

“Basic Policy for Public Procurement of Computer Systems” (Overview)

1. Purpose

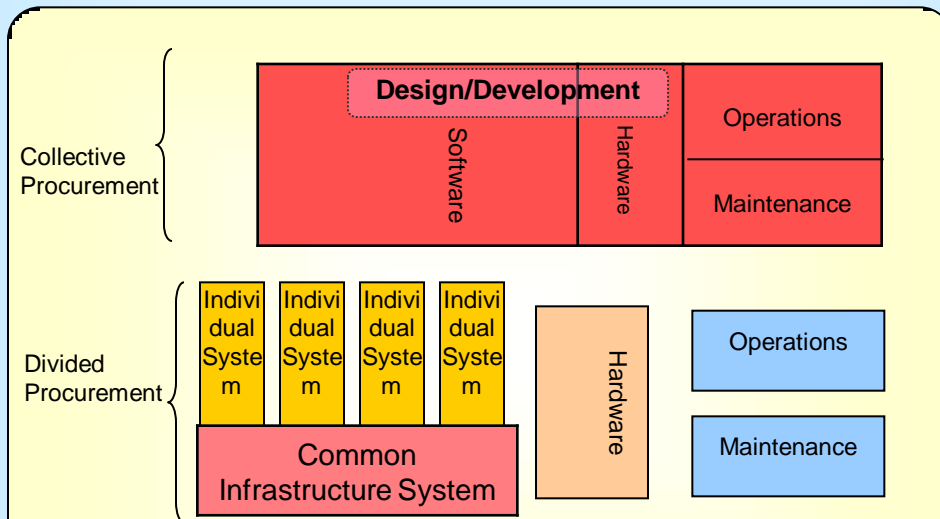
-“Basic Policy for Public Procurement of Computer Systems” was formulated to set the uniformed rules of governmental procurement in each ministry for the purpose of consolidating transparency and promoting cost reductions by encouraging competition, etc.

-the Board of Audit of Japan publicized in its study in October 2006 that sole source contracts accounted for 96% of the total value and 80% of the cases of 77 targeted areas of businesses and systems in FY2004.

“Priority Policy-2006(decided in 2006 July)” and “Program for promoting e-Government (decided in 2006 August)” indicates that GOJ formulate “Basic Policy for Public Procurement of Computer Systems” for further improvement of government procurement of computer systems by expanding competition and promoting divided procurement, etc .

2. Overview of Basic Policy

(1) In principle, divided procurements not collective procurements are to be conducted for large-scale systems (systems which design/development cost exceeds 500 million yen)



* If there are rational reasons, such as great concern for risks related to division, schedule delays occurring, or large increases in costs due to division, a method other than divided procurement can be adopted

[Promotion of Competition]

○ Expansion of opportunities for medium-and-small enterprises with technical capabilities to participate, and promotion of new participation
⇒ Cost reduction, Improvement in technological standards of system

[Improvement in Transparency of System]

○ Improvement in transparency of specifications, operations, etc. concerning design/development phase, operations/maintenance phase of systems by promoting participation of multiple businesses and reducing risks to make systems be a black box.
⇒ Earlier grasp of schedule delays, budget overruns, etc.

[Improvement in Flexibility of System]

○ Establishment of flexible systems, which is unlikely to be affected whole by one part of system revisions.
⇒ Decrease of future burdens

Key Points of Guideline

(2) Mandatory requirement for setting and publicizing a procurement plan

- Prior to tenders, in addition to setting and publicizing a procurement plan that describes the procurement schedule, system method (whether there are divisions), etc., asking for opinions to businesses, etc are required.

(3) Clarification of the items which should be involved to Procurement Specifications

- In addition to describing information in the procurement specification concretely and comprehensively which is necessary to the proposal, it is required to publicize and ask for opinions to businesses, etc.
- In the procurement specifications, priority is given to statements regarding requirements based on open standards and that can be adopted by anyone.

(4) Setting Tender Restrictions

- Restriction of tenders by those involved in creating the procurement specifications and those supporting process control (businesses responsible for process control of design/development from the standpoint of outsourcers)

(5) Clarification of Contracts

- Clear notification of attribution of intellectual property rights and procedures for changing specifications in the contract

(6) Measures to Ensure Effectiveness of Basic Policy

- In addition to taking initiatives necessary for ensuring implementation of Basic Policy, the Cabinet Secretariat conducts yearly follow-ups

Expected Results

[Improvement in Transparency/Planning]

- Elimination of unreasonable schedule settings that are favorable to existing businesses familiar with information related to operations, realization of planned procurement
⇒ Promotion of new participation

[Consolidation of Transparency/Fairness]

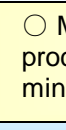
- Elimination of procurement specifications that lack information and contain vague requirements, which are favorable to certain businesses familiar with information related to the operation.
⇒ Promotion of new participation
- Elimination of exclusive contracts
⇒ Promotion of competition
(Reduce sole source contracts)

[Consolidation of Fairness]

- Restriction of bidding by businesses with a competitive advantage → Consolidation of fairness of procurements

[Consolidation of Transparency]

- Elimination of vague contracts, such as oral assignment of changes for specifications



- Ministry of Internal Affairs and Communications checks whether the procurement plans and procurement specifications created by each ministry keep with the Guideline.

3. Applicable Scope of Basic Policy

○ Basic Policy is applicable to the procurement of the Systems of which total value are expected to exceed 140 million yen

[High transparency/fairness is required for procurements exceeding 140 million yen and detailed procedures relating to procurement are described in the “Operations Guidelines for the WTO Agreement on Government Procurement (1995, 23rd Article)”, 140 million yen is set as the criteria in the Basic Policy.]

○ Divided procurement is only applicable to the procurement of designing and developing for large systems of which total value are expected to exceed 500 million yen.

* Even for systems which are the target of optimization and have already started design/development, procurement plans need to be created for new procurements .(procurement of hardware, operations, maintenance, etc.).