

# Kazakhstan

## Electronic Government Procurement (e-GP)

### Contribution to the Efficiency Study of the Public Procurement System

September 2004

The Republic of Kazakhstan is in its initial stage of adopting a national e-GP program. While a single website for the publication of procurement information including procurement notices in a simple format is already up and running, the rules and functionalities of the e-GP system are under development.

Based on an e-GP readiness assessment tool of the Multilateral Development Banks<sup>1</sup> Kazakhstan is on a promising way having created to a considerable degree the foundations for successful e-GP implementation.

As one of the most important foundations, Kazakhstan identified the responsibility on high political level for the development and implementation of the e-GP program in giving the mandate to the State Procurement Agency (SPA). Being the lead agency in the process of e-GP program adoption, the SPA established the Center of e-Commerce (CeC) acting as implementing agency.

Other key foundations such as appropriate legislation, awareness raising, capacity building, private sector activation, standards, and infrastructure are taken into consideration in the current planning process. Some of the drafted rules and procedures may be revised on the basis of recommended options at the end of the report, which are based on common practices in other countries.

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<sup>1</sup> <http://www.mdb-egp.org/data/docs/Questionnaire.pdf>

## **Introduction**

The findings and recommendations on e-GP in Kazakhstan in the following report are based on the input from several documents as well as from discussions with the State Procurement Agency, the Center of eCommerce, and the private sector community.

### Documents

- Public Procurement Law No. 321-II as of May 16, 2002 (English translation)
- Summary of the Draft Rules of Organizing and Conducting the State Electronic Procurement of Goods, Works and Services (English translation)
- Summary of Future Trends of Development of the State Procurement System (English translation)
- Draft Decree of the Government of the Republic of Kazakhstan on Approval of the Program of Development of the Government Procurement System for 2005-2007

### Meetings

- State Procurement Agency:
  - Nalibayev, Abdukalyk – Director
  - Musabekow, Marat – Head of Monitoring and Analysis
  - Zhumabekova, Asem – Head of Methodology and Development
- Center of eCommerce:
  - Turgankulov, Ardak – Director
  - Suleimenov, Erken – Deputy Director
  - Kenzhebayev, Serik – Deputy Director
- Private sector community:
  - Petrov, Alexei – Bimash company

The report starts with an overview about e-GP definition, benefits, and key success factors summarizing the presentation, which the mission gave to the State Procurement Agency and the Center of eCommerce to achieve common understanding on the subject.

Section 2 provides the findings and an assessment of the current situation of e-GP adoption in Kazakhstan based on a set of e-GP components which, at the same time, are the key indicators of the e-GP readiness assessment jointly developed by the Asian Development Bank, the Inter-American Development Bank, and the World Bank.

The last section provides general and specific recommendations in the context of successful e-GP program implementation together with some possible areas of cooperation between Kazakhstan and the World Bank in this field.

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# Electronic Government Procurement – A Short Overview

## Definition

1. Electronic Government Procurement (e-GP) is the use of Information & Communication Technology (ICT), especially the Internet, by governments in conducting their relationships with suppliers for the acquisition of works, goods, and consultancy services required by the public sector.

2. The level of e-GP implementation comprises three basic phases:

- Online disclosure of information (e.g. publication of procurement notices, awarded contracts, and procurement law & regulations),
- Online procurement transactions (e.g. electronic distribution of bidding documents and RFP/RFQ documents, electronic submission of bids/proposals/quotations, electronic bid opening), and
- Online procurement integration (e.g. integration of e-GP with systems for financial management, tax administration, and others).

3. Along the lines of traditional tendering and purchasing procedures, e-GP can be divided into e-Tendering and e-Purchasing:

- e-Tendering can be defined as a solution designed to electronically handle the process of public tender for the acquisition of specialized works, goods, and consulting services that are of high value and low volume. Contracts are usually awarded on the basis of price and other factors (e.g. performance, quality, efficiency).
- e-Purchasing is a solution designed to electronically facilitate the acquisition of low value and high volume standard goods and services. Contracts are awarded on the basis of price as the only evaluation criteria.

4. Examples of such systems include Mexico's e-Tendering system *Compranet*<sup>2</sup>, and Brazil's e-Purchasing system *Comprasnet*<sup>3</sup>. Chile's *ChileCompra*<sup>4</sup>, Korea's *GePS*<sup>5</sup>, Romania's *Electronic System for Public Acquisitions*<sup>6</sup>, and Western Australia's *Government Electronic Market*<sup>7</sup> are examples of systems supporting both, e-Tendering and e-Purchasing.

## Benefits

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<sup>2</sup> <http://www.compranet.gob.mx/>

<sup>3</sup> <http://www.comprasnet.gov.br>

<sup>4</sup> <http://www.chilecompra.cl/>

<sup>5</sup> <http://www.g2b.go.kr/>

<sup>6</sup> <http://www.e-licitatie.ro/>

<sup>7</sup> <http://www.gem.wa.gov.au/Gem>

5. Breaking down the physical barriers of space and time, e-GP allows a more transparent and efficient information flow as well as improved access to information and services. Beneficiaries include not only governments and suppliers but also the public at large who can have access to transparent information on the public expenditure of taxpayers' money.

6. Many countries around the world are investing into the design and implementation of more or less complex e-GP system as part of the modernization of their public procurement systems. Transparency, efficiency, and improved quality of government procurement are among the main benefits.

7. In feeding all relevant data and information into a securely operated electronic system and automating public procurement processes, governments can reduce corruption or collusion by minimizing the risk of data manipulation or misuse. At the same time, procurement data and information can be made transparent to government decision-makers who, by using these data, can improve the quality of their decisions in the context of public procurement.

8. Besides transparency, e-GP provides for efficiency gains in terms of costs and time. As competition can be increased by open up access to online procurement notices to more suppliers – provided an appropriate infrastructure is in place – and transaction costs of the procurement process drop considerably (usually between 50 to 75 %), prices of bids and proposals can be cut by usually 15 to 25 %. These savings include time savings due to automated procurement procedures. A detailed summary of e-GP benefits and some specific examples can be found in Annex 1.

9. As the public procurement volume of a country amounts to a considerable percentage of the GDP , the use of e-GP may have a considerable impact on the economy not only due to huge savings but also due to the encouragement of small and medium enterprises to use technology and build the appropriate capacity.

### **Key Success Factors**

10. Designing and Implementing projects with major ICT components in the public sector have one thing in common: while ICT is basically available and can be used in many ways to improve government performance, there are some human factors which are critical to the success of any such ICT project including e-Government Procurement.

11. Experience in many countries, no matter which income level, has shown that government leadership is the most important key success factor of e-GP. A strong champion (some countries have seen the President in this role) needs to give the mandate of leading the e-GP initiative to an agency with excellent planning and management skills which is able to bring about collective commitment for change, inter-government coordination, and partnership with the supplier community.

12. Appropriate government leadership can contribute to meet the requirements of other e-GP key success factors:

- Set a supporting policy & legal framework including a clear e-GP vision and strategy, the definition of roles & responsibilities, the legally enabling environment with sufficient flexibility in order not to become obsolete along the short innovation cycle of ICT;
- Awareness and capacity building among government, suppliers, and the public at large including a well-thought communication and private sector integration strategy, comprehensive training programs, and user help-desk facilities;
- Technological infrastructure development including improved connectivity to promote equal access to online procurement data and information, interoperability based on common standards, appropriate security techniques, and clearly defined e-GP business models.

