INNOVATING CHINESE GOVERNMENT PROCUREMENT SYSTEM

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ABSTRACT: Since the middle of the past 1990s, government procurements reform exploration has sprung up all over the all levels of Chinese government departments, which not only involves deeply the idea and intention, behavior regulations, and laws and rules of all levels of government department, but also readjusts the relationship between government and enterprise, the relationship among the different individuals in the inside of the government, and the relationship among the different branches of the government. Generally speaking, it mainly covers four fields: institution, policy, practice and social service. We believe that government procurement would be greatly reformed by innovations as society develops forwards.

KEYWORDS: Innovation; Government procurement system, China, Local Government

RESUMO: Desde meados da década de 1990, as inovações no sistema de aquisições tem se espalhado por todos os níveis do governo chinês. As reformas envolvem não somente mudanças profundas nas idéias, nos comportamentos, regulamentos, regras e leis de todos os níveis da administração pública, mas também, reformula as relações entre governo e empresa, a relação entre os diferentes indivíduos no interior do governo, e as relações entre os diferentes ramos do governo. As reformas, geralmente ocorrem em quatro domínios: institucional, político, práticas e serviço social. Acreditamos que estas inovações em muito contribuem para a reforma do sistema à medida que a sociedade se desenvolve.

PALAVRAS CHAVE: Inovação, Sistema de Compras Governamentais, China, Governos Locais.

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Background

Since the middle of the past 1990s, a unique transforming, namely the government procurements reform exploration, has sprung up all over the all levels of Chinese government departments. This reform not only involves deeply the idea and intention, behavior regulations, and laws and rules of all levels of government department, but also readjusts the relationship between government and enterprise, the relationship among the different individuals in the inside of the government, and the relationship among the different branches of the government, leading to our consideration about the effect and function of government operating economy project. Take that the Ministry of Finance began to probe into government procurements norm in 1996 as sign, China has experienced the whole course lasting 10 years including four phases of exploration, discovering, summarizing and improving, as means that a period of growing up from infantilism to relative maturation had been accomplished. During the past 10 years, the government procurement scale increased unceasingly by the 77.9% annually in average, reaching RMB292,760,000,000 Yuan in 2005 and increasing 37.1% compared to the last year. It accounted for 1.6% of the whole national GDP. On June 2, 2002, Standing Committee of the National People's Congress has passed The PRC Government Procurement Law, which would go into effect on January 1, 2003. According to the Law, some relative ministries and commissions of the government had worked out and announced a serious of rules, regulations and management measures on procedure of calling for bid and bid, information issuing, administration of experts reviewing the procurement, authentication of purchasing agency qualification and accusing treatment procedure and managing, etc. All of these have established a foundation for the scientification and program-rization of the government procurement. As of function, the government procurements not only economize fund and improve economic effect of the public property resource, but also play a role of the policy tendency such as safeguarding national security and protection of domestic products. Now China opens the government procurement market more and more quickly, and the behavior and systems in this field become more and more standard. This is of great advantages to boosting socialist market economy and ruling construction by law.

Nevertheless, there exist a lot of problems in our government procurement around the following four aspects: Firstly, some deficiency in knowing and understanding government procurement. Some can not full understand its regulations and function; some procurement units repel

government procurement and some people look it as the concentrative corruption; illiberal understanding government procurement efficiency and running after excessively the short-term beneficial result. Secondly, nonstandard government procurements process. Sometimes, suppliers quote the price in conspiracy or set up the trap at a low price. Making use of information advantage, the procurement organizations dally announcing of the procurement information with trick without fairness and transparency, and discriminate some suppliers to some extent because of protectionism such as choosing the suppliers in black-box and some nonstandard behaviors on organizing suppliers' quoting. Some industries and branches monopolize the price. The indeterminacy of the government procurements budget leads to poor efficiency. Thirdly, there exist some problems of review of the procurement. Both demonstration in advance and evaluation afterwards is rare, and the room submitted to review of the experts is limited. Review mechanism is not standard, and both the right and obligation of the experts is ambiguous. The quality of some review experts need being improved. Besides, the benefit review of the government procurements lacks of enough objectivity, and the quality of the staff engaging in government procurements need being improved. Pertinent supervision and restraint mechanisms are faulty, such as the awarding and punishment mechanism about suppliers, accusing mechanism, checking and accepting mechanism and so on. The government procurement management system need to improve. Especially it needs a new procurement data statistic system and superintending procedure and benefit review and management system.

Innovations Records

The government procurements are a kind of fresh object in Chinese government reforming. Now some representative innovations records on government procurement existing around the China mainly are introduced here.

