

Electronic Government Procurement in the EU-Vietnam Free Trade Agreement: An Opportunity for Increased Transparency and Accountability?

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Abstract

The use of electronic government procurement systems has grown in recent years. Policy makers are increasingly employing e-government procurement tools to generate competition, increase transparency, streamline procuring processes and cut red tape to improve governance. This paper examines the rationale for e-government procurement provisions in bilateral trade agreements and highlights the benefits from using electronic systems. Using the case of the EU-Vietnam trade agreement we elaborate on how electronic government procurement can be a mechanism to enhance transparency and accountability, and reduce opportunities for corruption in Vietnam.

Keywords: e-procurement, transparency, free trade agreements

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1. Introduction

Electronic information and communications technology is increasingly employed in government procurement. The importance of the use of electronic systems in procurement should not be underestimated given that the application of digital technology in procuring activities offers opportunities for increased efficiency and cost savings. The results of an evaluation of the eGovernment Action Plan 2011-2015 of the European Union (EU)¹ recognised that the Action Plan had a positive impact on the development of eGovernment at the European and Member State level.² It contributed to the coherence of national eGovernment strategies, exchange of best practices and the interoperability of solutions between Member States as well as leading to the development of technological enablers to facilitate access to and use of additional public services.³

While the use of electronic systems for government procurement has generated considerable interest from developed country governments such as the EU, developing countries have shown much less interest. Vietnam is, however, an exception. Khorana, Kerr and Mishra (2014) in their examination of Vietnam's government procurement system noted that it was one of the few developing countries considering joining the plurilateral World Trade Organization Government Procurement Agreement (WTO-GPA) and seriously considered revamping its entire government procurement system to increase transparency and reduce corruption. It is probably not surprising that in the European Union-Vietnam Free Trade Agreement (EVFTA), Vietnam agreed to move to a system of electronic government procurement.⁴ Hence, the provision is in line with the goals of both the EU and Vietnam but is unique in EU free trade agreements (FTA)⁵ with developing countries. This paper examines the structure, provisions, challenges and issues pertaining to electronic government procurement within the EVFTA.

¹ See <https://ec.europa.eu/digital-agenda/en/news/mid-term-evaluation-e-government-action-plan-2011-2015-implementation-smart-2012-006020>

² See Staff Working Document for Evaluation accompanying the EU eGovernment Action Plan 2016-2020 Communication

³ See COM(2010) 743 final

⁴ The EU and Vietnam signed the agreement on 30 October 2019. Details of the agreement are on <http://trade.ec.europa.eu/doclib/press/index.cfm?id=1437>

⁵ A treaty between two or more countries to establish a free trade area where commerce in goods and services can be conducted across their common borders, without tariffs or hindrances but (in contrast to a common market) capital or labour may not move freely. Member countries usually impose a uniform tariff (called common external tariff) on trade with non-member countries.

Government procurement accounts for a large proportion of total government expenditure and can be as much as 15 percent of total global gross domestic product (GDP) (WTO, 2015; OECD, 2019). Given the economic significance of government procurement, following the rapid development of e-commerce the use of electronic tools, i.e. e-procurement (used interchangeably with e-government procurement (e-GP)), has expanded in recent years. E-procurement uses technology that relies on the Internet to tender for public works, identify potential suppliers of goods and services, to interact with suppliers, to purchase supplies and services in e-marketplaces, as well as for the transfer of payments (Min and Galle, 2003; Standing et al., 2007).

The rationale for employing e-GP is that it facilitates higher quality outcomes for public procurement through improved accessibility and interoperability, which enables greater business access and increases competition for government expenditure by creating commercial benefits for business and price and quality gains for government (Hung et al., 2014; Nurmandi and Kim, 2015; Saussier and Valbonesi, 2018). This, in turn, supports the integration and automation of several workflow processes involving transactions and other supply chain management activities leading to increased efficiency and reduced processing costs. One of the driving forces is that e-procurement can assist with curtailing corruption (Neupane et al. 2012) given the substantial financial volume of public procurement. The use of e-procurement leads to higher transparency, e.g., in terms of process transparency, hence, it is important to keep the public informed about decisions and performance and, through this, to finally establish trust in institutions (Armstrong 2005). Finally, e-GP allows enhanced and easier access to real time and historic information for management activities and auditing (Becker, 2018). Thus, it fosters better quality decision making and planning as well as greater transparency and accountability.