## Current Adoption of e-GP

### Government Leadership

13. The Government of the Republic of Kazakhstan seems to be aware of its significant leadership role as a key foundation of successful e-GP program implementation. The State Procurement Agency (SPA) is the identified lead agency with the clear mandate to develop an e-GP program in accordance with the Program of Development of the State Procurement System for 2001-2004 approved by the Decree of the Government of the Republic of Kazakhstan of October 12, 2001, No. 1605.

14. With the SPA as e-GP lead agency reporting to the Deputy Prime Minister level, the whole idea of public procurement modernization and transformation by adopting e-GP is fully supported and sponsored by the Government. To this end, Kazakhstan is in line with governments of many other countries who appointed procurement-related agencies rather than IT-related agencies as the leader of e-GP adoption.

15. As announced by the SPA before the Parliament of the Republic of Kazakhstan in December 2003, it is planned to put the e-GP system into operation by 2006. Currently, an e-GP implementation plan is under development. It will be discussed with different state agencies before being finalized and approved by a Government Resolution. It is planned to implement the e-GP system in a phased approach including a pilot project at the end of 2005.

16. The main goal of e-GP adoption in the Republic of Kazakhstan is to improve and guarantee transparency in government procurement competition as one of the principles of the Public Procurement Law<sup>8</sup>. In addition, the e-GP program will meet

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<sup>8</sup> Public Procurement Law of the Republic of Kazakhstan, Chapter 1, Article 3

the principle of optimal and effective spending of money used for public procurement. Based on international experience, the appropriate use of e-GP can save as much as 15 to 25 percent resulting from reduced prices as well as from cost and time savings.

17. In the process of managing the implementation of e-GP in Kazakhstan, the SPA is aware of the importance of extensive communication of all information around the e-GP program to government agencies, private businesses, and the broad public community. Kazakhstan also wants to share the experience of other countries and learn from their mistakes in order not to repeat them but follow good practice examples.

18. In creating an environment where e-GP adoption can occur in a sustainable way, the SPA takes responsibility for developing adequate e-GP policies and rules as well as appropriate resources for the successful implementation of the e-GP program. To this end, the Center of e-Commerce (CeC) was established by Government Decree No. 1262 of December 13, 2003. As the e-GP implementation agency, the CeC reports directly to the SPA. It will be responsible for the operation of the e-GP system including the registration of purchasers and potential suppliers. Under the leadership of the SPA, the CeC currently defines the e-GP rules and procedures (see section *Systems & Procedures* and *Annex III*).

## **Legal Framework**

19. The Public Procurement Law No. 321-II provides the application of e-GP in Article 25-1, which was adopted on July 5, 2004. This is a short article on the use of information systems for public procurement pointing out two major provisions: (i) the Government of the Republic of Kazakhstan shall establish a special procedure of public procurement by means of information systems and (ii) the e-GP implementation shall be a State monopoly.

20. In addition, Articles 6 and 11 refer to e-GP in the context of publication of procurement information to promote transparency. Article 6 includes electronic systems as a means of public procurement information dissemination. Article 11 defines the content and method of the procurement notice publication under the open tendering approach. Besides the periodic press, the Internet is listed as a method of the procurement notice publication.

21. The publication of procurement notices in the Internet as provided for by articles 6 and 11 of the Law is not obligatory but at the same time such practice is used in Kazakhstan on a single website. Such one-stop-shop approach is common e-GP practice. It is not only helpful to potential suppliers in searching business opportunities in a user-friendly and standardized way but also represents a very effective management tool for governments in dealing with public procurement information dissemination and statistical analysis and evaluation. The SPA regularly places the required public procurement information in the Internet.

22. With the existing reference to e-GP in the Public Procurement Law, Kazakhstan established a legal basis for e-GP adoption. It allows for flexibility in adopting new e-GP technologies without having to change or amend the public procurement law.

23. Successful e-GP has an impact on a range of business and public sector legislation such as e-commerce, digital signatures, electronic records management, admissibility of electronic records in court, intellectual property, and data protection & confidentiality. Most of these areas seem to be covered by existing legal provisions or appropriate initiatives of legalization (e.g. Law of Copyright and Allied Rights, Law on Concept on Protection of Intellectual Property). While a law on Electronic Document and Electronic Digital Signature (No. 370-II) was adopted in 2003, specific legislation on e-Commerce has not yet been enacted.

## **Awareness & Capacity Building**

24. It is important to understand that an e-GP implementation plan must include a substantial awareness raising campaign and training plan. Only in this way, the government can achieve acceptance from both the buy side (purchasing government agencies) and the sell side (suppliers). By involving the two sides as main users of the

e-GP system, the government can ensure collective commitment in the process of e-GP program implementation. In addition, the public community may be offered free access to the e-GP program allowing them to participate in the process by getting information and ask questions or raise concerns. This will help to build confidence among the public community the majority of which represent taxpayers whose money is being used for government procurement.

25. With some estimated 30,000 government agencies or state enterprises (with at least 50% government share) and thousands of companies as potential users of the e-GP system, the government of Kazakhstan faces the big challenge to manage a successful awareness raising and capacity building program. The SPA has already started to communicate the e-GP adoption plan to the government agencies and state enterprises as well as to the private business and public community through all available mass media (TV, radio, Internet, printed media, conferences, etc.). The initial feedback is promising with a broad acceptance of the planned e-GP adoption.

26. The e-GP implementation plan, which is currently being developed by the CeC under the leadership of the SPA, will include an awareness raising and capacity building component. The CeC as implementing agency of the e-GP program will manage and provide appropriate training to the e-GP system users (purchasers and suppliers). Once the e-GP system is up and running, the CeC will arrange and deliver sufficient help desk services to both user groups.

27. As a relatively new authority, the CeC has to be staffed with appropriate resources and skills to perform the task of e-GP implementation including rules definition, systems operation, training, and help desk services. Currently, about 10 experts with procurement and technology expertise work in the CeC. Being aware that this will not be sufficient to meet the challenge of successful e-GP implementation, the CeC will hire more experts in the near future. In addition, it is planned to establish regional CeC centers to provide improved services to purchasers and potential suppliers.

### **Private Sector Integration**

28. Based on its dialogue with the private sector community, the SPA is convinced that private businesses as potential suppliers to the government welcome the introduction of e-GP in Kazakhstan to promote transparency, healthy competition, and efficiency in the public procurement process. This was confirmed during the interview with a representative of the private sector.

29. Information on the government's plan to adopt e-GP is freely available through the mass media including the Internet. Private businesses know where to get information on public procurement opportunities. Besides the procurement bulletin and official newspapers such as the Kazakhstan Pravda, Express-K, and others, public procurement opportunities are published online on the e-GP website [www.goszakup.kz](http://www.goszakup.kz). In addition, the CeC plans to offer to suppliers a value-added

subscription service for automatic notification of procurement notices for a monthly charge of about USD 50.00.

30. The website is already frequently visited by private businesses which can be derived from the fact that a lot of instant complaints are addressed to the CeC when the website is temporarily not accessible. However, the SPA and CeC are fully aware of the necessity to improve Internet connectivity throughout Kazakhstan in order to ensure equal access to government procurement by electronic means at reasonable costs, especially for small and medium enterprises.

### **Infrastructure**

31. Kazakhstan has experienced a considerable growth in terms of Internet users over the last years. According to Internet World Stats, an online information broker on Internet use, the number of Internet users in Kazakhstan has grown from some 70,000 in 2000 to some 250,000 at the end of 2002<sup>9</sup>. Despite the huge growth by more than 250 percent, the Internet penetration rate in Kazakhstan is still very low (1.7%<sup>10</sup>) and far below the average Internet penetration rate in Asia (7.1%<sup>13</sup>) or the whole world (12.5%<sup>13</sup>).