Institutional Innovation: Agreement Supplying System. Apart from the Government Procurement Law in the field of government procurement, what is most important institutional innovation is the agreement supplying system in contemporary China which means that final products are booked at the accepted price in the limited time with the condition of promising service by the agreement according to the calling for bid and bid, all of these being informed to all of the relative procurement units by document. Its advantages are following: 1. many procurement units facing many suppliers leads to the relative more suppliers winning the calling for bid and more kinds of products, which would satisfy the need of diversity from the users. 2.

Purchasing many times according a calling for bid could be finished, the scale economy being better realized as the result of concentrative procurement activities. A lot of cost of procurement and cost of calling for bid is saved. 3. That supply in the long time is enough by calling for bid in advance would satisfy the timeliness of procurement to a certain extent. 4. An investment example effect from government procurement would protect and support the suppliers of China on a certain degree and be beneficial to promoting in commerce sincerity. Compared to procurement with fixed object, agreement supply system leads to more standard procurement process and more transparent procurement procedure. The winner of calling for bid would sign contract to assure its service in written form. Agreement supply system requires of strict examination system and exchequer concentrating payment system and strengthens the government procurement executive standardization. It is very convenient to auditing.

Generally speaking, office equipment such as computer, duplicating machine and other multifunctional integral machine is the common commodity used universally in the central units. For the request of adapting to government procurement system and reform of the liberal and dispersive procurement method, the Ministry of Finance started to carry on the centralized procurement by that parts of computers of some central units were listed in central procurement contents in 2001, obvious scale economy leading to the affirmation of both the suppliers and procurements units. But this experiment also indicated some problems existing in the central procurement method. Firstly, frequent calling for bid in many places increased the cost. Secondly, there were bigger gap between budget and the actual figure. There are main causes: The budget official reply is too late to satisfy the need of the subordinate; the accumulation for procurement scale and the preparation for the calling for bid need the long time while some units adopted dispersive procurement for the consuming timeliness; the management system of the central units is complicated and distribution of the final customers is broad, which meant that some computers needed by parts of the central units could not be listed in centralized procurements content. Thirdly, it could not satisfy need of individual consumer. In this procurement the bid document is made according to the function of the computers. Even the kinds of those computers winning in the bid are limited and satisfy most of consumers, special individual consumer prefers to given kind of computer. Fourthly, the phenomenon of calling for bid according to brands is comparatively common. Some bid agencies caters to the request of

procurements units to allocate special brand agents. Above problems means the procurement cost was very uneconomic. However, agreement supplying system resolves these well.

Practice innovations: Cancun Mode. Government procurement center of changchun city, Jiling Province, established in 1999, aiming to deep reform of finance expending, innovated the method of government procurement and resorted to scientific management and probity style and high quality service. So, it got the acceptance from all circles of society, such as "Distinguished Collectivity of the National Finance System" and "Excellence Windows of Changchun Government Procurement". Since 2004, the center has kept the record of "zero complaint". Three steps of government procurement are their main innovations which compartmentalize the whole government procurement process into three phases and different departments are responsible for different work. They supervise each other to stop the one's decision. They set up more than 40 management ways used in these links and phases and implode Changchun government procurement information management system to realize the electronic procurement. The concrete procedure of this mode is following:

The first step is to develop normal and transparent information announcement ways to realize the publicity of information. The municipal government procurement center announced all the information about invitation to bid in Chinese finance and economic newspaper, Chinese government procurement magazine, Chinese government procurement net, Changchun City government procurement net, Changchun Daily, and other media. The information is also directly sent to suppliers by the way of mobile telephone short message. The suppliers can inquire the procurement trends by 168 telephone sound service desk system. They indulge themselves into the acrobatic fighting on the way announcing information, too. Video broadcast live system is developed to realize the opening of the calling for bidding. They organize hearing, which the suppliers and procurement units attend, to improve the transparency. The common citizens' hearing of "I am looking at the government's buying" is convened to improve the effect of social supervision. It is very convenient for all the interested parties to know procurement working procedure because the propagating handbook is made. At the same time, the center normalizes the information announcement institution, works out "the government procurement information announcement management regulations", "regulations reinforcing Party's style of working and the building of a clean government", "the ways of strengthening the inside management procedure against the commerce bribery" to punish the behavior of breaking off the above regulations and hiding information. They originally hold the signing the letter of commitment to the honesty and self-discipline ceremony to make promise to the society by the media.

