Favorable conditions and barriers in implementing e-Bidding in Vietnam and improvement solutions

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Abstract
In the context, Vietnamese Government is on first phase of the pilot project of electronic bidding system and is on the transition toward e-Government. In this paper, the author has analyzed and evaluated the current state of electronic bidding activities and identified favourable conditions and barriers for application of e-Bidding method in Vietnam. As the results, the author has also suggested several state management solutions for application of e-Bidding technology in Vietnam in an effective manner, and hopes it will be a useful reference literature for all those who care about e-Procurement and e-Bidding in particular in Vietnam. In certain aspects, the results of this study will be hoped to become some constructive suggestions for experts and government managers in implementing e-Procurement systems in Vietnam.

1. Introductions
Vietnam, like many other developing countries, has realized the strategic role of modernization and computerization in the process of economic integration \(^1\). The trend toward e-Procurement is indispensable. E-bidding is relatively low cost to implement and maintain, and provides significant value to businesses, enhances transparency and strengthens management \(^2\). It is essential that Vietnam needs to design the e-infrastructure for e-Bidding \(^1\). Therefore, in the paper, the author only presents study on e-bidding activity situation and to suggest improvement solutions for implementation and operation of an e-Bidding system in Vietnam.

2. Research methodologies
This study is an exploratory study based on an analysis of secondary data. Data is collected from secondary source, such as database from the Ministry of Planning and Investment, Asian Development Bank (ADB), Multile Development Banks (MDBs), and Internet. The analysis of data carried out to find favorable conditions and barriers in implement e-Bidding in Vietnam as well as suggest improvement management solutions.

3. The overview of e-Bidding activities in Vietnam
Up to now, the state management issue on bidding activities is improved significantly, especially the process to better the legal document system \(^4\). The legalization of bidding
provisions creates legal basis to the activities therein, and ensures the state management orders as well as socialist legal system.

Presently, in Vietnam, there are well-established government agencies at both the national and provincial level to lead the continued development of government procurement in general and the transition to electronic government procurement (e-GP). At the national level as the Ministry of Planning and Investment (MPI), the Ministry of Construction (MOC), the Ministry of Finance (MOF), the Ministry of Communication and Information (MCI) are clearly identified as providing leadership and governance in relation to procurement and some initial development of e-Procurement and e-Bidding. Additionally, many of the national ministries have their own websites and provide their own guidelines and regulations on bidding. At the provincial level, many provinces have their own procurement centers that provide state guidelines and implement the procurement activities. There is also a big number of bidding agencies that are mostly government owned but have some latitudes in how they operate. They provide procurement implementation services to the Project Management Offices that procure capital items and goods and services on behalf of government, in both the domestic and international market. Bidding agencies often experience difficulties with the overlap and conflict between the regulations and guidelines put out by the different ministries and departments as several departments may well have an interest in any one project. E-Procurement has become a familiar concept with most of enterprises and public people. Enterprises are more and more aware opportunities when application e-Procurement and is actively interested in construction an e-Commerce business model, take e-Commerce become an adhesive part of enterprise-development strategy in global economic integration time. Government is a pioneer in applying e-Commerce; to provide electronic service environment, such as Electronic Navy Service, Electronic Tax Service, and electronic importing licensing service; and to promote application of e-Commerce in government procurement...these activities are distributing to attract and encourage all enterprises, people participate in government electronic system. 

It can be said that Vietnam is on a transition to e-Government Procurement (e-GP). The issue therefore is the degree to which the current efforts at transition to e-GP are likely to result in an efficient and effective (sustainable) e-GP strategy for the country. Some key sub-issues are:

- Facility of current e-procurement systems;
- Degree of data privacy and security;
- Digital identification;
- Adoption of technology, infrastructure and procurement standards;
- Evidence of emerging strategies;
- Suppliers having a consistent approach when dealing with different government agencies.

In recent years, Vietnam has implemented many important activities to prepare for e-
Procurement in future as following:

Vietnamese Government actively makes a favourable environment for application and development e-Commerce, such as making fundamental legal corridor, making fair competition environment, and developing IT and communication infrastructure. The Law on Bidding of Vietnam was adopted by the National Assembly, Legislature XI at its 8th Session on 29/11/2005. According to this Law, Ministry of Planning and Investment (MPI) is assigned to build and manage National e-Procurement Network. However, they only present generally e-Bidding issue (in Article 30) but does not define detail guides for execution and implementation of e-Bidding professional activities [6].

One of most important activities is to establish and operate the website on procurement (http://dauthau.mpi.gov.vn) from 5/12/2005 and MPI is assigned to manage and operate this website. Information to be published free of charge include: Procurement plans; announcements for prequalification and the results of prequalification; bid announcements; bidder selection results; blacklist; information on the treatment of violations of procurement law and regulations; current procurement law and regulations; and articles on procurement issues [7].

