



## Using eServices to drive development

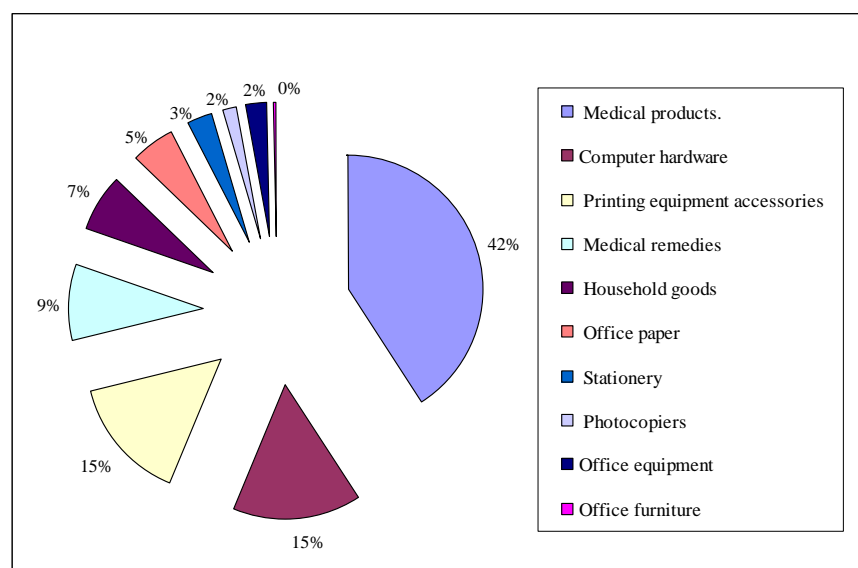
are very transparent, because before starting the tendering procedure, the State Regional Development Agency organises a meeting with representatives of possible manufacturers for understanding the latest trends of appropriate field of economy. Later on (usually 2-3 weeks after the announcement of the tender) the State Regional Development Agency organises a meeting with interested suppliers for disclosing the rules, which decrease the competition without any ground. In order to reduce prices during operation of e-catalogues and increase the competition, the framework agreements are usually signed with more than one supplier for each product items. The framework agreement fixes the possible maximal prices for each item and the minimal technical specifications as well as the minimal delivery terms and warranty conditions. These facts allow suppliers to reduce the prices in order to make their proposal more attractive to buyers. It should be clarified, that each time, when buyers navigate the catalogues, the system reopens competitions among the suppliers and shows only one proposal per each item. Due to the possibility of putting in the system the three levels of discounts on amount of products to be delivered per item, the system reopens the competition each time, when the buyer changes the amount of goods in a shopping cart.

The agreements, as well as standardised documentation of the tender, have small and medium enterprises friendly in rules, which allow offering even only one product of one specification for the tender. In that case, the supplier has to fit the reduced qualification level on supplier's turnover in previous periods.

From the point of view of the system, the territory of the Republic of Latvia is split into 5 delivery regions: the capital – Riga and four regions – Kurzeme, Latgale, Vidzeme, Zemgale. It is possible to determine different prices for each of these regions.

### Statistics and changes of the obligation of system usage

The type of products currently proposed for buyers in the Latvian e-catalogue system and turnover in percentage are shown in the picture below:



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Since 2005 the turnover of national e-catalogue system has been rapidly growing. Now it has reached 6% of total amount of national procurement of presented field of economy.

In June 2010 the State Regional Development Agency prepared a questionnaire for survey of all the suppliers, who offered their products in the e-catalogue system. More than 75% of all system's suppliers have filled an online questionnaire form. 96% of the respondents think, that e-procurement system have to be supported and developed by a state institution. 75% of the respondents approved, that the system reduces the risk of corruption. In accordance with the suppliers' replies, the prices in e-catalogues are lower than in other public procurements for 11,59% averagely. The price differences vary from 8% to 19% in average depending on the branch of economy (per catalogue).

It has to be mentioned, that such results are reached while the system was working on non-mandatory basis.

In May 2010, Latvian parliament, following the recommendations of International Monetary Funds and European Commission, approved the amendment to Public Procurement Law, which foresees the delegation to Cabinet of Ministers to determine type of the goods, which can be bought via predefined central purchasing institutions. That amendment was made especially in order to make the usage of e-catalogues services mandatory.

## System development trends

In order to warranty appropriate level of procurement services for all public sector users, it was decided to redesign national e-catalogue system (<http://www.eis.gov.lv>). These activities were co-financed by the European Regional Development Fund. The new system will start to operate in November 2010. The main benefits of the new version of the system are more flexible catalogue managements for the system supporter and huge performance improvements.

At the same time the new system will bring some reengineered business processes and some valuable features like "traffic light" method for price monitoring, enhanced shopping cart optimisation mechanism, mass product import/update/export services, interactive help for each forms of portal and integration with web services provided by VISS (State Information System Integrator): address retrieving and verifying from VARIS (Address register) and centralised authentication services.

The new product maintenance forms allow suppliers to verify, whether his product will win, if the competition is reopened now in an interactive way. Price indicators (per one unit in each region) have two types of marks green (for the lowest price) and red (for other prices). In addition to these two colours, in the lowest price indicator for discounts there are as well yellow marks for

The screenshot shows the 'Product maintenance' interface for a product named 'Tide'. The product code is 'D01-0112102-1200' and the manufacturer is 'Procter & Gamble'. A table displays price indicators for five regions: RIGA, KURZEME, LATGALE, VIDZEME, and ZEMGALE. Each region has a 'Net Price (LVL)' and a 'Price indication' (green or red square). A 'Has discount based on quantity' table shows 'Amount', 'Discount (%)', and 'Lowest price indication' (yellow or green square) for each region. The VAT is set to '21% LIKME'. Delivery times are specified as '2 + 2 + 2 up to LVL 1000.00' and '2 + 2 + 10 over LVL 1000.00'.

Region	Net Price (LVL)	Price indication
RIGA	18.00	Green
KURZEME	18.19	Red
LATGALE	18.19	Red
VIDZEME	18.19	Red
ZEMGALE	18.19	Red

Amount	Discount (%)	Lowest price indication
5	0.01	Yellow
10	0.10	Green
15	10.99	Green

situations, when for some regions prices will be the lowest after applying of that discount rate, but for some regions the prices won't be the lowest.

The next interesting feature, which was integrated in the system in order to make user authentication mechanism more user friendly, was trusted links with State Information System Integrator authentication services, that allows to logon system with widely used internet bank authentication mechanism, e-signature or MobileID integrated in the sim-card of mobile phone. That means, that electronic procurement system users do not need to use separate authentication tools.

### **Support services**

The State Regional Development Agency guarantees that the e-catalogue system operates in the 7 x 24 regime. That approach ensures flexibility for supplier in choosing of best transaction time. During working hours the Agency ensures helpdesk service and possibility to submit complaints/suggestions online. All operations are secured by usage of secure connections.

We also provide recommendations in non-standard situation for each user. For that type of support, users do not need to make special inquiries, because employees of the State Regional Development Agencies monitor activities in the system and can identify all non-standard situations by using of internal intelligence tools.

### **Benefits of using e-procurement services**

Having summarised all the above mentioned, the authors concluded the following:

- the Latvian e-procurement system frees financial resources for each buyer, which can be used for further development, which is especially valuable in the crisis environment;
- due to centralisation of the procurement processes, suppliers can also reduce their expenditures on preparation of proposals to tender;
- the system described does not discriminate small and medium enterprises;
- the system users can save time and money by using standardised processes of doing their business.