32. The low Internet penetration rate is mainly due to the lack of competition and of modern equipment in the telecommunications sector. In order to continue the promising growth in terms of Internet access, the government has run a program for the development of the telecommunications sector by 2005. The program includes a phased liberalization of the telecommunications market to achieve a competitive environment by allowing new operators to enter the market. In addition, the telecommunications infrastructure is being modernized by using state-of-the-art technologies such as fibre-optic cables.

33. The predominant role of Kazakhtelecom so far as the key operator in the telecommunications market in Kazakhstan is the main reason for the relatively high costs of Internet access. Private businesses have to pay more than US\$ 1,000 per month for unlimited access to the Internet on the basis of dedicated 128 Kbps lines.

34. In implementing the program for the development of the telecommunications sector, accessibility to the Internet will be improved especially in remote areas. At the same time, increased bandwidth and affordable rates for Internet access will contribute to improving the quality and increasing the use of the Internet in the business sector as well as in private households.

35. While Internet access in cities or urban areas is not considered to be a problem, rural and less populated areas are very often not connected. To this end, plans of the government include the development of public Internet access points such as Internet cafes, libraries, or other public places with online connection. The equipment of

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<sup>9</sup> [www.internetworldstats.com](http://www.internetworldstats.com)

<sup>10</sup> [www.state.gov](http://www.state.gov)

computers with Internet access in public schools throughout Kazakhstan is among the priorities of the government. In the meantime, the SPA will require the future use of the e-GP system in those areas where Internet access is not a problem. The Agency for Information and Communication will maintain a list with annual updates of those areas.

## **Standards**

36. In the process of developing the e-GP implementation plan, the SPA and the CeC are aware of the importance to follow open standards not only with regard to Information and Communications Technology but, in the broader sense, also with regard to interoperability in terms of legislation, product catalogues, and security. The orientation towards open standards is the basis of healthy interoperability between the buy-side and the sell-side of an e-GP system on national as well as on international level.

37. Basically, it seems that there are no clearly defined e-Commerce standards available in Kazakhstan on which the government could build an e-GP standards framework as the basis of conducting online procurement. Even within the private business community itself, electronic business transactions are not very well developed due to missing e-Commerce standards. While most private companies have their own computer systems including more or less complex catalogues in electronic form, e-Business activities are not common practice due to lack of interoperability standards (e.g. electronic catalogues based on standard codes). Although Kazakhstan has been trying to improve the state system of standardization and certification with a gradual transition from the former Soviet product codification system GOST to international standards, the GOST code is considered as basis for the procurement of goods under the future electronic reverse auction method.

38. As part of defining the rules and procedures of the future e-GP system, the CeC aims at identifying a standard for the codification of goods and services. Being well informed about the existence of different international standards set by organizations such as the United Nations (United Nations Standard Product and Services Code = UNSPSC<sup>11</sup>) or the European Union (Common Procurement Vocabulary = CPV<sup>12</sup>), the CeC will carefully look into the different options of national and international codification systems to select the most appropriate standard as basis of the e-GP system in Kazakhstan.

39. The initial development of the e-GP system includes open systems standards to ensure that no proprietary hardware or software requirement would limit the participation of any private business in online government procurement. The e-GP application is based on Java 2 Platform Enterprise Edition (J2EE), Extensible Markup Language (XML), and security mechanisms such as Java Cryptography Extension

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<sup>11</sup> [www.unspsc.org](http://www.unspsc.org)

<sup>12</sup> <http://simap.eu.int/EN/pub/src/main5.htm>

(JCE), X-509 Certificate, and Hypertext Transfer Protocol over Secure Sockets Layer (https) protocols. Requirements for the users of the application do not go beyond Windows- and UNIX-based computer systems.

## **Systems & Procedures**

40. The e-GP system in Kazakhstan is in its initial phase. The SPA uses its website<sup>13</sup> as a single portal for the dissemination of procurement information. It is a straightforward approach by publishing in pdf-format the electronic version of the official gazette where procurement information including business opportunities can be found. While this is already a big step towards transparent online government procurement, the quality and efficiency of the dissemination of online procurement information can be improved in implementing a search engine to look for business opportunities by different categories, e.g. by region or sector.

41. A draft version of the new rules and procedures for the e-GP system currently under development is available in English (see Annex III). Basically, the e-GP system will include an e-Tendering component as well as an e-Purchasing component. The e-Tendering provides the following online functionalities:

- Information on tender opportunities in the form of a purchaser's annual procurement plan and of specific procurement notices,
- Upload and publication of bidding documents by the purchasing agency not later than 30 calendar days prior to the bid submission deadline,
- Download of bidding documents,
- Bid clarification by submitting questions to the purchasing agency who will publish the answers to all potential suppliers,
- Submission of the bid including the possibility to withdraw an already submitted bid and submit a new bid,
- Bid security submission,
- Bid opening and review by purchasing agency,
- Access for all participating bidders to general information of the opened bids (e.g. price and other general information, but not confidential information)
- Publication of the tender results.

42. The e-Purchasing component will include online requests for quotation (e-RfQ) and online reverse auctions (e-Reverse Auctions). Under the e-RfQ method, the advertisement of the purchasing agency is published in the e-GP system not later than 7 days prior to the submission of quotations from potential suppliers.

43. Real-time e-Reverse Auctions may be selected by purchasing agencies when the goods to be procured can be defined by using the former Soviet GOST product classification system. The invitation for the auction will be placed in the e-GP system

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<sup>13</sup> [www.goszakup.kz](http://www.goszakup.kz)

10 days prior to the beginning of the auction. It is planned to hold the online auction during one day from 9 am to 5 pm. The lowest bid at the end of the auction will be the winner.

44. In order to be able to take part in government procurement through the e-GP system, it will be necessary to pass through the registration procedure. All government agencies as purchasers (about 30,000) as well as all interested potential suppliers have to register with the CeC in order to get access to the e-GP system by means of User ID and Password in combination with Public Key Infrastructure. Potential suppliers will have to pay the registration fee and sign an agreement on registration in the system. With a view to reduce the paper turnover and simplify the registration procedure the Center aims at the integration of the e-GP system with the information systems of the registration and tax services. The potential supplier will only need to provide the registration tax number (RTN) for his identification and obtaining the data about him to determine the compliance with the general qualification requirements.

45. After having been registered for three months, potential suppliers will have to go through a re-registration process by providing the latest bank and tax certificates to the CeC. The registration and quarterly re-registration procedure seems to be very intricate. However, the SPA considers it necessary to discipline potential suppliers in terms of compliance and provide purchasers and potential suppliers secure access to the e-GP system. In addition, the SPA identified some advantages of the pre-registration process: potential suppliers will have to submit legal documents only once and then be able to take part in numerous bidding activities without having to provide the same documents again. Furthermore, the CeC will remind potential suppliers of submitting the complete package of legal documents without any mistakes in order to get registered and certified for participation in the e-GP system. In this way, the CeC helps to reduce the risk of potential suppliers to be disqualified in a bidding procedure due to missing or non-compliant legal documentation as it had happened before.

46. Those potential suppliers who learn about a business opportunity and therefore have to get registered for the first time may have a competitive disadvantage as they will lose valuable time to prepare their bid by going through the registration process before having access to the bidding documents. According to the SPA, this should not be a problem as the time between advertising and bid submission deadline was extended from 20 to 30 days.

