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Recommendations for eGP Strategy for Pacific Island Countries to Ensure Wide Adoption Including a Sustainable Business Model

Summary Presentation

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Introduction

- Pacific Island Countries (PICs) are in different stages embracing eGP
 - Some PICs have integrated eGP platforms into the procurement process while others only utilize websites to advertise tenders; a small number of PICs do not use eGP
- The **objective of the eGP strategy is to develop and recommend a path forward to PICs that maximizes eGP implementation and usage across PICs**
 - Considerations that are used to formulate the strategy include market research and options analysis, followed by the development of an implementation plan and a preliminary implementation cost estimate
- PICs stand to reap substantial benefits from scaling up their use of eGP and adopting more advanced functionalities; key benefits include:
 - Online advertisement attracts more vendors to bid on tenders from a broader geographic area
 - New functionalities can include business intelligence, data visualization and spend analytics, which can identify areas for cooperation such as the use of Framework Agreements
 - Functionalities can support procurement initiatives that are critical to PICs (e.g. green specifications, purchase of commonly used items for disaster risk management)
 - A regional eGP system can create economies of scale both in the cost and management of the system, and also attract a larger vendor pool

An assessment of current eGP system usage in PICs was conducted by creating an inventory of all systems and observing each eGP system individually

Country	Category	Observed Modules / eGP Functionality			Weblink(s)
		ePublishing / Notification	eTendering / eQuotation	Vendor Management / Supplier Registration	
Cook Islands	In-tend + Separate Advertisement Website	✓	✓	✓	http://procurement.gov.ck/ https://in-tendhost.co.uk/adbprocurementnetwork
Federated States of Micronesia	No System	X	X	X	N/A
Fiji	TenderLink	✓	✓	✓	https://portal.tenderlink.com/financefiji/
Kiribati	TenderLink	✓	✓	✓	https://portal.tenderlink.com/kiribatimofaed/login?ReturnURL=%2Fkiribatimofaed
Nauru	TenderLink	✓	✓	✓	https://www.tenderlink.com/NUC/
Niue	No System	X	X	X	N/A
Palau	Advertisement Website	✓	X	X	https://www.palau.gov.pw/rfp
Republic of the Marshall Islands	No system	X	X	X	N/A
Samoa	TenderLink	✓	✓	✓	https://portal.tenderlink.com/mof_samoa/
Solomon Islands	TenderLink	✓	✓	✓	https://www.tenderlink.com/siwa/
Tonga	Advertisement Website	✓	X	X	http://www.finance.gov.to/tender
Tuvalu	TenderLink	✓	✓	✓	https://portal.tenderlink.com/got/
Vanuatu	In-tend + Separate Advertisement website	✓	✓	✓	https://in-tendhost.co.uk/adbprocurementnetwork

- Out of the thirteen (13) PIC eGP systems reviewed, six (6) countries use TenderLink while two (2) countries use the Asian Pacific Public Electronic Procurement Network (In-tend). Three (3) countries use government-provided advertisement websites, either in conjunction with a procurement system or as a stand-alone platform. Federated States of Micronesia, Republic of the Marshall Islands, and Niue do not currently use any procurement-related systems.
- Both TenderLink and In-tend provide the basic functionalities of eAdvertisement, eTendering, and the ability for suppliers to register within the system.
- Outside of ePublishing / Notification, eTendering / eQuotation, and Vendor Management / Supplier Registration, other eGP system modules / functionalities such as eProcurement Plan, eComplaints, ePurchasing, eEvaluation, and eSignature were not observed.

Stakeholder engagement sessions were conducted with procurement staff from Fiji, Kiribati, and Cook Islands

- Positive impacts of the use of eGP included (i) the ability to automate and manage supplier notifications, (ii) gaining access to larger supplier networks, and (iii) a reduction in paper usage
- One (1) PICs uses In-tend, a free option supplied by ADB, as their procurement system; the others are either currently using or migrating to TenderLink
 - System costs are wide ranging
 - Support and maintenance hours for In-tend (based in United Kingdom) do not align with working hours in some PICs, resulting in system outages and frustration for users. Scheduled maintenance times are also an issue with Tenderlink
- The top challenges faced in eGP adoption include the inability of suppliers to use systems due to a lack of training and general distrust for digital solutions
- Outside of increased access to system modules (e.g., bid evaluation, spend analytics, contract management, etc.), other desirable attributes in a new eGP system include:
 - Compatibility and integration with existing Integrated Financial Management Information Systems (IFMIS);
 - Ability for tenders to reach a large number of suppliers;
 - Helpdesk support that is available 24 hours a day / 7 days a week; and
 - Access to a mobile application.

