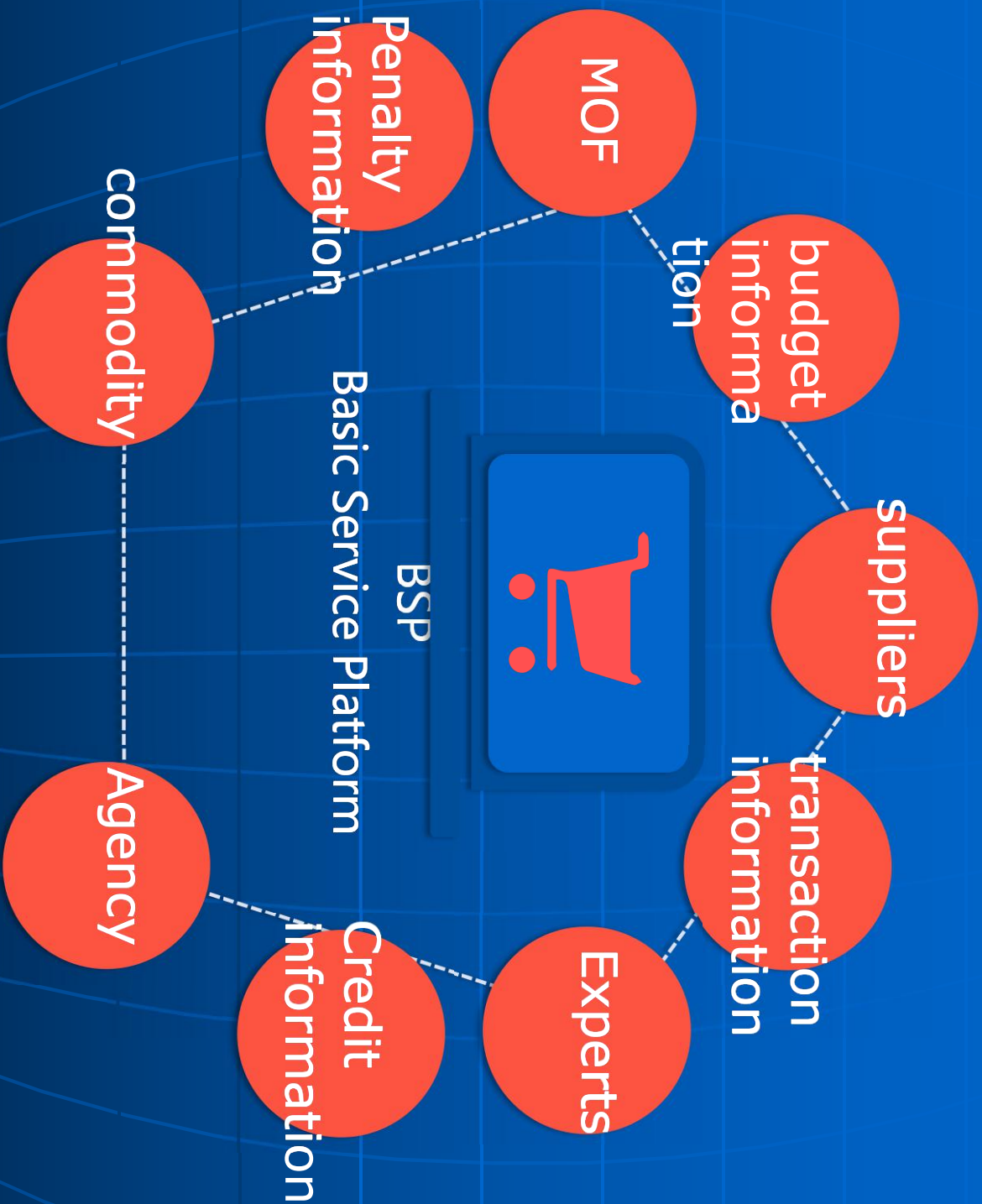
中华人民共和国财政部

Part IV

Next Step



中华人民共和国财政部





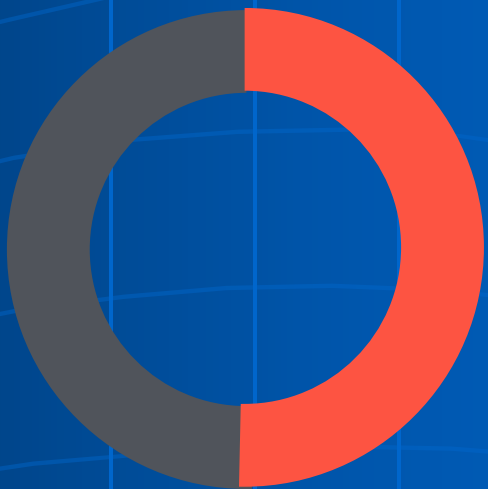
中华人民共和国财政部

- Advantages:
 - Easy to supervise
 - Low cost
 - Effective-----Powerful processing capability
 - High safety