At the multilateral level e-GP is presently encompassed within the WTO-GPA. It is a plurilateral agreement meaning that out of a total of 164 WTO members, only 47 countries (counting the European Union and its 28 member states, all of which are covered by the Agreement, as one party) are signatories to the WTO-GPA. An analysis of the GPA membership reveals that a further 29 WTO members and four international organizations participate in the GPA Committee as observers. Nine of these members with observer status are in the process of acceding to the Agreement.⁶ Most developing countries have not signed up to the WTO-GPA but a number have status as observers. Joining the WTO-GPA limits the ability of governments to support the development of domestic firms through biased procurement, which is a contentious political issue, particularly among developing countries (Sorte, 2016). Given the slow pace of procurement liberalisation at the multilateral level there is an increasing preference for negotiating procurement liberalisation at a bilateral level within a FTA framework. Of

⁶ Details of the Agreement can be found at:
https://www.wto.org/english/tratop_e/gproc_e/gp_gpa_e.htm

late, most FTAs have a dedicated chapter on government procurement, with specific e-procurement provisions that apply to the partner countries.

This paper examines the growing use of e-GP tools through the FTA route, focussing in particular on e-GP commitments undertaken by the EU and Vietnam under the EVFTA and analyses the challenges likely to be faced in the implementation of e-GP tools within the FTA context. The paper also explores how the inclusion of e-GP provisions in a bilateral agreement is likely to enhance transparency and accountability in Vietnam's public procurement system. The structure of the paper is as follows: *Section 1* introduces. *Section 2* presents the theoretical framework and rationale for inclusion of e-GP provisions in FTAs, highlighting benefits from procurement liberalisation especially when complemented with institutional reforms that promote the use of e-GP. This also provides a brief background on the evolution of e-GP in the EU and the formulation of e-GP provisions at the WTO-GPA level. *Section 3* discusses e-GP provisions undertaken by the EU and Vietnam within the FTA framework elaborating on the main provisions included in the EVFTA. *Section 4* elaborates on how the use of e-GP can be a means to enhance accountability and transparency in Vietnam. It suggests the structure and functionality for the future e-GP portal and presents an implementation plan designed as a staged process. *Section 5* concludes and highlights problems associated with the implementation of e-GP in Vietnam.

2. Theoretical framework, current state of e-GP and rationale for inclusion in FTAs

2.1 Theoretical framework and rationale for e-GP

The rationale to use electronic systems in managing public procurement stems from the potential of e-GP systems to improve governance, generate competitiveness and increase transparency through cutting procurement related red tape and standardising documents to facilitate market access. Using e-GP systems for procurement activities brings benefits for the implementing agencies – governments (higher competition, transparency, accountability, quality in auditing, efficient procurement management); suppliers (automation of transactions reduces processing time and transaction costs) and taxpayers (value for money).

Governments benefit in that employing e-GP as a tool in public procurement administration reduces information asymmetry, with two closely linked effects: first, e-GP systems stimulate competition and facilitate supplier participation in an open procurement market place; second, allows procuring agencies to garner quality goods and services at lower prices. Thus, the attributes (open competition, lower prices) are the underlying basis for governments to increasingly employ e-GP systems. Studies confirm that the underlying aims for governments to implement e-GP include: promoting transparency, increasing accountability, and limiting corruption (Henriksen

and Mahnke, 2005; Hardy and Williams, 2008; Varney, 2011; Khorana et al., 2014; Becker, 2018). Moon (2005) and Bendoly and Schoenherr (2005) each conclude that e-GP systems reduce transaction costs, facilitate faster ordering and a wider range of vendor choices, offer streamlined procurement processes characterised by better control over procurement spending, with wider access to alternative buyers and reduced paperwork. Others highlight that the need for these systems is guided by the dual aim of cutting costs and improving buyer-vendor relationships (Brandon-Jones and Carey, 2010). One e-GP tool is commonly used to manage procurement e-auctions. Evidence suggests that e-auctions generate competition, and force suppliers to adjust bids in line with the actual market price. This yields gains in the form of lower costs from competitive bidding, and transaction cost reductions from the saving of time through automating the procurement process. The employment of e-GP lowers total procurement costs (Essig and Arnold, 2001; Rai and Tang, 2006) and is used by contracting authorities to aggregate demand across different departments, reduce inventory costs and overheads (Croom, 2000; Wyld, 2002; Kameshwaran and Narahari, 2007; Khorana et al., 2014). Transparency and accountability are the critical success factors for an effective e-procurement framework (Khorana et al., 2014). The attributes (transparency and accountability) form the basis for developing policies that ensure an effective roll out of e-GP systems that support the efforts of the contracting authorities and economic operators to reduce administrative costs and speed up individual procurement procedures. From the perspective of procuring entities, e-GP systems enhance overall efficiency of the procurement system due to higher transparency and accountability, which contributes to more efficient management and monitoring (Becker, 2018).