Integration of eGP systems with Integrated Financial Management Information Systems (IFMIS) is a growing focus in public sector reform

- Both systems aim to improve efficiency, transparency, and accountability in government operations; when combined, they create a more streamlined and coherent approach to public sector management
- Key benefits of integrating eGP systems with IFMIS include:
 - **Improved financial control**: By linking procurement directly to financial management systems, governments can ensure that funds allocated for procurement are properly accounted for and used efficiently
 - **Increased transparency**: Integration allows for real-time tracking of procurement processes alongside financial reporting, reducing opportunities for corruption or misuse of funds
 - **Better budget planning and execution**: Integration facilitates better alignment between procurement activities and national budgets, ensuring that funds are available and committed before procurement processes are initiated
 - **Streamlined reporting**: Financial data from procurement processes can be automatically incorporated into budget and financial reporting systems, reducing errors and saving time
- Notable challenges to integrating eGP systems with IFMIS include:
 - **Technical complexity**: Integrating eGP and IFMIS requires advanced Information and Communications Technology (ITC) infrastructure and expertise; the systems need to be compatible, which can be difficult, particularly in countries with legacy systems or where there is a lack of technical capacity
 - **Data security**: With the handling of sensitive financial and procurement data, cybersecurity is a major concern. Ensuring that the integration does not expose the systems to data breaches is crucial
 - **Resistance to change**: Public sector officials and suppliers may resist the change to integrated systems due to lack of familiarity or concerns about increased accountability and oversight

Key eGP Considerations for PICs

- eGP system usage within PICs is limited with PICs using standard modules / functionalities such as eAdvertisement, eTendering, and supplier registration capabilities; eGP system modules / functionalities such as eProcurement Plan, eComplaints, ePurchasing, eEvaluation, and eSignature were not observed
- Any replacement eGP system does not necessarily need to support more complex functionalities such as the use of artificial intelligence (AI) and others that are present in best-in-class systems, although advanced functionalities may be of interest
- It is critical for PICs to have access to a robust supplier network which typically leads to improved procurement outcomes
 - Tenders are more likely to reach a qualified pool of potential suppliers, leading to increased competition, competitive pricing, and improved supply chains
 - A representative from one of the PICs that uses TenderLink pointed to the system's existing supplier network as a significant reason for using that system
- PICs will require an eGP system that can accommodate customization and Sustainable Public Procurement (SPP); recommendations include:
 - Keeping the registration process simple
 - Instituting low fee or free access to eGP systems and tender opportunities
 - Conducting market / supplier outreach to disseminate information about the system and train underrepresented groups

Options analysis was performed to identify and evaluate various options for an eGP strategy for PICs

eGP Strategy Options

Option	Description
Option 1 – Continue with individual systems across the PICs with increased investment.	<ul style="list-style-type: none"> PICs continue to use the systems that are currently implemented including TenderLink, In-tend, etc. Development partners provide procurement and Information and Communication Technology (ICT) support as necessary. Robust training programs are implemented to increase and optimize utilization across the government within each PIC.
Option 2 – Implement new / updated eGP systems for each country which are feature rich and support new functionalities and technologies.	<ul style="list-style-type: none"> Each PIC implements an eGP system that is tailored to its own requirements. Systems may support new functionalities and technologies such as SPP, AI, etc.
Option 3 – Develop a regional eGP platform.	<ul style="list-style-type: none"> Implement a single system across the PICs with instances to conform to individual country requirements. System may support new functionalities and technologies such as SPP, AI, etc. Development partners facilitate requirements generation, sourcing, implementation, and training activities.