47. A good way to simplify government procurement along the introduction of an e-GP system is the cancellation of the bid security. While technology is available to support the approach to online bid securities, it is a rather costly and time-consuming process. Countries, such as Brazil and Mexico have simply cancelled the requirement for bidders to submit a bid security. Instead, they follow the principle of excluding any non-compliant bidder for some years from any government procurement. The SPA will require bid securities not only as part of the e-Tendering process but also as part of the e-Reverse Auction process above defined thresholds. According to the

SPA, it is too early to think of the cancellation of bid securities. Bid securities will help to discipline potential suppliers and to avoid collusion among them.

48. As mentioned in paragraph 40, the system provides a secure environment by using Public Key Infrastructure (PKI) to ensure data integrity, authentication, and confidentiality. Each purchaser and potential supplier will get a User ID and a Password as well as a pair of keys (public and private key) once they are properly registered. Uploaded on to their computer, the keys will be used to digitally sign documents. Although PKI provides for high security, there is no international standard to allow for cross-border e-GP. To this end, international potential suppliers may have to get different digital certificates from different countries leaving them with numerous pairs of keys to allow the participation in country e-GP systems.

49. In the context of fair competition, it is not only important to develop an infrastructure that would provide access to the e-GP system for all potential suppliers but also to keep the technical requirements for access simple. This can be achieved by designing a 100% web-based application which would require potential suppliers just to have Internet access and use a web browser (thin-client concept). The option, the thick-client concept, requires to install additional software components on the computer of the user. The planned e-GP system in Kazakhstan is based on the thick-client concept where purchasers and potential suppliers will have to install e-GP software components including the pair of keys on their computer. While this installation is compatible with any common operating system and does not require users to install proprietary hardware or software, the CeC selected the thick-client option also in view of the possibility to work offline and use the Internet only for the download or upload of bidding documents, bids, etc.

**As part of the e-GP implementation plan, the possibility of the integration with the Ministry of Finance and tax and customs authorities' information systems as well as with the commercial banks' information systems should be considered both from the technical point of view and in terms of limitations set out in the law**

# Recommendations

## General Recommendations

50. The SPA together with the CeC may develop a comprehensive e-GP strategy as part of the procurement modernization effort. Based on an analysis of the current situation, such strategy should include an e-GP vision, clearly defined objectives in terms of the following elements:

- Government and institutional leadership,
- Management, Legislation, Regulation and Policy,
- Private Sector Activation,
- Infrastructure and Web Services,
- Functionality,
- Standards.

51. While some of these components are already drafted, the “e-GP Strategic Planning Guide”<sup>14</sup> of the Multilateral Development Banks may be useful in formulating a nationwide e-GP strategy for Kazakhstan.

52. In order to raise the awareness of the e-GP plans in Kazakhstan among government agencies, potential suppliers, and the broad national and international community in general, the e-GP strategy together with any other available information on the e-GP initiative may be communicated through different channels, such as the Internet, TV, radio, and printed media.

53. The SPA may use its leadership role in e-GP program adoption in Kazakhstan to strengthen the commitment of an increasing number of stakeholders within the government, the private business community, and the broad public.

54. The SPA may lead the active participation of Kazakhstan in the international e-GP dialogue (e.g. membership in relevant organizations such as WTO, UNCITRAL, UNCTAD, participation in international conferences and learning events; bilateral knowledge sharing with other countries, i.e. Western Australia, Korea, Finland, Italy, Brazil, Mexico, Romania, and multilateral development organizations, i.e. the Asian Development Bank and the World Bank).

55. The implementation of the e-GP program should be characterized by a phased approach according to the principle “Think big, start small”. Country experience throughout the world has shown that this approach provides quick success and, at the same time, is an incentive for the successful implementation of the next e-GP phases. To this end, Kazakhstan may build on the already existing procurement information portal of the SPA and improve it by adding value-added services before moving to the next stage of online procurement transactions. Again, transactional functionalities,

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<sup>14</sup> <http://www.mdb-egp.org/data/docs/strategicplanning.pdf>

such as the download of bidding documents, electronic bid clarification, or the upload of bids, may be implemented step by step. Finally, the third stage of online public procurement may be entered, i.e. the integration of the e-GP system with other relevant public computer systems. As already planned by the SPA, sufficient time may be spent to pilot new functionalities in order to ensure the stable operation of the system once fully operational.

56. In the process of improving cyber legislation, Kazakhstan may develop and adopt legislation to be applicable to e-Commerce in the general economy and not simply for potential suppliers dealing with government. Such e-Commerce legislation should be interoperable with that of Kazakhstan's regional trading partners. The *UNCITRAL Model Law on Electronic Commerce*<sup>15</sup> may be helpful in designing e-Commerce legislations.

57. As the future tasks of the CeC in the context of developing, implementing, and operating the e-GP system are of multiple nature (e.g. systems development, systems operation, help desk, training, awareness raising campaign, registration and certification of purchasers and potential suppliers) the SPA may develop appropriate human capacity and skills in the central CeC as well as the regional offices.

58. Providing training for e-GP users will include procurement agents from some 30,000 government agencies or public enterprises as well as thousands of potential suppliers. A training plan may be designed and implemented taking into considerations various methods such as train-the-trainer concepts (especially among purchasing agents), online training modules (which can also be distributed on CD for offline use), online demo versions, an online section for Frequently Asked Questions (FAQs), e-GP manuals, and in-person workshops.

59. The private business community may be integrated in an active way by regular consultations through conferences, meetings, or special committees. Plans may be developed for helping small and medium enterprises to build the appropriate infrastructure and skills encouraging them to use the e-GP system. The CeC may also offer support to private businesses in developing electronic catalogues based on a common standard.

60. Purchasing agents and private business representatives as future users of the e-GP system may be involved in the e-GP program development at an early stage. In this way, common understanding and commitment can be achieved. Valuable user feedback can be taken into consideration from the very beginning ensuring that the final e-GP system will be accepted on a broad level.

61. The SPA may seek cooperation with other public agencies in mobilizing available locations with Internet access (e.g. libraries, schools, business centers, etc.) for those potential purchasers and suppliers who do not have the necessary infrastructure in place.

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<sup>15</sup> <http://www.uncitral.org/english/texts/electcom/ml-ecomm.htm>

62. While the CeC is already following the concept of open standards in developing the e-GP system, international standards may be adopted whenever possible to ensure maximum interoperability and compatibility on national and international level. For systems interoperability standards, the recommendations of the leading open standards bodies W3C<sup>16</sup>, OASIS<sup>17</sup>, UN/CEFACT<sup>18</sup>, and RosettaNet<sup>19</sup> may be helpful. International standards in e-Commerce legislation may be taken from the UNCITRAL Model Law (see paragraph 58). For product codification and electronic catalogues, the United Nations Standard Code UNSPSC (see paragraph 39) can be recommended. It is a recognized standard which provides a very good product search and identification functionality. It is an open standard, available for free, and it allows price comparison on international level. In addition, it saves costs usually arising from the necessity to maintain an own separate product code system.

