

# INTERNATIONAL TRADE CENTRE



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## Public Procurement and the Development Agenda

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## **1. Making the most of procurement**

Public procurement is a business process within a political system. Failure to properly balance these elements can lead to wasted effort and poor development results within the most important single marketplace in developing countries.

The International Trade Centre UNCTAD/WTO (ITC) advises developing and transition countries on the techniques of effective public procurement systems while supporting the policy goals established by government. Its main focus continues to be assistance to less developed countries.<sup>1</sup>

Public procurement remains a big part of the economy of developing countries, accounting for an estimated 9-13% of their gross domestic product. Nevertheless, it is an area in need of attention since resources are not being properly managed in many countries

Governing administrations in developing countries can reap benefits from improved management of their public procurement systems. With a more focused approach on the control of resources within this large internal market, greater value can be achieved in national budgets while developing local industry.

Despite the potential for developing local industry through public procurement, many local and international firms do not participate in public procurement because of a perception (and at times the reality) that governments are slow payers, difficult to work with or have their own favoured suppliers for contract awards. In addition to these general complaints, there is also a feeling among suppliers - based on anecdotal reports - that corruption plays a part in contract decisions. Some "corrupt" activities could be caused by a lack of understanding of the best practices in public procurement. Therefore, we are working to develop a set of "tools" to make it easier and more cost effective to build the required capacity "in-country" to understand not just the basic rules but also why it makes sense to follow the rules.

Many countries need to correct weaknesses in public procurement systems through:

- ◆ comprehensive legal frameworks,
- ◆ effective monitoring and auditing procedures and organisations to ensure compliance with the regulations,
- ◆ standard terms and conditions of contracts,
- ◆ improved transparency and public availability of rules governing the process, and
- ◆ an improved capacity for developing and retaining people with professional skills in procurement.

## **2. Development Aspects of Public Procurement**

ITC's mandate within the UN system is to help promote and develop the trade of developing countries and economies in transition. While most of its work focuses on exports, it also assists in improving international purchasing and supplies

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<sup>1</sup> LDCs are: Afghanistan, Angola, Bangladesh, Benin, Bhutan, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Equatorial Guinea, Eritrea, Ethiopia, Gambia, Guinea, Guinea Bissau, Haiti, Kiribati, Lao People's Democratic Republic, Lesotho, Liberia, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Nepal, Niger, Rwanda, Samoa, Sao Tome & Principe, Senegal, Sierra Leone, Solomon Islands, Somalia, Sudan, Togo, Tuvalu, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia

management. In the private sector, this can lead to greater competitiveness and export readiness. In public procurement, improved techniques can also affect exports. An example would be by ensuring that needed infrastructure projects are completed on time and within cost.

Other benefits of improved public procurement involve improving administrative services provided to the public, establishing a "launch market" base for small and medium enterprises (SMEs), and, as shown in Figure 1, by creating reciprocal export opportunities within regional trading groups or in the global public procurement marketplace. The extent to which a country pursues international procurement opportunities for its suppliers is a national decision. However, how well this decision can be properly framed for the best resolution will depend on the level of procurement professionalism within the government.

The more focused the management of public procurement, the better a country can take advantage of its purchasing power to help development efforts. While each marketplace in Figure 1 can be considered linked, governments will be best served if they set clear objectives for each market and work toward achieving these objectives in the most rational manner.

**A. National Marketplace**

This is normally the largest and offers the best opportunity for local suppliers to increase their sales through government contracts. It is a market relatively well known to the supplier. It also can involve selling to an entity that is using the supplier's taxes for the purchase so there seems to be special satisfaction in doing business locally and knowing how well government resources are being managed.

**B. Regional Marketplace**

Moving to the regional marketplace involves selling to the governments of neighbouring countries, which would seem a natural progression for suppliers. However, just as a lack of transparency affects the national marketplace, it can be more of a problem for "foreign" suppliers - even if they are located in the region but unfamiliar with neighbouring country laws. Regional trade associations like the Common Market for Eastern and Southern Africa are trying to overcome these deficiencies through greater harmonisation of public procurement rules. Nevertheless, experience from the European Union, probably the most successful regional marketplace in harmonising procedures, still has very limited participation by suppliers outside of the buying country.<sup>2</sup>

Figure 1

## Public Procurement Markets

- |   |  |  |
|---|--|--|
| <ul style="list-style-type: none"> <li>• <b>NATIONAL</b></li> <li>• Problems             <ul style="list-style-type: none"> <li>- Unskilled Workforce</li> <li>- Accountability</li> <li>- Transparency</li> <li>- Bureaucratic Influence</li> </ul> </li> <li>• Objectives             <ul style="list-style-type: none"> <li>- Value Buying</li> <li>- SME Development</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• <b>REGIONAL</b></li> <li>• Problems             <ul style="list-style-type: none"> <li>- Transparency</li> <li>- Legal Structure</li> </ul> </li> <li>• Objectives             <ul style="list-style-type: none"> <li>- Enlarge Marketplace</li> <li>- Complementary Trade Development</li> </ul> </li> </ul> | <ul style="list-style-type: none"> <li>• <b>INTERNATIONAL</b></li> <li>• Problems             <ul style="list-style-type: none"> <li>- Transparency</li> <li>- WTO Agreements                 <ul style="list-style-type: none"> <li>• GATS</li> <li>• GPA</li> <li>• Transparency Working Group</li> </ul> </li> <li>- Unequal trading partners</li> </ul> </li> <li>• Objective             <ul style="list-style-type: none"> <li>- Global Competition</li> </ul> </li> </ul> |
|---|--|--|



<sup>2</sup> The European Commission's 1996 Green Paper on Procurement documented the fact that for only 3% of eligible transactions, the award of a contract went to a firm located outside the buying country..