The overall efficiency of the procurement system, however, depends on providing easier access to information about tendering opportunities – through reductions in distance barriers and information gaps – streamlining the tendering processes and procedures and improving the access of businesses to electronic tools to ensure wider inclusion of firms in contracting activity. In keeping with this, in addition to providing updated information on procurement plans and notices, bidding documents, minutes of procurement activities and contract award results, e-GP portals also provide updated information on relevant legislation, policies and guidelines. Governments also use e-GP portals and tools to gather better quality data on procurements made by procuring agencies. It must be noted that the design of infrastructure to deploy e-GP tools is an integral component in the planning stage. This should ensure that platforms support cross-operability that allow for benefits of scale economies to be reaped in procurement administration.

2.2 Provisions for e-GP in the WTO-GPA

The WTO-GPA takes into account the growing use of electronic technology and specifically incorporates e-procurement. The Agreement integrates e-procurement methods into the 2014 WTO-GPA with provisions that take into account developments

in current government procurement practices that involve the use of electronic tools. The preamble recognizes “the importance of using, and encouraging use of, electronic means for procurement covered by [the Agreement]”. Article I(g) defines “in writing” or “written” as meaning “any worded or numbered expression that can be read, reproduced and later communicated”, and expressly states that this “may include electronically transmitted and stored information”.

There are specific provisions in the Agreement that creates incentives for the signatory Parties (i.e. member countries) to use electronic means for procurement activities. These include providing the procuring entities taking on board the agreement’s e-procurement obligations with more flexibility to fulfil obligations undertaken within the WTO-GPA framework. In particular, Article XI:5 allows for the optional reduction of time-frames for tendering if and to the extent that electronic means are used. Thus, the WTO-GPA 2014 has built in additional flexibility for the procuring authorities using electronic tools, which among others include the flexibility of permitting shorter notice periods when electronic tools are used. This is a recognition of the increased potential efficiency of e-GP compared with the longer times suggested for traditional procurement designed to ensure that all firms have time to access and process information pertaining to potential contracts or bids.

The WTO-GPA also recognises that electronic tools in procurement can be a means to enhance transparency. This is evident through the obligations for the publication of information required to be publicly available under the Agreement. For example, Articles VI:1(a) and VI:2(a) provide for making available general information on the procurement system. Further, Articles VI:2(b), VII, IX:7 and XVI:2 have provisions for providing information on procurement opportunities and processes. Similarly, Articles VI:2(c), XVI:5 and 6 provide guidelines on the post-award publication of statistical and other information (for detailed analysis see Anderson and Muller, 2017).

In addition, the WTO-GPA 2014 has provisions that attempt to ensure that the use of e-GP contributes to openness and transparency. For example, Article IV:3(a) sets out requirements regarding the general availability and interoperability of the information technology systems and software used. Article IV:3(b) has provisions on the availability of mechanisms to ensure the integrity of requests for participation and tenders. Article X:7(e) and Article XIV includes information on the publication of information regarding how electronic auctions are to be conducted. Articles IX:7(b) and 9(b), X:7(d), XIV, XVI:2 list the provisions for the maintenance of data to ensure the traceability of the conduct procurement undertaken by electronic means. In addition, these provisions also stipulate mandatory requirements applicable if and to the extent electronic means are used, but leave the basic decision as to whether or not to use them up to national legislators and procuring entities.

Despite its high goals, or maybe due to them, as suggested above uptake of the WTO-GPA remains far from universal and particularly poor among developing countries. This has been disappointing for the EU, as with wider issue with the WTO’s efficacy,

given the EU's long standing commitment to the multilateral system. The EU has had to find alternative means to move its trade agenda forward (Kerr and Viju-Miljusevic, 2019). The issue of e-procurement, however, remains couched in the wider digital governance agenda, and increasingly embedded through bilateral FTAs that the EU negotiates with third parties.