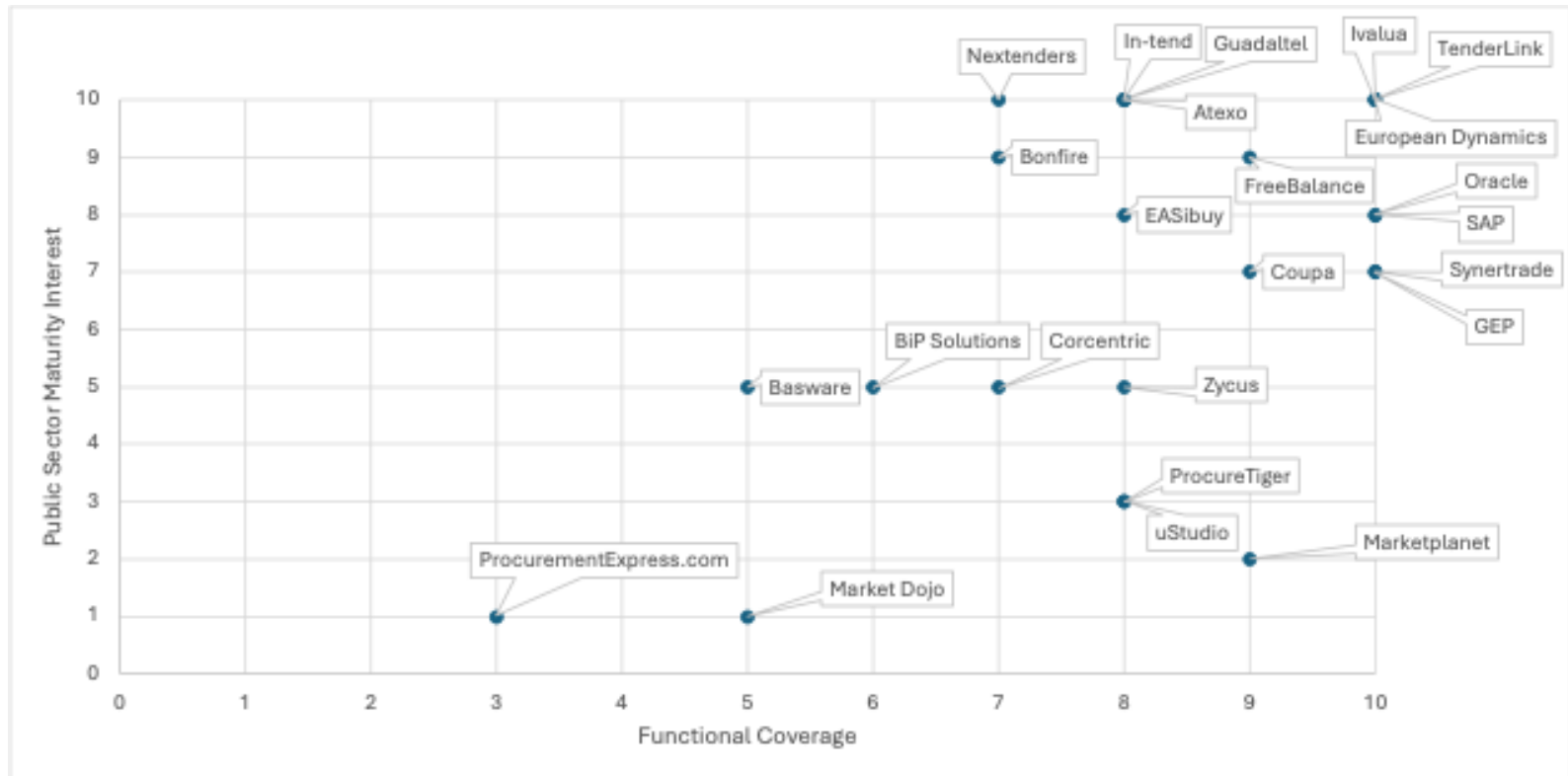
Evaluation Parameters

No.	Parameter	Description
1	Delivery Schedule	Time to deliver full business value of the system, including pre-procurement, procurement, and post-procurement activities.
2	Business Process Change	Impact to procurement operations post-implementation.
3	Access to Supplier Network	Maximization of the reach of contract opportunities to the vendor base.
4	Sustainable Public Procurement	Integration of SPP including the ability to tag (e.g. gender tagging).
5	System Complexity	The degree of difficulty or complexity that the option is likely to impose on system users.
6	Customization	Ability for system to be customized to meet requirements.
7	Estimated Implementation Cost	Estimated costs of implementation including pre-procurement, procurement, and post-procurement activities.
8	Operations & Maintenance (O&M)	Ongoing post-implementation operations and maintenance level of effort and anticipated costs including technical support.
9	Capacity Considerations	General considerations around staffing levels, financial implications, and the eGP implementation and operational capabilities of PICs.