63. In the interest of open, fair, and maximum competition, no registration other than online registration (without having to submit legal documents) should be in place. Only the winner may be asked to provide legal documents in a post-qualification approach (this would be in line with the guidelines of the Multilateral Development Banks). However, the SPA requires a very complex and time-consuming registration which, at the same time, is a general pre-qualification. The fact that only registered suppliers can take part in e-GP requires an extensive and continuous outreach campaign to potential suppliers, including international ones, in order to inform them about this situation. Only if suppliers know about this requirement, they will have time to get registered before learning about any interesting business opportunity. As far as international suppliers are concerned, the registration process should not be an barrier to participate in online government procurement nor should it be of competitive disadvantage as compared to already registered suppliers who would have more time for the bid preparation than suppliers who have to run through the registration process before being able to access the relevant bidding documents. The SPA may take into consideration a compromise solution in allowing interested local companies who are not yet registered at least to access the bidding document for download while running through the registration process. To this end, the bidder would have the same time for the bid preparation as already registered bidders. In any case, the registration process should be clearly defined and quickly completed by the CeC. Purchasers as well as suppliers should be able to register online and submit only those information in hard copy, which require a notarized copy or original document. Foreign bidders should not be required to provide legal documents until being selected as the winner., Concerning the required re-registration on a quarterly basis, this may be extended to an annual basis.

64. As the e-GP system will capture all kinds of public procurement and financial expenditure information, the SPA in cooperation with other relevant state agencies

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<sup>16</sup> <http://www.w3.org>

<sup>17</sup> <http://www.oasis-open.org>

<sup>18</sup> <http://www.unece.org/cefact/>

<sup>19</sup> [www.rosettanet.org](http://www.rosettanet.org)

may define those data and performance indicators to be monitored and reported on a regular basis. Once common agreement has been achieved, the functionality of capturing and processing the relevant data and performance indicators may be added to the e-GP system.

65. Any transfer of information from between purchasers and suppliers should be confirmed by acknowledgement of receipt. In this way, fraudulent activities such as repudiation of document receipt can be avoided. Also, any electronic transaction should be traceable by appropriate log files in the e-GP system.

66. Appropriate back-up systems and disaster recovery mechanisms should be in place (e.g. electronic back-up copies in a separate place) and clearly defined rules should provide guidance on the management of system failures during an online procurement process.

67. Fees for suppliers should be kept at a minimum and be linked to value-added services in order not to create a barrier to the participation in online government procurement.

68. The SPA and CeC should select a sustainable business model for the operation of the system. While it is already clear that the CeC will keep the operation and maintenance of the e-GP system inhouse, the funding of the e-GP system including recurrent costs for the operation and maintenance may be covered by the government budget. Options include the funding by revenues generated from registration (e.g. Mexico) or transaction fees (e.g. Romania= 0.25 Euro per auction for participating bidders and 0.25 to 0.5% of contract value to be paid by the purchasing agency or State of Andhra Pradesh = 0.04% of contract value to be paid by participating suppliers), or by a combination of the two. Experience in many countries has given preference to the funding out of government budget as the generation of revenues had been overestimated and not met the expectations (Brazil, Chile, and North Carolina went back to funding from the government budget after having started with a model based on funding from generated revenues.). In addition, any registration or transaction fee to be paid by suppliers will be paid at the end by governments as suppliers most likely include these costs in their calculations.

### **Specific Recommendations**

69. It is desirable that the publication of government procurement information including public procurement notices and contract awards be made mandatory.

70. In order to improve the quality of the existing online publication of procurement opportunities, the current format (pdf file of scanned gazette) may be replaced by a database of procurement notices, awarded contracts, and other relevant public procurement information and a user-friendly search engine which would allow users to look for procurement opportunities by sector, region, volume, procurement method, etc. Furthermore, the system may offer the functionality of sending

automatic email-notifications to suppliers whenever an opportunity is listed in the suppliers' assigned area of interest.

71. In addition to free access to procurement notices and general information, suppliers may have free access to the complete bidding documents, which will help them to decide whether to participate or not. In addition, it would allow them to immediately start with the bid preparation while getting through the registration process (see paragraph 65).

72. Bid securities may be cancelled at least for the process of e-Reverse Auctions. Non-compliant bidders may be blacklisted and excluded from government procurement for a defined time. In this way, the cancellation of the bid security in e-Reverse Auctions may serve as a test to analyze the behavior of suppliers and to see to which extent the method of not requiring a bid security is acceptable to the government.

73. If the conversion of tender documents into electronic documents creates a barrier to potential suppliers, especially small and medium enterprises who may not have the necessary equipment for scanning (sometimes large amounts of) original documents to make them available in electronic format; an alternative approach may include the submission in paper of these (original) documents along with the bid security which needs to be submitted as original document anyway.

74. Before the deadline of bid submission, the e-GP system should provide the functionality to bidders to withdraw their bid at any time and/or replace it by a new bid without having to communicate with the purchasing agency.

75. Nobody should have access to submitted bids before the bid submission deadline. This can be ensured by an electronic lock-box and appropriate log files.

76.

77. The e-GP system may offer an online evaluation template to the evaluators including the evaluation formula. By entering the respective technical and financial scoring, the system would calculate and provide the evaluation result. In this way, evaluation data and results do not need to be entered manually.

78. While it is legitimate to ask winning bidders for notarized or original documents in hard copy, it may not be necessary to ask them to submit the tender application in hard copy as planned according to the drafted rules of the e-GP system.

79. The duration of e-Reverse Auctions reaches from one hour to several days in different countries. To this end, it may be reasonable to plan auctions to be held during a whole day. It is recommended, however, to define a closing mechanism, which ensures fair competition to those suppliers who, as a result of a new lowest-price bid shortly before the end of the auction, want to offer a lower price. Common practice in the public and private sector includes a procedure where the e-Reverse

Auction will be extended by 3 minutes if a new lowest bid is submitted within the last three minutes of the closing time.

80. In planning the use of electronic catalogues as part of the e-GP system, potential private suppliers should be encouraged to adopt the same standard code (e.g. UNSPSC) in creating and maintaining their electronic catalogues. To this end, the CeC would not need to maintain an own electronic catalogue aggregated from different supplier catalogues with different standards but leave it up to the potential suppliers to update their catalogues which are interoperable and thus can be easily integrated into the e-GP system.

### **Cooperation between Kazakhstan and the World Bank**

81. The World Bank offers to share with Kazakhstan any available knowledge on e-GP by means of bilateral discussion, conferences, facilitation of contacts to other countries, and sharing of available relevant information. To this end, the World Bank invites Kazakhstan to participate in the International Conference on Electronic Government Procurement to be held in Manila from October 26 to 28, 2004 under the e-GP harmonization initiative of the Asian Development Bank, the Inter-American Development Bank, and the World Bank. This is a great opportunity to meet representatives from different countries throughout the world and share their experience in designing and implementing an e-GP program.

82. Another example of possible cooperation includes the availability of the joint e-GP website of the Multilateral Development Banks [www.mdb-egp.org](http://www.mdb-egp.org). Kazakhstan can access this website and consult the e-GP toolkit, which offers a set of papers to help countries in the process of e-GP program implementation. In addition, the website provides an e-GP database of country information and an online discussion forum which is subject to moderation and intended to catalyze the e-GP dialogue among countries and international organizations.

83. As a result of this mission, the World Bank will send information about e-GP country systems (among others Brazil, Mexico, Korea, Vietnam, the Philippines) to the SPA.

84. Besides e-GP knowledge sharing, the World Bank in consultation with Kazakhstan may explore the opportunity to provide funding for any e-GP related activity or project (e.g. the availability of an IDF grant may help to finance some work around e-GP strategy formulation).

85. Based on the above general and specific recommendations, the World Bank will be ready to assess and approve the e-GP system of Kazakhstan for use under World Bank funded operations.