On August, 7th 2007, the Vietnam Online Bidding Gate (www.vn.dgmarket.com) has been officially opened and operated. This Bidding Gate is under directly the Global Bidding Gate (www.dgmarket.com) which founded and supported by the World Bank and now maintained and developed by the Vietnam Stability Development Center (under directly Union of the Vietnam Science and Technology Associations) and the Chamber of Industry and Commerce of Vietnam. This portal is capable of providing a bidding information integrated market as notice inviting bids, results of the contractor selection, records, and materials of contractors….of the state procurement in nearly 200 countries, opening great opportunities for all types of enterprise to access to the domestic and international bidding information in 17 languages, including Vietnamese. An emergency problem is that the Vietnamese enterprises want to purchase have not enough information from the suppliers, especially from the foreign suppliers to effectively purchase and in international economic integration time, demand of international trade of the Vietnamese enterprises is increasing highly. The formation of www.vn.dgmarket.com has opened the way for the bidding and purchasing form is very advanced, useful, necessary; to create good conditions for the Vietnamese enterprise to access to international bidding information resources and support organizations. Vietnamese enterprises from giving out invited bidding information about purchasing equipments, building offices, factories, workshops, spare parts, assembling parts, semi-finished products…and take part in the international bidding packages. The www.vn.dgmarket.com will contribute to promote formation of effective supplying series, to enhance ability and promote marketing activities via the internet of the sub-contractors and the main contractors also have more chances to access to trust suppliers. Not only meaningful for the enterprises, it also has meaning in the macroscopic level when contributes positively to publicize bidding information.
conformable to lines and policies of promotion bidding activities of the Government, contributes to promote the process of applying information technology and internet into the management actions of the agencies, enterprises, and contribute in the goal building an electronic government and an electronic bidding system in Vietnam [8].

In early 2008, the Ministry of Planning and Investment was assigned to take full responsibility for currying out study a feasible project named “Application e-Commerce in government procurement activities”. It is in the general comprehensive plan to develop e-Commerce in the period of 2006-2015 which under the Decision No.222/2005/QD-TTg signed by the Prime Minister on December 27th, 2005. The goal of the project is to promote comprehensively application of e-Commerce in government procurement through establishing a web-based central government procurement system, directly, contribute significantly to make a government bidding environment is public, transparent, competitive, effective and efficient [5].

On September 4th, 2009, the Electronic Procurement Pilot System (EPPS) was launched under the Document No.6059/VPCP-KTN signed by Mr. Hoang Trung Hai – the Deputy Prime Minister. This system is a part in the roadmap of the feasible project “Application e-Commerce in government procurement activities” and will be tested in three units: People's Committee of Hanoi City, Vietnam Posts and Telecommunication Group (VNPT) and Electricity of Vietnam Group (EVN). EVN will officially apply the system at www.muasamcong.mpi.gov.vn or www.publicprocurement.mpi.gov.vn [9].

In order to assess comprehensively the readiness level in implementing e-bidding activities in Vietnam, Tran Quangdung [10] has carried out research on the Vietnamese bidding situation and stated the results as the following table 1:

**Table 1. The readiness level in implementing e-Procurement in Vietnam**

<table>
<thead>
<tr>
<th>Components</th>
<th>Level of readiness *</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership, governance and the e-Commerce vision</td>
<td>3-4</td>
</tr>
<tr>
<td>Legislative and legal frameworks</td>
<td>2-3</td>
</tr>
<tr>
<td>Technology and IT infrastructure</td>
<td>2</td>
</tr>
<tr>
<td>People and resources to support procurement</td>
<td>2</td>
</tr>
<tr>
<td>Current procurement processes management</td>
<td>3-4</td>
</tr>
<tr>
<td>Current supports for e-procurement systems</td>
<td>3</td>
</tr>
</tbody>
</table>

*) Level 4 is highest and level 1 is lowest (based on the readiness self assessment index system which developed by MDBs [11])
4. The research results: favourable conditions and barriers on e-bidding activities in Vietnam

As mentioned above, this study was carried out based on the second data to identify drivers and barriers to implementation of e-bidding in Vietnam but without ranking the weight of the drivers and barriers. In order to rank the weight of them appropriately, there is a need to conduct an interviewing survey to related actors to collection of data. The result of this study is important base for such reseaches in future.

Favourable conditions:

- Vietnam has established the structural aspects of a comprehensive and supported procurement process that can serve as a basis for the transition to e-GP;
- There are well-established government agencies at both the national and provincial level to lead the continued development of government procurement and the transition to e-GP;
- Government has established a role in the direction, policy, publishing of regulations and guidelines, and procurement monitoring and implementation;
- Vietnam has a fairly comprehensive e-procurement strategy which called “Application of e-Commerce in Government Procurement activities”;  
- Vietnam is developing a well-structured e-bidding system at the national level;
- IT infrastructure in Vietnam is being promoted significantly but Vietnam is still in the low average group, there is a need to promote developing IT infrastructure faster;
- In fact, most state and private business enterprises and organizations have applied e-Commerce at different level. This is a very favorable condition for implement e-Procurement systems in future.