2.3 e-GP provisions in the EU and its FTAs

The deployment of e-GP is still evolving and is in a nascent state in most countries, especially in the countries that are not WTO-GPA members. The EU has a coherent e-GP strategy and its current framework is driven by Europe 2020, the Digital Agenda for Europe and European e-Government. The EU launched the Digital Single Market Strategy for Europe (DSM),⁷ which announced a new eGovernment Action Plan for 2016-2020 that aims to remove existing barriers to the Digital Single Market and to stave off further fragmentation arising in the context of the modernisation of public administrations. This EU eGovernment Action Plan aims to be the instrument to join up efforts taking place in individual Member States. While Member States pursue their own strategies and activities, the Action Plan – based on a shared long-term vision – sets out a number of principles that forthcoming initiatives should observe in order to deliver the significant benefits that eGovernment can bring to businesses, citizens and public administration. At present, work is on-going to support the transition of Member States' public administrations towards achieving full e-procurement, the use of contract registers and interoperable e-signatures⁸. With the focus on the European Single Procurement Document, e-Certis and e-Invoicing and a coordinated approach to development of the national e-procurement systems, the objective is that, companies will be able to bid for public procurement contracts anywhere in the European Union electronically and eInvoicing will be accepted by public administrations across the EU.

The EU's emphasis on liberalising and reforming government procurement results from the creation of the single market. Since the Single European Act (1985), the EU has applied a regime of procurement liberalization to remove preferential treatment of national industry in government purchasing. Recent procurement Directives have progressively liberalised rules on public procurement. The rationale for the focus on liberalising procurement rules is two-fold: Morton (2012) suggests that the liberalisation process is primarily dominated by the competition policy agenda of the EU that aims to remove national barriers to cross-border competition. Second, Bovis (2006), suggests that the driving principles are non-discrimination, competition and transparency.

The EU's rationale for implementing e-GP through an ambitious e-Government Action Plan (2016-2020) is that 'digital public services reduce administrative burden on

⁷ COM(2015) 192 final

⁸ COM(2015) 192 final, <http://eur-lex.europa.eu/legal-content/EN/TXT/?qid=1447773803386&uri=CELEX:52015DC0192>

businesses and citizens by making their interactions with public administrations faster and efficient, more convenient and transparent, and less costly'. In line with this new reality, the EU has implemented e-GP as an integral part of the digital single market and included e-GP provisions in FTAs that have been concluded by the EU with third countries. This means that the provisions negotiated under EU-FTAs include not only rules to treat foreign providers of goods and services to public entities through public tendering and contracts, but also detailed e-GP obligations that the partner countries must commit to within the bilateral framework. The EU perceives that the integration of digital technologies in governments' modernisation strategies is likely to unlock economic and social benefits for businesses and society as a whole (OECD, 2014). The emphasis that the EU lays on e-GP is evident from the inclusion of e-GP provisions in FTAs that have been concluded with partner countries. Incorporating such obligations within the FTA framework has signalled the importance that the EU attaches to technology as an enabler in reforming the public procurement market and as a means to facilitate market access for EU suppliers.

The rationale to employ e-GP in the EU procurement system is to achieve greater efficiency, improve governance and competitiveness while working towards an international framework for e-procurement. The factors that spear headed e-GP in the EU are: firstly, the increased use of Internet; and, secondly, the changing nature of how businesses operate. Both these factors have shaped the EU economy to be a more general broad-based digital economy that has transformed the notion of 'traditional' trade to 'digital' trade. It is this change in the nature of trade from 'traditional' to 'digital' trade that has led to a change in the focus of the EU negotiating e-GP provisions in FTAs concluded with third countries.

Smith (2010) sums up the need for e-GP: "As integration of the EC public procurement market proceeded and suppliers enhanced their abilities to compete for contracts across borders, the European Commission could soften opposition to the public procurement regime from suppliers who would have to relinquish privileged relationships with public authorities by creating greater opportunities for European firms abroad." The rapidly growing FTA numbers with extensive GP chapters make an analysis topical, and subsequent sections explore the main commitments and approaches in the FTAs already finalized, to discuss state of e-GP in the FTA text agreed between the EU and Vietnam.