The second step is to build an equal and high-effect competition platform to realize the process fairness. Five measures are made for its realization. 1. The procurement needs examining and verifying system. After the procurement units submit their need, the center would carry out the examining and verifying according to the market condition and the special field standard to ensure that there not exist the tendentiousness and discriminating terms in the need. the united verifying is made to deal with great project. The experts and the persons in charge of the great project in the relative fields are organized to convene the united verifying meeting to ascertain a technology index and procurement scheme which both satisfies the need of the procurement units and embodies the idea of fairness and justice. 2. Making a standard bid document. The center compiles 14 bid document models combining working experience with the example of calling for bid and bid. According to the project, the center mainly adopts the comprehensive review score, the way of internationally popular weighted mean and appropriate floating downwards used. Detail rules of score and competition are open in the document for bid to ensure the suppliers could work out their document for bid at the beginning with a special purpose. The open of procurement budget and fair treatment to the suppliers are useful to prevent the possibility of illegal activities of individual link. 3. To convene puzzles-solving meeting before calling bid on procurement. Before the verifying the procurement project, the center would organize the suppliers and procurement units to hold the puzzles-resolving for suggestion about every clause of bid document. If the bid document need revising or making clear, the center would give out an addendum document to all suppliers. If they are confronted with a comparatively complicated construction project of technology, the center would organize suppliers to carry out the scene scouting to improve the quality of bid document. 4. Saving bid cost of suppliers by website. Changchun municipal government procurement net is a net business platform by which some documents are downloaded and uploaded. Especially for the procurement project asking for price, the center has already adopted the way of quoting by net to improve availability and to reduce the suppliers' bid cost. The center also builds a suppliers' information warehouse which covers too much information such as enterprise scale, quality, main product, achievement, and credit and connection way. The procurement units could learn the information of enterprises about the goods, project and service all over the nation by linking the column of "supplier's information warehouse" of the Changchun municipal government procurement net without marketplace investigation by itself. At the same time, this column also provides the platform of showing and propagating products for enterprises. 5. Conscientiously improving working

efficiency. The center works out "procurement project pressing institution", "working time limitation institution", "procurement executive process net management institution", and touch the process management and limitation management with the position target responsibility institution. They are also strict in efficiency assessing mechanism.

The third step is to set up special and scientific decision-making mechanism to realize the result fairness. It has five links, too. 1. To set up a special bid evaluation area around four systems. By the four systems, the experts did not see each other. So did the experts and suppliers. These four systems are: (1) Monitor system, which monitors the whole evaluation and make C D video as record. (2) Screen system, which disturbs the entire signal so that the evaluation area couldn't be connected with the external world by mobile phone. (3) Meeting affairs system, by which the members of panel of judges communicate by telephone without face to face. The members of panel of judge must communicate by special telephone with the suppliers. (4) Changing voice system, by which the voice of user of different age and different sex would be changed greatly. In the evaluation area there is toilet and none is permitted to leave in advance before the ending of evaluation. In the first evaluation room 10 separate evaluation cabinets are set up. On evaluating, every expert owns one cabinet and communicates with others by microphone. After the ending of evaluation, the system would accomplish automatic gathering to make an evaluation bid report. 2. To perfect operating mechanism of "computer lot at sight, automatic informing by voice" and "expert independent evaluation". The center built warehouse being composed of 4767 experts' information, every expert being given out a number. In the scene opening for bid, the procurement units and the representative of suppliers would draw the number of experts who would attend the meeting of evaluation by the automatic lot system. Then, the automatic informing system would automatically inform every expert according to the number based on the given connection way. The expert would decide if he attends evaluation meeting by pressing a special telephone number button. If expert chooses to attend, the system would inform him of the concrete time and address of meeting by short message of mobile phone. The whole process is finished by computer and only the expert knows how it works. It effectively prevents somebody from bribing the experts. 3. to improve the valuation method of the procurement project. When gathering the every score, the center would get rid of the maximum and minimum and only use average score of the span as the effective value. The business bid document and technology bid document are required for suppliers to be separate on some certain great procurement project. In the technology bid document could not be allowed to give out the relative information of enterprise such as the name even though it is made in the same character style, word size and wrap page. It effectively prevent individual expert of

tendentiousness to ensure the fairness and justice of the final result. 4. To convene the consultation on the final result. After the final result is open, the loser of suppliers could by the meeting affairs system consult the expert the reason of failure without face to face and the expert must answer these questions. It effectively supervises the expert and strengthens the fairness and solemnity of the evaluation. 5. To sharpen the discipline of evaluation. The staff of municipal procurement center must not attend the evaluation. They must not express any tendentiousness when they organize and coordinate the evaluation affairs. The center also applies hierarchic scene supervision according to different procurement scale. If the value of procurement is within 300,000 Yuan, the center would supervise the evaluation; If the value is between 300,000 and 500,000 Yuan, the discipline inspection group of Bureau of Finance of Municipal Government would supervise the evaluation; If the value is above 500,000 Yuan, the municipal government procurement office would supervise the valuation. All the process of calling for bid is notarized by the notary.