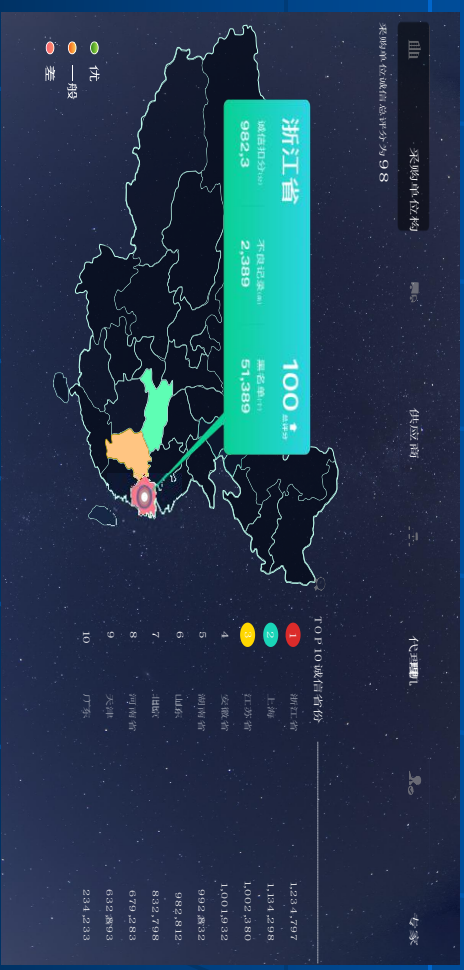
中华人民共和国财政部

Easy to supervise



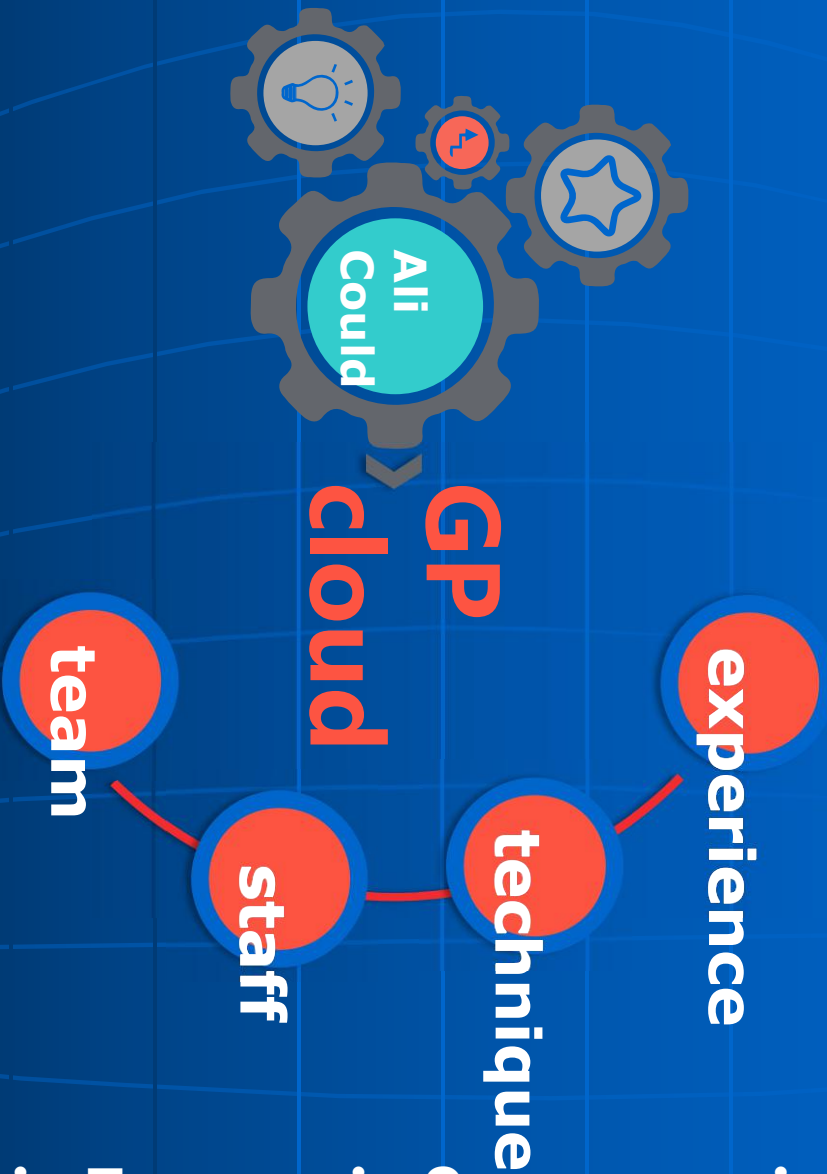
Multiple visualization

Different regions and industries





Effective



Powerful computing and big data analysis capability

- Withstand the transaction pressure of 120,000 deals per second in "Double 11"