## Appendix

### Annex I – Benefits and Beneficiaries of e-GP

	<b>Government</b>	<b>Supplier</b>	<b>Public</b>	
<b>Transparency</b>	<ul style="list-style-type: none"> <li>• Anti-corruption</li> <li>• Increased number of suppliers</li> <li>• Better integration and interaction between governments</li> <li>• Professional procurement monitoring/management</li> <li>• Higher quality of procurement decisions and statistics</li> <li>• Political return from the public</li> </ul>	<ul style="list-style-type: none"> <li>• Increased fairness/competition</li> <li>• Improved access to govt. market</li> <li>• Open the government market to new suppliers</li> <li>• Stimulation of SME participation</li> <li>• Improved access to public procurement information</li> <li>• Government accountability</li> </ul>	<ul style="list-style-type: none"> <li>• Access to public procurement information</li> <li>• Monitor public expenditure information</li> <li>• Participation</li> <li>• Government accountability</li> </ul>	
<b>Efficiency</b>	<i>Costs</i>	<ul style="list-style-type: none"> <li>• Lower prices/transaction costs</li> <li>• Staff reduction</li> <li>• Reduction in fiscal expenditure</li> </ul>	<ul style="list-style-type: none"> <li>• Lower transaction costs</li> <li>• Staff reduction</li> <li>• Improved cash flow</li> </ul>	<ul style="list-style-type: none"> <li>• Redistribution of fiscal expenditure</li> </ul>
	<i>Time</i>	<ul style="list-style-type: none"> <li>• Simplification/elimination of repetitive tasks</li> <li>• Communication anywhere/time</li> <li>• Shorter procurement cycle</li> </ul>	<ul style="list-style-type: none"> <li>• Simplification/elimination of repetitive tasks</li> <li>• Communication anywhere/time</li> <li>• Shorter procurement cycle</li> </ul>	<ul style="list-style-type: none"> <li>• Communication anywhere/time</li> </ul>

## Annex II – Examples of e-GP Benefits

- By using the national education portal [www.feonline.net](http://www.feonline.net) in **Great Britain**, some 500 schools achieve price reductions of up to 100 million British Pounds per year and time reduction of about 90% in order processing.  
*Source: Public E-Procurement, Gehrman/Schinzer, 2002*
- With the phased introduction of the Government electronic Procurement System (GePS), **Korea** is able to save some US\$ 2.7 billion of all government procurement (US\$ 17.1 billion) as compared to US\$ 26 million investment. Between 1998 and 2002, staff of the Public Procurement Service PPS were reduced from 1,058 to 935, while the total government procurement volume increased by some 30% (from US\$ 12.8 billion to US\$ 17.1 billion). Payments to suppliers are electronically transferred which usually takes no longer than 4 hours.  
*Source: DRAFT Discussion Note, The World Bank, 2003*
- **Romania** uses a government-wide e-Procurement system bringing together about 1,000 public agencies and 8,000 suppliers. During the first 4 months of 2003, more than 60,000 transactions were completed. According to the Ministry of Communications and Information Technology, the savings through this e-GP platform amount to some 22% (US\$ 35.5 million) of the volume of purchased goods and services (US\$ 161.4 million).  
*Source: IDA, 2003*
- During the first three years of the procurement portal [COMPRASNET](http://www.comprasnet.gov.br), the Federal Government of **Brazil** spent about US\$ 7million on system development and maintenance. During the first two years of on-line reverse auction use, the Federal Government is estimated to have saved up to US\$ 1.5 million. While the normal procurement process takes more than two months, the on-line reverse auction may be completed in less than 15 working days. The use of on-line procurement has also increased the participation of small businesses in government supplies.  
*Source: <http://www.egov4dev.org/brazeproc.htm>, 2002*

## Annex III – Translation of the e-GP Draft Rules in Kazakhstan

### The Rules of Organizing and Conducting the State Electronic Procurement of Goods, Works and Services

#### 1. General Provisions

1. These Rules of organizing and conducting the e-procurement have been drafted pursuant to article 25-1 of the Law of the Republic of Kazakhstan \_\_\_\_\_ On State Procurement (further referred to as “The Rules”).
2. These Rules establish the procedure of organizing and conducting by customers the state e-procurement, peculiarities of procurement of goods, works and services through the e-system of the Republican State Corporate Enterprise (RSCE) “The Center of Electronic Commerce”.
2. These Rules use the concepts defined in the Law as well as the following definitions:
  - the state procurement in the e-system* is the purchasing by state bodies, state institutions and also by state enterprises, legal entities whose fifty and larger percent of stock (shares) or control stock belong to the state, of goods, works and services with the available money through the state e-procurement system;
  - the tender application* is a package of documents required for submission by potential supplier in the state e-procurements system in accordance with the requirements of the tender documentation;
  - the tender* is a method of conducting the state procurement in the state e-procurement system which provides for competition between potential suppliers and designed to identify the most favorable conditions for the customer. The tender may consist of one or more lots which differ from each other only by the destination territory;
  - the lot* is a part of goods, works and services separated on the basis of destination of goods, execution of works and provision of services;
  - general qualification requirements* are the requirements to the potential supplier in order to register him in the state e-procurement system which are uniform for all tenders. The certification of compliance with these requirements will be issued by the RSCE “The Center of Electronic Commerce” which attests that the potential supplier may participate in the procurement;
  - the system’s generally accessible site* is the place of presenting the information on the state procurement in the Internet system accessible for all Internet users;
  - RSCE “The Center of Electronic Commerce”* is the Republican State Corporate Enterprise which performs specific functions in the state e-procurement system;
  - special qualification requirements* are the requirements established by the customer to the potential supplier for participation in the tender. These requirements are specified by the customer and are tender specific;
  - the site* is the individual or corporate representation in the global computer Internet network;
  - the state e-procurement system* (further referred to as “the system”) is the software-hardware complex which allows in the electronic form to:

conduct open and closed tenders;  
make procurements using the bid procedure (record the supplier selection results – in case of taking such decision);  
record the supplier selection results using the single source method;  
hold the real time auctions (open tenders to bring down the price) (in case of taking such decision);  
3. If the international agreement ratified by the Republic of Kazakhstan established the rules other than those specified by these Rules and by the Law of the Republic of Kazakhstan On State Procurement the rules of the international agreement will apply.

## **2. Registration of Customers and Potential Suppliers in the State E-Procurement System**

4. To be registered in the system the customer should submit to the RSCE “The Center of Electronic Commerce” the following information on the hard copy:

name;  
form of ownership;  
data on managers (full name, position);  
contact information (telephone, fax, e-mail address and others);  
legal and mail addresses;  
registration tax number (RTN);  
bank requisites.

5. To be registered in the system the potential supplier acting as a legal entity should submit to the RSCE “The Center of Electronic Commerce” on a hard copy the information listed in paragraph 4 of these Rules as well as the following documents attesting the compliance of the potential supplier with the general qualification requirements:

notarized copy of the extract from the charter of the legal entity with the list of activities performed by the potential supplier or the notarized legalized extract from the trade register translated into the state and/or the Russian languages (for nonresidents of the Republic of Kazakhstan). In the event if the legal entity is guided in its activity by the Model Charter approved in accordance with the procedure established by the law – the notarized copy of the application for state registration;  
the original of the bank (banks) certificate of absence of overdue debt for the period more than three months preceding the certificate issue date to any bank (banks) (in case if the potential supplier is the client of several commercial banks or branches and also of the foreign bank such certificate should be provided from each of such banks) signed by the top manager or a person acting for top manager and affixed by the bank (banks) seal;  
the original or notarized copy of the balance sheet for the last financial year signed by the top manager or a person acting for him as well as by the chief accountant (accountant). In case if tender applications are opened before April 30 of the current year, the original or notarized copy of the accounting balance sheet for the financial year preceding the last financial year.