3. Overview on e-GP provisions in EVFTA

The EU and Vietnam signed a Trade Agreement and an Investment Protection Agreement on 30 June 2019. Government procurement is an important chapter given Vietnam is one of the countries with the highest ratio of public investment to GDP in the world. Since 1995, this ratio has maintained at over 39% annually with a large part invested in infrastructure projects (EU Delegation to Vietnam, 2019). Vietnam and the

EU have agreed on disciplines in line with the GPA rules of the WTO, with specific e-GP commitments. The general procurement obligations, including e-GP, benefit from the special and differential treatment allowed (through transitional period for implementation) that enables Vietnam to meet the commitments undertaken within the FTA framework. Further, Vietnam agreed to develop a central web portal for advertising procurement contracts that should be operational at the latest 10 years after entry into force of the FTA. This portal will provide the summaries of procurement notices in English.

The government procurement chapter includes liberalisation commitments comparable to other FTAs that the EU has signed with developed and more advanced developing countries. An analysis of e-GP provisions in the EVFTA shows that provisions mirror the WTO-GPA language and commitments. The GP chapter includes sections from 9.1 to 9.22 that include wide ranging liberalising commitments on GP within the bilateral framework. Both partners have agreed on transparency and non-discrimination rules in the EVFTA. Several articles of the EVFTA deal with e-GP obligations undertaken by the EU and Vietnam within the bilateral framework.

Chapter 9.1 of the EVFTA does not define e-GP but only provides the definition of electronic auction. An electronic auction is defined as “an iterative process that involves the use of electronic means for the presentation by suppliers of either new prices, or new values for quantifiable non-price elements of the tender related to the evaluation criteria, or both, resulting in a ranking or re-ranking of tenders (Article 9.1, EVFTA).

Article 9.4 (6) and (7) elaborate on the general principles of electronic means that the partners will “endeavour to conduct covered procurement by electronic means. This includes, the publication of procurement information, notices and tender documentation, the reception of tenders and, where appropriate, the use of electronic auctions.” Article 9.5 deals with ‘Information on the Procurement System’ for covered procurement in officially designated paper or electronic medium as well as to provide the information requested.

Article 9.6(1) of the EVFTA requires that ‘a procuring entity shall publish a notice of intended procurement in the appropriate paper or electronic medium listed. The notice published in an electronic medium shall remain available at least until expiration of the time period indicated in the notice’. An analysis of Vietnam’s current procurement system shows that there are no provisions dealing with the drafting or publication of summary notices. It is interesting to note that Vietnam does not have to implement commitments on publishing notices of intended procurements given that “procuring entities are *encouraged* to publish their notices by electronic means free of charge through a single point of access” (emphasis added) (EVFTA Article 9.6(1)). Within the specific context of the e-GP system, Article 9.6(4) of EVFTA states: “The Union shall provide technical and financial assistance to Viet Nam in order to develop, establish and maintain an automatic system for the translation and publication of summary notices in English. This cooperation is addressed in Article 9.21 (Cooperation) of this

Chapter. The implementation of this paragraph is subject to the realisation of the initiative on technical and financial assistance for the development, establishment and maintenance of an automatic system for the translation and publication of summary notices in English in Viet Nam.” This is indicative of the EU’s support for implementing e-GP in the partner country – not only for additional market access but to ensure a fair and transparent trading environment for its firms.

Article 9.15 of the EVFTA presents information on electronic auctions. This lists: (a) modalities that a procuring entity intending to conduct a covered procurement using an electronic auction must follow and also what information must be provided to each participant before commencing the electronic auction. (b) an automatic evaluation method that is based on criteria set out in the tender documentation and that will be used in the automatic ranking or re-ranking during the auction. The Article states: “Where a procuring entity intends to conduct a covered procurement using an electronic auction, the entity shall provide each participant, before commencing the electronic auction, with:

- (a) the automatic evaluation method that is based on the evaluation criteria set out in the tender documentation and that will be used in the automatic ranking or re-ranking during the auction;
- (b) any other relevant information relating to the conduct of the auction.”

Article 9.17 includes commitments to publish award information through electronic means. Further, Article 9.21 lists the endeavours of EU and Vietnam in “developing and expanding the use of electronic means in government procurement systems”. Article 9.22 includes a commitment to “review the provisions of Article 9.15 (Electronic Auctions) once Viet Nam’s electronic procurement system has been fully developed” as well as to “conduct further negotiations on the duration of the period for the storage of data relating to procurement by electronic means once Viet Nam’s electronic procurement system is operational.”