Good experience in technique

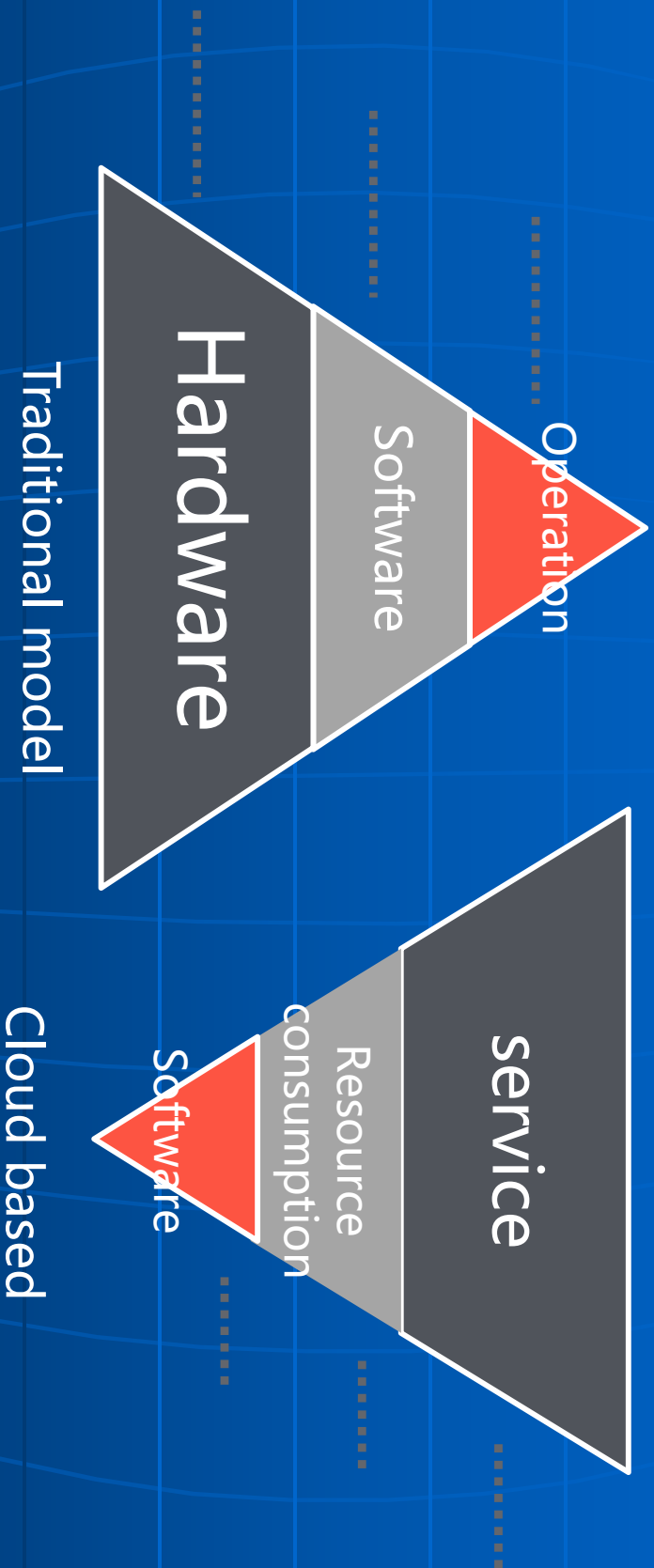
- Automatically calculate the resources on demand

Perfect security system

- Certificated by G20, National Internet Information Office



Low cost



- repeated construction
- information island
- interconnection
- sharing high utility



中华人民共和国财政部

Thank you !