The original or notarized copy of the accounting balance sheet may not be submitted in the following cases:

the legal entity is formed in the current financial year;

the legal entity was formed in the past year and the tender applications are opened before April 30 of the current year;

the original or notarized copy of the audit report for the last financial year for legal entities for which the audit is obligatory in accordance with the legislative acts of the Republic of Kazakhstan. In the event if tender applications are opened before June 1 of the current year, the original or notarized copy of the audit report for the financial year preceding the current financial year should be submitted.

The original or the notarized copy of the audit report may not be submitted in the following cases:

the legal entity is formed in the current financial;

the legal entity was formed in the past financial year and the tender applications are opened before June 1 of the current year;

the notarized copy of the certificate of the legal entity state registration (re-registration);

the notarized copy of the statistical card;

the notarized extract from the charter or the constituent documents which contains the data of the founder or the founders' composition or the notarized copy from the shareholders' register issued not later than 30 calendar days prior to the tender applications opening date;

the original of the certificate of the established form from the appropriate tax authority of absence or presence of tax arrears and arrears of obligatory pension contributions to the pension accumulation funds for more than three months period preceding the tender applications opening date except for cases of deferral of the payment due date under the legislation of the Republic of Kazakhstan; the certificate should be signed by the top manager or the person with the right to sign and affixed with the seal of the said tax authority.

if the potential supplier is the nonresident of the Republic of Kazakhstan and is not registered as a taxpayer of the Republic of Kazakhstan, the original or the notarized copy of the certificate of the tax authority of the Republic of Kazakhstan attesting that the said nonresident is not registered as a taxpayer.

6. The potential supplier as a natural person engaged in the entrepreneurial activity in order to get registered in the system should submit to the RSCE "The Center of the Electronic Commerce" on the hard copy the following documents attesting the compliance of the potential supplier with the general qualification requirements:

the notarized copy of the identity card or the passport or the certificate of the internal security organs of accepting the identification documents for amending;

the notarized copy of the document qualifying for carrying out the entrepreneurial activity without formation of the legal entity issued by the appropriate state body (for attesting the legal capacity to sign the state procurement contract);

the documents attesting the potential supplier's title of ownership or the right of possession of the offered goods, service.

7. The potential supplier as a natural person not engaged in the entrepreneurial activity in order to get registered in the system should submit to the RSCE "The Center of Electronic Commerce" the following documents on the hard copy attesting the compliance of the potential supplier with the general qualification requirements:

the notarized copy of the identity card or the passport or the certificate of the internal security organs of accepting the identification documents for amending;

- the notarized copies of: the certificate of assigning the social individual code, the certificate of the taxpayer of the Republic of Kazakhstan;  
the notarized copy of the document attesting the potential supplier's title of ownership or the right of possession of the offered goods.
8. The RSCE "The Center of Electronic Commerce", having reviewed the documents presented by the potential supplier which attest the general qualification requirements shall issue the name and the password to the potential supplier to work in the system.
9. The potential supplier will not be registered in the system until he submits the documents attesting the compliance with the general qualification requirements.
10. The potential supplier will have the access to state e-procurement system during three months from the date of his registration in the system, henceforth he will be entitled for re-registration.
11. To get re-registered, the potential supplier should submit to the RSCE "The Center of Electronic Commerce" the following documents:  
the bank (banks) certificate of absence of overdue debt to the bank (banks) for more than three months period preceding the certificate issue date. If the potential supplier is the client of several commercial banks or branches and also of any foreign bank, such certificate should be provided from each of such banks signed by the top manager or the person with the right of signature and the chief accountant and affixed with the bank (banks) seal;  
the certificate of the established form from the appropriate tax authority of absence of potential supplier's tax arrears and arrears of other obligatory payments to the budget and contributions to the accumulation pension funds for more than three months period preceding the certificate issue date except for cases when the payment due date is deferred under the legislation of the Republic of Kazakhstan, the certificate should be signed by the top manager or the person with the right of signature and affixed with the seal of the said tax authority.
12. After re-registration in the system the re-registration certificate will be issued to the potential supplier (The Center Operation Rules need to specify the certificate form and issue method).
13. If the potential supplier has not been re-registered he will lose the opportunity to work in the system.
14. The potential supplier registered in the state e-procurement system will be viewed as compliant with the general qualification requirements.
15. The RSCE "The Center of Electronic Commerce" will have the right to charge the fee from potential suppliers for enabling them to place the information in the system and for using the services of the RSCE "The Center of Electronic Commerce" (The Center Operation Rules should specify the charging procedure).

### **3. Holding Open Tenders in the State E-Procurement System**

#### **3.1. Placement by the Customer of Procurement Plans for Goods, Works and Services for the Following Financial Year**

16. The state e-procurement process will comprise:

- 1) formation by the customer of the nomenclature and volumes of procured goods, works and services;
  - 2) customer registration in the e-system;
  - 3) registration of potential suppliers of goods, works and services in the e-system;
  - 4) selection of the supplier, signing the state procurement contract with him;
  - 5) execution of the state procurement contract.
17. Following the approval of the procurement plan for goods, works and services for the following year in accordance with the legislation on state procurement the customer should enter the plan in the system.
18. The changes in the procurement plan entered in the system should be made within one day after its approval by the customer.
19. The customer will have the right to make procurement in the system only on those items which are included in the approved annual procurement plan entered in the system.

### **3.2. Placement by the Customer of Tender Documentation and Invitations**

20. The customer by his order on holding the state e-procurements will approve:  
the procurement financing volumes;  
the tender documentation;  
the composition of the tender commission;  
the procurement method.
21. To enter the tender documentation in the system the customer will get connected to the system through the Internet passing the authorization procedure.
22. The customer in his tender documentation should set out in detail the special qualification requirements to the potential supplier, the quality of goods, works and services to be procured with the detailed list of documents which need to be presented by the potential supplier to attest the compliance with these requirements as well as the methodology of assessing the tender applications of potential suppliers in accordance with the legislation of the Republic of Kazakhstan on state procurement.
23. When assessing the potential supplier the customer should use only such assessment criteria and methods which are spelled out in the tender documentation and shall not have the right to set the requirements and to make assessment of the potential supplier in accordance with the criteria other than those stated in the tender documentation.
24. The secretary of the tender commission should enter the approved tender documentation in the system not later than thirty calendar days prior to the deadline for accepting the applications for the tender.
25. The invitation for tenders will be automatically placed on the system's generally accessible site after the tender documentation input in the system.  
The invitation for tenders should comprise the documentation listed in paragraph 1 of article 11 of the Law.

### **3.3. Receipt of Tender Documentation by the Potential Supplier**

26. The potential supplier may receive the tender documentation for any tender of interest to him by entering the system with his name and password.

27. The potential supplier with the knowledge of the tender documentation may ask the customer any questions of interest to him through the e-procurement system.
28. The customer will place the answers to all potential suppliers' questions in the state e-procurement system.
29. All questions and answers thereto between potential suppliers and customers shall occur only through the system and within the dates specified by the legislation of the Republic of Kazakhstan on state procurement.

### **3.4. Filing the Tender Application for Tender Participation by Potential Supplier**

30. Only those potential suppliers who are registered in the system may participate in the state e-procurement tender.
31. The potential supplier who decided to participate in the tender will enter his tender application in the system at any time prior to the deadline for filing tender application.
32. The potential supplier should convert into the electronic form all the documents attesting the requirements of the tender documentation and enclose them with the tender application in the form of files.
33. The customer will have the right to cancel the tender application of the potential supplier only in case if the potential supplier requested it through the system.
34. The potential supplier after canceling the tender application will have the right to file the tender application anew.
35. The potential supplier failing to revoke his tender application in due time cannot prevent its opening and deny his commitments stated therein.
36. The state e-procurement system will guarantee that all tender applications of potential suppliers will not be opened prior to the date indicated in the tender documentation.
37. The tender applications of potential suppliers will be registered by the system. The information on registered potential suppliers is accessible only to the customer.