What is most important reason why Changchun Mode succeeds in procurement is that the center builds a stronger team of well-qualified staff. They recruit talented person from the society to realize the intellectualization, specialization of the staff.

Policy innovation: Procurement New Deal. Policy function of procurement is becoming more and more important in contemporary China. Promotion of technology innovation and protection of national brand are the main function of government procurement. For a long time government procurement favors the overseas product, as is pressing huge pressure on the domestic enterprise. According to the stipulation of promotion of independent innovation of "Notices of the State Council on carrying out certain policies of 'National Long-term Scientific and Technological development Plan Summary(2006-2020)", on June 13, 2006, the Finance Ministry sent "Notices on some considerations about carrying out policy of promotion of independent innovation". It calls for considerable thinking of system construction of government procurement independent innovation and vigorous exploration of effective methods of embodying independent innovation of government procurement for coordination with identifying working of independent innovation products of the department of scientific and technological branches. It calls for essential experiments of chosen procurement projects within a certain degree. In the concrete evaluation method and bid document, the special conditions and preferential span about the independent innovation products could be enlarged. It appeals the awareness of buying national products in the government procurement. To create conditions for setting up management way of bought

foreign products and verifying procurements of foreign products institution is encouraged according to the requirements of procurement units and procurement agents. It is summoned to establish the effective incentive mechanism for procurement independent innovation products.

Thus, the government procurement supporting independent innovation is pushed to the top of policy function, and it is welcome by all levels of society. Many departments and units of central and local government make some policies or measures to encourage independent innovation and procurement of domestic products. China will start to certify the independent innovation products in 2007 to effectively implement this policy. The certification will be based on "National independent Innovation Products Certification Way (trying)" jointly established by the Ministry of Finance, the Ministry of Science and Technology and National Development and Reform Commission on December 31, 2006. Those certified products would be listed in "National Independent Innovations Products Catalog" which would be compiled in this year for the reference of procurement choice for all levels of government. The products listed in the catalog will enjoy a series of preferential policies. For example, they will be recommended in the great procurement project and supported.

Government's supporting independent innovation by procurement means a new developed opportunity of the independent innovations enterprises. The government's demand not only creates a new huge market for the enterprise but also share the risk of innovations in development of new products with the enterprise, which stimulates enterprises' passion and dynamical force for the innovations.

Service Innovation: Halfway Dormitory. Generally government procurements for service are regarded as a kind of service for government. A government could sign an agreement with a company for cleaning office room. In fact government is serving people. The innovation in government service procurement should aim at serving people and society, as would improve the society innovations. "Halfway dormitory" appearing in Shanghai is an example that government hires social workers to provide service for special teenagers.

This mode first appeared in Hong Kong while its lesson is drawn by Shanghai Sunshine Young Affairs Community Center. As a social corporation organization, the center is supported by government. It specially formed a team of social workers to intervene the three kinds of teenagers (be unemployed, be unable to go to school, be out of control) to prevent from committing a crime. "Rainbow Center" is established as a teenagers exercise base originally for

service in New Lianyang Community, Pudong New Area of Shanghai. "Halfway Dormitory" is in charge of the Rainbow Center. Various fundamental life facilities are available in half dormitory. It can freely aid for a short time for those teenagers who do not go home in deep night to prevent them from continuing wandering in various recreation places and being contaminated with some bad habits. The psychological consultant and formal social worker would help them to change idea and show them the solicitude of society. Government must pay 40,000 Yuan per year to every social worker. When most people go to bed in night, these social workers carries out midnight action. They go to the Disco hall and net cafe and other places of recreation to look for and persuade those teenagers to go home. If those teenagers who suffer from family violence and contradiction dislike going home, the social workers will invite them to go to "Halfway dormitory". "Halfway dormitory" gathers transition functions such as staying, dredging and educating. Generally, those teenagers only stay here for 24 hours. The social workers will help them go home and defend their lawful rights and interests. In "halfway dormitory", the teenagers only feel the solicitude and no discrimination.

The appearing of Halfway Dormitory means an innovation of government service procurement, and implies a great change of government governing. It combines the government innovations with social innovations to drive the service government building to the good governance step by step.

Short Remarks

In the field of government procurement, a large amount of innovation behaviors are coming into being in contemporary China. I have chosen the essential points to introduce some innovations which had covered main content: institution, policy, practice and social service. We believe that government procurement would be greatly reformed by innovations as society develops forwards.

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