The analysis of Vietnamese obligations on e-GP suggests that the EVFTA provisions mirror the WTO-GPA language and commitments, with the aim of a progressive and GPA-compliant e-procurement framework for Vietnam. The focus is on general institutional improvements through procedural reforms, including electronic publication of planned procurements to enhance transparency. By doing so, the EVFTA confirms that the EU nurtures its aspiration to employ obligations under the FTA setting as a reform vehicle to revamp partners’ national procurement systems, and use e-GP as a means to foster transparency and accountability (Khorana and Garcia, 2014). Other scholars also argue that international trade generates benefits only when liberalisation is complemented by educational, regulatory environment, and other institutional reforms (Bolaky and Freund, 2008) with studies exploring the general relationship between procurement practices and economic development (Basekha, 2009; Estache and Atsushi, 2008).

4. Employing e-GP to enhance accountability and transparency in Vietnam

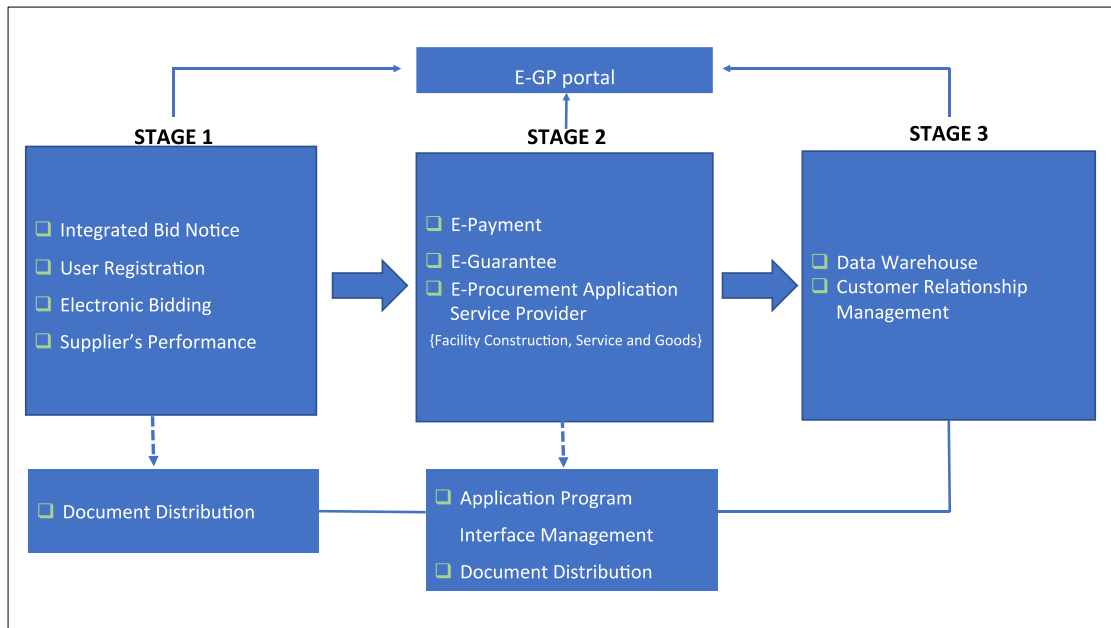
The Government of Vietnam established the current e-GP system using a public-private partnership (PPP) model. The underlying aim was to improve government transparency. At the inception of the e-GP system piloted by Vietnam in 2009, based on the South Korean system (KONEPS), there was lack of the know-how for contracting with service providers that could install an effective e-GP system. There were and still are no detailed regulations on how to manage the system efficiently for all entities and levels of government. As a result, the current e-GP system in Vietnam has had limited functionality. In recognition of the fact that a well-functioning e-government procurement system would improve transparency and accountability of the procurement system, the current government in Vietnam has embarked on discussions to explore replacing the old system with a new end-to-end system that handles the entire flow of procurement using a PPP model. Vietnam is also currently exploring various options from cases of countries that have adopted such e-GP systems to be able to meet the deadline for the implementation of the e-GP obligations under the EVFTA.