Options analysis was performed to identify and evaluate various options for an approach to eGP in PICs

Parameter	Option 1	Option 2	Option 3	Comments
1. Delivery Schedule 1 = Longer Schedule 3 = Shorter Schedule				Option 1 has the shortest delivery schedule since existing systems will remain in place with the allocation of additional resources. Options 2 and 3 require additional time to complete the system procurement process.
2. Business Process Change 1 = High Impact 3 = Low Impact				Option 1 will least impact business processes since existing systems will remain in place with the allocation of additional resources. Options 2 and 3 would likely result in business process changes but tailoring system functionality to country requirements may lessen impacts.
3. Access to Supplier Network 1 = Low Reach 3 = High Reach				A regional system can provide a consolidated view of all PIC tenders to potential suppliers. The extent of the supplier network can be assessed for each potential system and a solution that maximizes the supplier network can be selected for implementation.
4. Sustainable Public Procurement 1 = Difficult to Implement 3 = Easy to Implement				Current eGP systems (In-tend, TenderLink) do not offer robust technologies that address SPP. Acquisition of a new eGP system allows for the integration of SPP.
5. System Complexity 1 = High Complexity 3 = Low Complexity				Acquisition of a new eGP system is not likely to any additional complexity compared to currently used eGP systems and procurement processes. The ability to develop requirements for a new system may minimize the complexity of procurement processes.
6. Customization 1 = Not Easily Customizable 3 = Highly Customizable				Option 1 offers limited customization options. Options 2 and 3 offer the ability to develop requirements and build a system from the ground up to meet those requirements.
7. Estimated Implementation Cost 1 = High Cost 3 = Low Cost				Option 1 has the lowest estimated implementation cost since existing systems will remain in place with the allocation of additional resources. While Options 2 and 3 result in additional costs due to the need to complete the procurement process for an eGP system, cost sharing considerations across the PICs make Option 3 more economical.
8. Operations & Maintenance (O&M) 1 = High Level of Effort and Cost 3 = Low Level of Effort and Cost				Operations and maintenance costs may not necessarily be higher for a regional system as compared to the sum of what individual PICs pay. For Options 2 and 3, Service Level Agreements can be negotiated with the system provider to minimize service disruptions. For Option 3, pooling of O&M resources from each PIC can lead to the shared responsibility of administering the system as a whole.
9. Capacity Considerations 1 = Requires Increased Capacity 3 = Does Not Impact Capacity				Implementation of Option 1 minimally impacts procurement operations. Options 2 and 3 will impact current operations and may stretch capacity limits within PICs. Option 3 impacts may be more manageable due to the sharing of costs and system administration across PICs.
Total Score	20	17	21	

The market for eGP platforms is international in scope and relatively robust



Source: E-Procurement Implementation Type Report. World Bank, 2021.

- The lack of strong, internally developed or pre-existing eGP systems in the EAP region suggests that there is a market opportunity for the identified market participants
- There is sufficient market activity to support various eGP system requirements, ranging from a simple, straightforward system to a complex system that includes advanced functionalities