### **3.5. Tender Application Security**

38. The type of the tender application security will be indicated by the customer in the tender documentation in accordance with the legislation of the Republic of Kazakhstan on state procurement.
39. The amount of the tender application security will be established by the customer within one to three percent of the amount assigned by the customer for the procurement. In this case the tender application security amount is equal for all potential suppliers.
40. The potential supplier who decided to participate in the tender should present to the customer the original of the document attesting the provision of the tender application security prior to the deadline for accepting tender applications.
41. The tender application security will not be returned to the potential supplier in cases specified in paragraph 5 of article 14 of the Law.
42. The tender application security should be returned pursuant to paragraph 6 of article 14 of the Law.

### **3.6. Opening of Tender Applications of Potential Suppliers**

43. The customer will be given access to tender applications of potential suppliers in the system after the due time for opening the tender applications indicated in the tender documentation.

44. The members of the tender commission review potential suppliers' applications directly through the state e-procurement system.

45. Potential suppliers participating in the tender will have the opportunity to look through tender applications of other potential suppliers of the same tender within the scope designed by the system (to be determined: will it be the price only or the overall package of documents of potential suppliers) after the due time for opening tender applications.

### **3.7. Review and Assessment of Tender Applications, Summing Up the Tender Results and Signing the Contracts**

46. To select the winner in the tender, the tender commission will check the documents filed by the potential supplier for compliance with only those requirements and with only such list of documents which are indicated in the tender documentation.

47. The tender commission will select the winner only in accordance with the assessment methodology as set out in the tender documentation and by reviewing only those documents which the potential supplier was expected to file in accordance with the requirements of the tender documentation.

48. The tender commission will sum up the results of the tender within the period not exceeding ten calendar days from the day of tender applications opening.

49. The tender commission will decline the tender application, if:

- 1) the potential supplier failed to submit the original of the document which attests the provision of the tender application security in the form, volume and on the conditions specified in the tender documentation except for cases provided for in paragraph 2 of article 14 of the Law prior to the deadline for accepting tender applications;
- 2) the tender application of the potential supplier fails to meet special requirements as well as the overall requirements of the tender documentation (the documents required for attesting specific requirements of the legislation of the Republic of Kazakhstan on state procurement are not available; the characteristics of offered goods, works and services do not conform to the specifications of the tender documentation);

50. If less than two potential suppliers remaining after screening of tender applications pursuant to paragraph 48 of the Rules file the application for participation in the lot, the tender commission will consider the tender invalid.

51. If the tender is found invalid for any lot, the customer will have the right, when required, to change the tender documentation and hold the second tender including the tender using two-stage procedures.

52. After signing of the protocol on the tender results in accordance with the legislation the secretary of the tender commission will enter it in the system within one business day after signing.

53. The information on tender results will be automatically placed on the system's generally accessible site.

54. The system will automatically communicate the results of the tender to all potential suppliers participating in the tender.
55. The potential supplier selected as a winner in the tender will be obliged to submit to the customer on the hard copy the original of the tender application, as well as notarized copies of all documents which were submitted thereby in the electronic form.
56. The customer will sign a contract with the tender winner through the system pursuant to the norms of article 23 of the Law.

#### **4. State Procurements Using the Request for Bids**

57. The customer will place in the system the advertisement of intended procurement of goods, works and services using the request for bids with the indication of the period during which potential suppliers can submit their offers.

The advertisement of intended state procurement using the request for bids should contain the following data:

- name and location of the tender organizer;
- name and volume of intended procurement;
- place of delivery of goods, works and services;
- any other relevant information as specified by the tender organizers.

58. The period within which the potential suppliers have the right to offer their bids should not be less than seven calendar days from the date of placing the advertisement in the system (may be recorded by “the time seal” which will be incorporated in the Center Rules).

59. Along with the price of goods, works and services the bid may contain the costs related to transportation, insurance, payment of customs duties, taxes, other payments and such other costs.

Should the potential suppliers be nonresidents of the Republic of Kazakhstan the bid may be offered in the foreign currency at the exchange rate established by the National Bank of the Republic of Kazakhstan on the day of presenting such bid.

60. The potential suppliers registered in the system will forward their bids to the customer through the system by the due date stated in the advertisement.

61. In the event if the activity of the potential supplier for goods delivery, works execution and service provision is subject to licensing the customer should request the notarized copy of such license.

62. The customer should receive the bid from at least two unaffiliated potential suppliers and purchase the goods, works and services from the potential supplier who offered the lowest bid containing all components specified by the customer.

63. The customer having selected the supplier of goods, works and services will sign therewith a contract on state procurement through the system.

#### **5. State Procurement through Closed Tender**

64. The customer having agreed with the competent authority the state procurement through the closed tender will forward the notification of holding such tender to

preliminary known potential suppliers through the system not later than thirty calendar days in advance of the deadline of accepting applications for participation in this tender.

65. The access to the tender documentation will be provided to only such potential suppliers who are registered in the system and receive the notification of holding the closed tender.

66. Tender applications of potential suppliers should be opened in accordance with the norms as specified in paragraph 3.6 of these Rules.

67. The review and assessment of tender applications, summing up the tender results and signing the contract should be in accordance with the norms as specified in paragraph 3.7 of these Rules.

## **6. Performing Procurements through Real Time Auctions**

68. The real time auction (further referred to as “the auction”) will take place in the event if the customer needs to procure the goods which have the special standard, GOST.

Under such procurement method the only criterion for selection will be the price. The auction should be held during one day.

69. The list of goods to be purchased at the auction should be approved by the Government of the Republic of Kazakhstan.

70. The customer should place the invitation for auction on the system’s generally accessible site in which he should indicate:

the auction beginning and ending date and time;

standards and GOSTs of procured goods;

conditions of goods delivery;

security of execution of the tender application;

the contract performance security.

71. The invitation for the auction should be placed on the system’s generally accessible site ten days in advance of the auction

72. The customer should provide the tender application execution security and the contract performance security if annual volumes of state procurement of similar goods in value terms exceed four thousand monthly evaluation indices established by the Law on the Republican Budget for the corresponding financial year except for cases established by part two of this paragraph.

The customers of state bodies and state institutions financed from the state budget, the budget of the National Bank of the Republic of Kazakhstan should provide the tender application security and the contract performance security if annual volumes of state procurement exceed in value terms two thousand monthly evaluation indices established by the Law on the Republican Budget for the corresponding financial year.

73. In the event if the bid for every lot exceeds the level indicated in paragraph 72 of these Rules, the potential supplier should provide the tender application security to the customer in accordance with the auction requirements prior to the auction holding date.

74. The potential suppliers at the time indicated in the invitation start filing their offers to the system only in the bid form.

During the auction all potential suppliers registered in the system can see the offered bid of other potential suppliers participating in the auction.

75. The potential supplier who offered the lowest bid by the auction end shall be considered a winner.
76. The tender application security will not be returned to the potential supplier in cases listed in paragraph 5 of article 14 of the Law.
77. The tender application security should be returned in accordance with paragraph 6 of article 14 of the Law.
78. The customer will sign the contract with the winner through the system pursuant to the norms of article 23 of the Law.