Theoretical literature on the performance of institutions classifies the determinants of institutional efficacy under three categories – economic, political and cultural (La Porta et al., 1999). Within the context of Vietnam, institutional reform through e-GP commitments with the EU will lead to transparency that will, in turn, facilitate internal policy coordination and accountability in procurement, as well as create an enabling environment that will reduce transaction costs. The economic rationale for Vietnam to foster reforms rests on the fact that growth is faster in economies with stronger institutions because competition reduces rent seeking and corruption (Islam and Montenegro, 2002). In this light, Rodrik et al. (2004) suggest that successful institutional reforms require integrating imported rules and regulations into local institutions. The willingness of Vietnam to abide by extensive and detailed e-GP rules under a bilateral FTA signals its political willingness and commitment to enhance transparency and address corruption. Fukuyama (2001) finds a direct connection between poor procurement decisions and economic development levels. The study finds that the inability to judge the likely efficacy of the bids leads to allocation of sub-optimal government expenditures.

This linkage between transparency and institutional reforms hints that the lack of transparency in procurement procedures can limit the scrutiny of decisions and lead to suboptimal decisions that can make the procuring activity and processes amenable to corruption. There are other studies that find corruption in procurement distorts the selections made, reduces efficiency and wastes resources (Infante and Smirnova, 2009), which is a malaise that Vietnam seeks to address through the FTA. Thus, to enable e-GP to improve the effectiveness and efficiency of its institutional system Vietnam will

have to improve transparency and accountability. There is also a recognition that the e-GP system has the potential to improve competitiveness through increased transparency of information provided to suppliers. It is important for Vietnam to develop a functioning e-GP system that includes the various elements of e-GP tools that can enhance the transparency of the procurement process. Thus, the proposed architecture of the e-GP portal is a three-staged process, which hopefully, when complete will deliver improved transparency and accountability to the overall institutional framework for Vietnamese government procurement (See Figure 1).

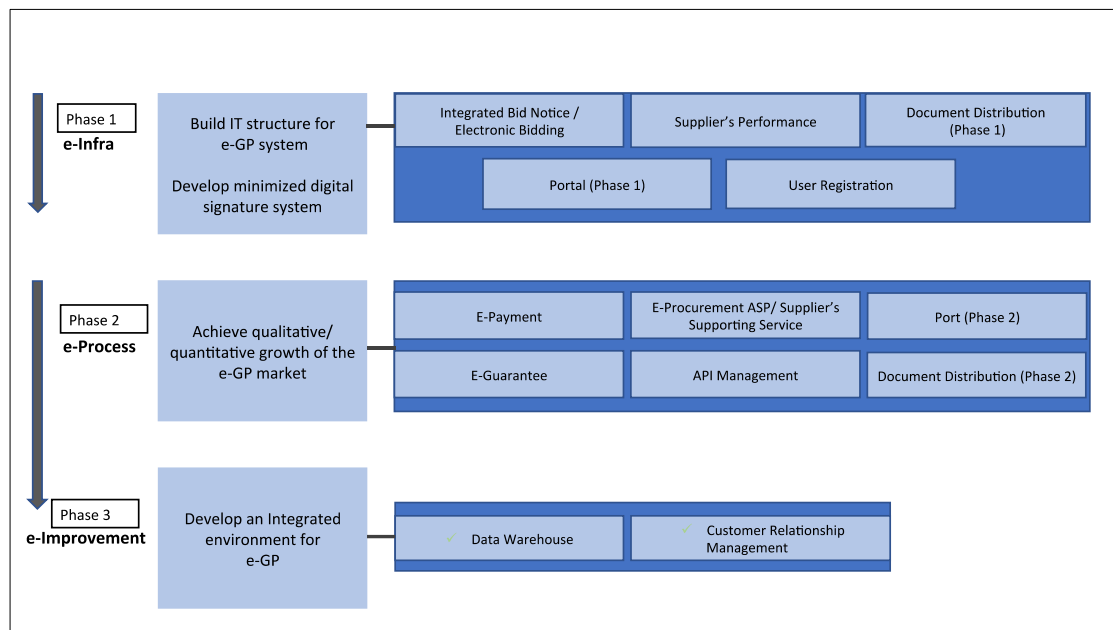
Figure 1: Institutional framework for an effective e-GP portal



A successful e-GP must include three integral stages, such that developments in one stage lead to incremental e-GP tools and services in the next stages. Stage 1 involves setting up user registration, bid notice including e-bidding and supplier performance to kick-start and launch the process of e-GP that will trigger institutional reform in the procurement system. Stage 2 involves setting up facilities for e-payment and e-guarantee for suppliers, which must be complemented by an efficient interface program. These will form the foundation for an efficient management system, documentation of the procuring process and pave the way for the final step. Stage 3 involves setting up the requisite infrastructure for data warehousing and customer relationship management, which will feed data into the e-GP portal.