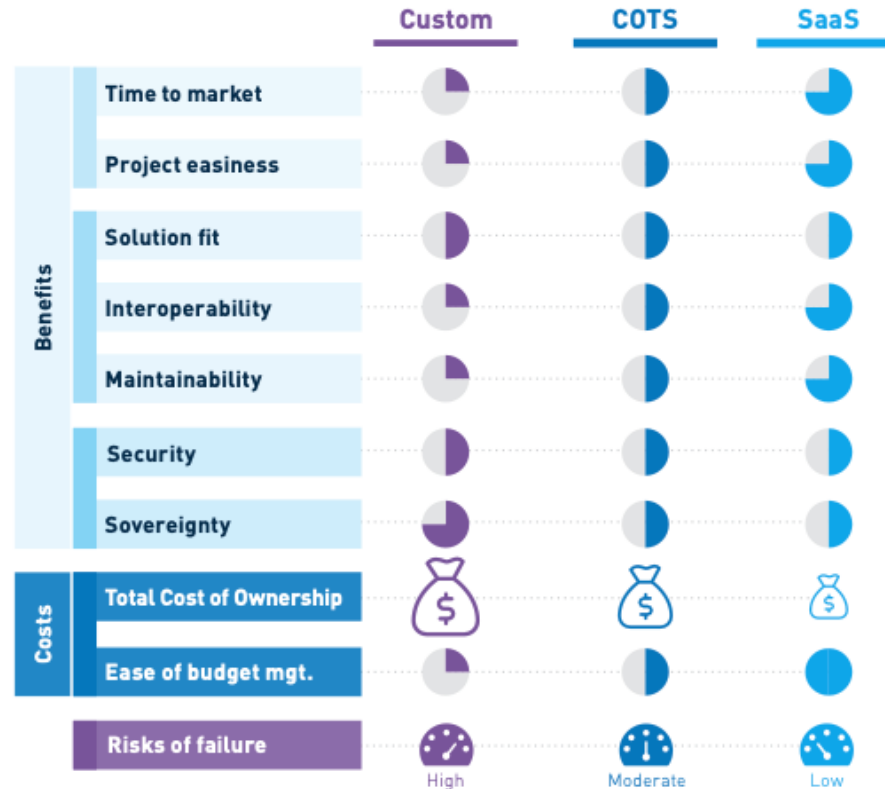
Option 3 – develop a regional eGP system, is the suggested option for implementation

- Option 3 best addresses requirements for a cost-effective and sustainable eGP strategy
- TenderLink and In-tend are likely contenders, but there are notable shortcomings of both systems, some of which were discussed during stakeholder engagement sessions
 - ADB previously assessed TenderLink and concluded that the system meets functional, technical, and capacity requirements for an eTendering system, but it does not offer a complete suite of solutions that are present in a comprehensive eGP system
 - TenderLink could provide a modern, user-friendly platform on which to build an end-to-end eGP system, but changes would have to be made to the system, including the incorporation of functions that currently are not available¹

Prior to moving forward with any option, a formal study should be completed that includes stakeholder engagement with all PICs, a comprehensive view of desired functionality, initial system requirements, and a list of potential suppliers.

(1) Source: Tender Link e-Tendering System Draft Assessment Report. Asian Development Bank, 2020.

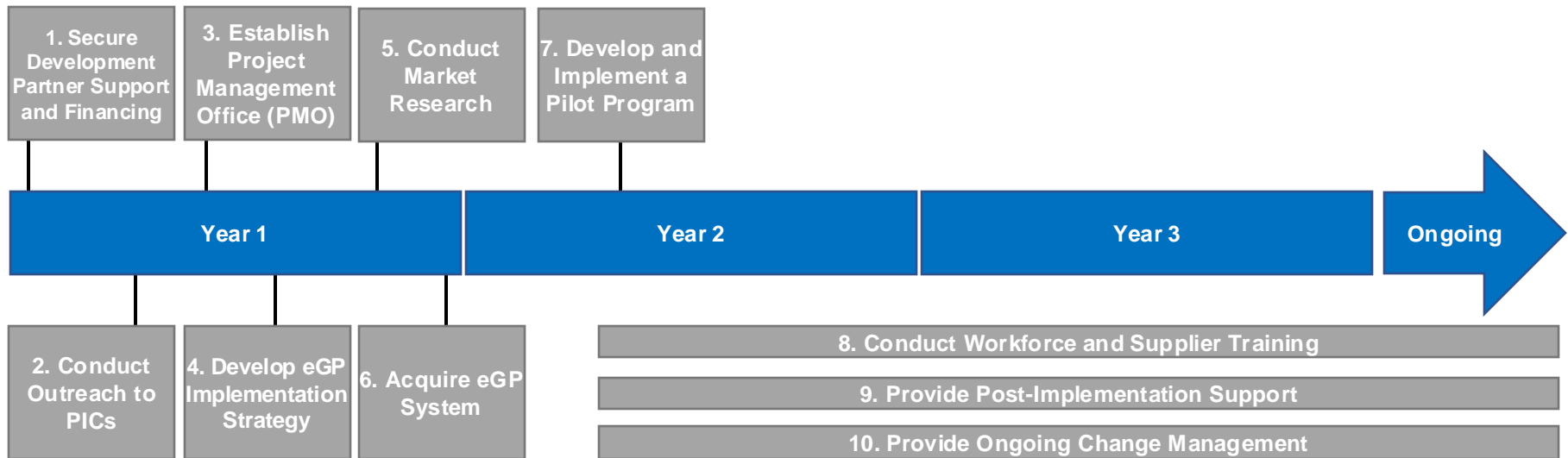
The three primary implementation approaches for an eGP system are Software-as-a-Service (SaaS), Commercial-Off-The-Shelf (COTS), or custom-built software



Source: E-Procurement Implementation Type Report. World Bank, 2021.