Barriers:

- The current legal system really only make a legal framework, there is not any detail guide upon application e-Commerce in government procurement in general;
- Insufficient experience and IT skills. The provision of education for managers and procurement staff and supplier training would appear to be inadequate to meet the expertise requirements to develop a national approach to procurement and the transition to e-procurement;
- Underdeveloped IT infrastructure;
- Application of e-Commerce in government procurement in Vietnam just on e-mail exchanging level between Ministry of Planning and Investment (MPI) with contractors, noting bidding information on the bidding website of MPI at www.dauthau.mpi.gov.vn, www.dgmarket.vn and some other private websites. These websites operate separately, not stably, slowly and do not update information timely, their screen is very poor. They do not meet security requirements and not attract enterprises and investor’s interest. In fact, there is not any central united system to
operate fully the electronic bidding process, and broader is electronic government procurement process;

- There are strong cultural issues in Vietnam that will impact on the implementation of e-GP. Business transactions have traditionally relied on “relationship, relationship, relationship.” And it can be said that government procurement issues in Vietnam are really sensitive and much “secret”. E-GP approaches are aimed at removing the relationship factor to some extent in favour of equity, merit and the independence and transparency of the process.

5. State management solutions

Based on the assessment of the readiness level\(^7\) and the favorable conditions and barriers identified in implementing e-bidding, the author proposes works need to be done to implement successfully an e-Bidding system in Vietnam. These works are ranked in order decrease the importance.

- To establish a detail solution to improve IT infrastructure in Vietnam which be suitable with the roadmap of developing and building e-Procurement systems in 2009-2015 to support best for application the systems;
- There is a need to establish a detail solution and united training programs to make human resource for implementation and operation of the e-Procurement systems fit with the general plan for application of e-Commerce and the developing strategy roadmap of e-Procurement systems in future;
- There is an urgent need to establish and develop the comprehensive legal system to define on e-Commerce and e-Procurement particularly;
- To develop a national implementation strategy that will specifically focus on e-GP so that development can be integrated and problems are addressed comprehensively;
- Standards for e-procurement need to be addressed urgently to ensure that Vietnam has an integrated national e-procurement market and that links to international markets can be easily established;
- There are a number of process management issues that need to be addressed as they directly reflect on the achievement of the procurement outcomes (i.e. the cost and quality of the goods and services provided);
- Some work needs to be done to ensure that appropriate procurement expertise and behaviour is also integrated into the process.

In order to do above proposed tasks, the author proposed a state management diagram of the e-Bidding system as the following figure 1:

*Note in the diagram:

BOB The Bureau of Bidding*
<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>MPI</td>
<td>Ministry of Planning and Investment</td>
</tr>
<tr>
<td>MOC</td>
<td>Ministry of Construction</td>
</tr>
<tr>
<td>MOIT</td>
<td>Ministry of Industry and Trade</td>
</tr>
<tr>
<td>MOST</td>
<td>Ministry of Science and Technology</td>
</tr>
<tr>
<td>MOF</td>
<td>Ministry of Finance</td>
</tr>
<tr>
<td>MIC</td>
<td>Ministry of Information and Communication</td>
</tr>
<tr>
<td>MOI</td>
<td>Ministry of Information</td>
</tr>
<tr>
<td>MOET</td>
<td>Ministry of Education and Training</td>
</tr>
</tbody>
</table>
Figure 1: The state management diagram of an e-Bidding System in Vietnam

**Related state management organizations**

*BOB, MPI, MOST*   |   *BOB*   |   *BOB, MOET*   |   *BOB*   |   *MOIT, BOB*
6. Areas of future research

This study have only presented management issues of e-Bidding system, we need to carry out research technical issues of e-Bidding system to suggest comprehensive solutions for establishing and managing the e-Bidding system in Vietnam effectively. Need to research to give a detail and equivalent developing roadmap between the building processes of the e-Procurement systems with the developing process of IT infrastructures and training human resources in period of time 2009-2015 and further. At each target-point of the building process the system will need equivalently required targets for IT infrastructure, human resources, and other resources. Need to research to give a developing roadmap and objectives in future on documental and technical standard issue, international legal framework… to integrate with international e-Procurement systems in the world and meeting the requirements of the jurisdiction’s international trade and investment agreements. For example, an initiative for establishing unified e-Procurement system in ASEAN. Need a research on a solution for integrating e-procurement systems with other e-management systems in future (e.g. customs system, economic management systems…). Research should also be carried out to try and determine in what types of organizations e-Bidding would be most appropriate and successful.

7. Conclusions

In this study, the author has presented quite clearly and completely the current status of electronic government procurement environment in Vietnam. Vietnam is now in the translation to e-GP and has made many favorable conditions for the successful implementation of e-Bidding system, however also faces with barriers and challenges about management issues, technical issues, especially IT infrastructure and human resources. And finally, as the beginning objective of research, the author have gave several constructive suggests about management solutions for implementation of an e-Bidding system in Vietnam. It hopes that the results will be useful for all those who care about implementation of e-Bidding system and is foundations for future researches.

References