Figure 2 proposes an implementation plan for Vietnam that considers the basic functionalities of electronic transactions and information sharing as well as the link with the information infrastructure. This figure highlights the link between the importance of e-GP framework building and its implementation within the EVFTA context. For the implementation to be effective, the critical success factors for e-GP reforms are the government's decision to reform institutions and its ability to craft an appropriate reform agenda, which the implementation plan will need to take into account.

Figure 2: E-GP Implementation Plan



The implementation plan includes three interrelated integral components: e-infrastructure, e-process and e-improvement. Stage 1 involves setting up user registration, bid notice including e-bidding and supplier evaluation to kick-start and launch the process of e-GP that will trigger institutional reform. This will have to be at all levels of governments and backed by political commitment to a willingness to reform that will have an incremental effect on transparency and accountability in the current system. This will require launching the e-GP portal for all entities at all levels of government. At present, it is limited to the central level and select ministries in Hanoi. Stage 2 will involve the setting up facilities for e-payment and e-guarantee, complemented by an efficient interface program. The latter forms the basic foundations for efficient system management and documentation. Stage 3 will involve setting up the requisite infrastructure for data warehousing and customer relationship management. However, underlying the e-GP infrastructure implementation is the need to guarantee the information governance and assurance framework through an effective application program and comprehensive document distribution .

While Vietnam continues to use the current e-GP pilot system, which still is in a nascent stage, the Vietnamese government through the central procuring body, i.e. Public Procurement Agency (PPA), has undertaken obligations under the EVFTA to move toward the next-generation e-GP system with fully-fledged functionality using the Public Private Partnership (PPP) model. In this light, knowledge of procedures for contracting with e-service system providers as well as adequate policies and regulations will be required to govern the system. Given Vietnam's commitment to introduce e-GP through the EVFTA commitments, then liberalisation via the FTA mode is likely to provide an additional external impetus to reform. The timely implementation of commitments on e-GP will lock in internal reforms and trigger the process of launching

Vietnam on the route to full e-GP implementation within a reasonable time period.

5. Conclusion and way forward

Institutional reform will enhance Vietnam's ability to improve transparency and accountability in its procurement processes and to tackle corruption. The critical success factors for effective institutional reform are political commitment, the ability to craft an appropriate reform agenda and eventual compliance with rules. The benefits of institutional reform will accrue only if the settings are appropriate. A mechanism that uses communications technology in government procurement and provides an open, transparent and non-discriminatory procurement framework will be the best tool to achieve 'value for money' and as a means to optimize competition among suppliers. Given that Vietnam's current national procurement legislation is complex, it is critical to enhance transparency to improve accountability, address corruption, overcome problems of vested interests and rent seeking, and lift domestic constraints, as these currently pose a significant challenge to Vietnam's desire to enhance transparency and accountability.

Some of the main reasons for the slow uptake of e-GP tools in Vietnam are high infrastructure costs, lack of willingness on the part of vested interests and diverse administrative and technological constructs. These factors pose a major impediment to the implementation of e-GP in Vietnam. Further, an appropriate infrastructure that ensures the criticality of systems integration and data management for operational performance are key to the success of e-GP initiative. Within the context of the EU, the fear is that the uptake of e-GP range may be delayed following 'stakeholders' inertia and 'market fragmentation' to 'incompatible infrastructure'. There are those that benefit from the current opaque system for government procurement through the opportunities for corrupt behaviour it creates. They can be expected to resist the further development of e-GP. Within the government, there will be officials that benefit from corruption and may well work to thwart reforms. Trade agreement commitments, however, provide cover for those in government wishing to pursue a reform agenda. The EU is cognizant of this facet of FTAs and it is one of the reasons it insists on such commitments in trade agreements. Other factors that may potentially impact on e-GP implementation by Vietnam are its complex procurement regime with a lack of uniformity in procurement methods and non-binding commitments to use electronic means for procurement.

To conclude, Vietnam's commitments on e-GP under the EVFTA clearly signals a political commitment to procurement liberalisation and institutional reform. For the commitment to be operationalized, however, reform is required through legislation on a national code for rules and procedures on e-GP system for the country. Given that a functioning e-GP portal will provide an enabling business environment and reduce accompanying distortions, it is expected that institutional reform may well yield large gains for both Vietnamese and EU firms.

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