- Each implementation approach in the above table has pros and cons that are dependent on a country's environment and technical and financial capacity
- **Acquisition of a SaaS eGP solution is advised;** SaaS systems are the easiest to manage over time as much of the system intellectual property and support requirements reside with the system provider or a 3rd party service provider

A potential 3-year eGP implementation roadmap was developed that consists of 10 primary activities



- The activities are segmented into pre-procurement activities (activities #1-4), system procurement activities (activities #5-6), and post-procurement activities (activities #7-10)
- The actual sequence, timing, and duration of each activity will be determined in collaboration with the system vendor and leadership of the implementing PICs

A high-level estimate for Option 3 is \$1.625 million over a 5-year period

Activity / Role	Description	Type	Year 1	Year 2	Year 3	Year 4	Year 5	Total
Procurement Specialist	Assists with bidding process including bidding document preparation.	Individual Consultant	\$50,000	\$---	\$---	\$---	\$---	\$50,000
Project Management Office (PMO)	Validate scope, define project framework (reporting, quality assurance), manages steering committee, develops risk management framework, manages change control mechanism and plan, conducts key stakeholder meetings, develops and tracks metrics.	Firm	\$200,000	\$200,000	\$---	\$---	\$---	\$400,000
Change Management and Communications	Communications planning, stakeholder mapping, engagement workshops, seminars, knowledge transfer, and sustainability.	Individual Consultant	\$50,000	\$50,000	\$---	\$---	\$---	\$100,000
Capacity Building and Training – eGP	Training and education through seminars, workshops, experience, model offices and pilot sites, coaching and mentoring.	Firm	\$50,000	\$100,000	\$---	\$---	\$---	\$150,000
Business Process Re-Engineering (BPR)	Documentation review, gap analysis, business architecture review, business and system requirements review, eGP guidelines, Terms of Reference creation, test strategy development.	Individual Consultant	\$50,000	\$50,000	\$---	\$---	\$---	\$100,000
eGP System Acquisition – Vendor Implementation Costs (e.g. Software Development)	System supply and installation costs.	Firm	\$100,000	\$100,000	\$---	\$---	\$---	\$200,000
eGP System Acquisition – Ongoing Vendor License Fees	Typically includes software usage, cloud hosting and infrastructure, security and compliance, customer support and help resources, data storage, APIs, and data backup / recovery solutions.	Firm	\$50,000	\$100,000	\$100,000	\$100,000	\$100,000	\$450,000
eGP System Acquisition – Vendor Training Costs	Vendor training costs.	Firm	\$50,000	\$50,000	\$25,000	\$25,000	\$25,000	\$175,000
Total			\$600,000	\$650,000	\$125,000	\$125,000	\$125,000	\$1,625,000

- **Estimated costs for the implementation of an eGP system are highly dependent on the agreed upon scope of implementation, the number of PICs participating, and desired functionality / customization**

Key findings and takeaways from the recommended eGP strategy for the PICS

- PICS use eGP at various levels, ranging from the use of advertisement websites to the implementation of eGP systems (TenderLink and In-tend). A full suite of eGP functionality (e.g., SPP functionality) is currently not in use.
- Market analysis indicates the eGP vendor market can support various eGP system requirements, ranging from a simple system to a complex system that includes advanced functionalities
- eGP systems should capture and export data in a format that is suitable for spend analysis and data visualization. Interoperability with IFMIS is critical.
- Option 3, development of a regional eGP platform consisting of a single use system with multiple instances for PICS, is the recommended path forward. Pooling of resources across PICS for O&M and other activities / costs is a key attribute of Option 3. A legal entity and strong governance structure is also needed to coordinate system management and maintenance.
- The Pacific Island Forum, which currently runs its Regional Tender Portal (RTP) - <https://regionaltenders.forumsec.org/>, a regional repository of public tenders from the Forum Member Countries, is a potential entity to own and manage a Regional eGP platform (Option 3).

PICS currently have limited budgets to spend on eGP systems; new eGP programs will require external funding support.