### **C. International Marketplace**

In the international marketplace, the most direct attempts to build global trade opportunities are centred in on-going efforts of the World Trade Organization (WTO) member states. Developing countries will need to adequately consider their positions in the following areas:

- ◆ The Government Procurement Agreement (GPA) is a voluntary agreement to extend most-favored-nation and national treatment rules to government purchases of specified government agencies. These agencies are required to make their purchases (which exceed specified threshold limits) by inviting tenders open to participation of suppliers from other signatory countries. Newly acceding members to WTO are joining the GPA based on a decision of the WTO General Council. There are provisions for special and differential treatment for developing countries (Article V) that could allow exclusion of certain products or services from the rule of national treatment for which developing countries wish to continue to extend price preferences.
- ◆ The Working Group on Transparency in Government Procurement was established at the Singapore WTO Ministerial Conference of December 1996 to conduct a study that could lead to the development of elements to include in an appropriate agreement on the subject of transparency. At the Doha Ministerial Conference in November 2001, WTO member states agreed to begin negotiations on a multilateral agreement on transparency in public procurement after the next Ministerial (to be held in Mexico in 2003). The negotiations "will not restrict the scope for countries to give preferences to domestic supplies and suppliers".<sup>3</sup>
- ◆ The General Agreement on Trade in Services, Article XIII, requires that there be multilateral negotiations on government procurement in services under the agreement. Since the procurement of services is a fast growing area of public procurement in many countries, any change under GATS could have a significant effect in many countries. It is expected that a decision on this area will be made towards the end of the current negotiations due by 2005.

### **3. ITC Technical Assistance**

The Doha Ministerial Declaration places technical co-operation and capacity building at the core of the development dimension of the multilateral trading system. The Declaration reaffirms its support for ITC's work and recommends that it be enhanced. ITC intends to play its part in full. It will consolidate and build on its public-private sector networks in developing countries and focus its activities on the realisation of the Doha Development Agenda.<sup>4</sup>

ITC programmes help the business communities and their trade support institutions in developing countries and transition economies, especially in LDCs, build capacities and orient themselves in a rapidly changing trading environment increasingly determined by the WTO Agreements. The strengthening of business/government partnership is key to the success of the new multilateral trade negotiations and the realisation of its development objectives. ITC's activities related to the Multilateral Trading System (MTS) complement the work of other agencies by their focus on the business implications.

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<sup>3</sup> World Trade Organisation Ministerial Declaration of the Fourth Session, Doha, 9 - 14 November 2001 WT/MIN(01)/DEC/W/1 14 November 2001 paragraph 26 page 5.

<sup>4</sup> World Trade Organisation Ministerial Declaration of the Fourth Session, Doha, 9 - 14 November 2001 WT/MIN(01)/DEC/W/1 14 November 2001 paragraph 38 page 8.

To help developing and transition countries build capacity in these public procurement marketplaces, ITC provides assistance jointly with local staff and consultants.

#### **A. Integrated Framework for LDCs**

The Integrated Framework involves the ITC, IMF, UNCTAD, UNDP, World Bank, WTO and OECD in a process in which trade integration strategies will be mainstreamed into country development plans for poverty reduction. ITC's contributions to the IF try to emphasise: (1) immediate and concrete results to promote private sector participation; (2) use to the largest extent possible of locally available expertise to maximise financial resources and enhance local capacity; and (3) the potential for a broad based coalition of development partners.

Currently, plans have been approved for 3 countries: Cambodia, Mauritania, and Madagascar. Terms of reference are being discussed among the core agencies and the countries for Senegal, Yemen, Malawi and Lesotho. In addition, the following countries have been identified as participating in the Framework but no terms of reference for their programs of assistance have yet been identified: Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Mali and Nepal. In its contribution to the discussion with these countries and its partner agencies, ITC will seek to address the area of public procurement to provide a means to help develop local industry through measurable performance improvements.

#### **B. The Joint Integrated Technical Assistance Programme (JITAP)**

The Joint Integrated Technical Assistance Programme (JITAP), implemented by ITC, UNCTAD and the WTO, aims at strengthening the capacity of selected African countries<sup>5</sup> to integrate into the MTS. Its primary objective is building capacity for understanding and deriving economic benefits from the MTS. ITC has the co-ordinating role for ensuring a smooth and effective delivery of the technical assistance provided under the programme.

The Programme, launched in mid 1998, is operational in eight African countries and, according to them, has contributed to articulating considered positions on issues that were discussed at the Doha Ministerial Meeting.

A core element of the Programme is building the capacity of the private sector for taking advantage of benefits offered by increasing trade liberalisation. Through public-private sector partnerships export strategies for priority sectors are designed in a "bottom up" manner so that they are owned by the stakeholders and get implemented.

As of March 2002, 26 additional countries have made a request for extending the programme to them. Currently JITAP is undergoing an evaluation to: (i) assess the performance of the programme, (ii) give clear recommendation for any future phase, and (iii) to see how the capacity built in the eight countries currently assisted under it can be sustained. It will also look at how the programme could be enhanced and rationalised.

### **4. ITC Tools for Public Procurement Improvement**

ITC is developing a range of technical tools intended to support its technical co-operation projects and also to serve as important resources for beneficiary countries. These include guides covering topics such as developing SME access to public sector procurement and applying electronic commerce to the public sector as well as training programs to be provided through local institutions. The intention is to provide generic templates or documents which can then be adopted and adapted

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<sup>5</sup> Benin, Burkino Faso, Ivory Coast, Ghana, Kenya, Tanzania, Tunisia and Uganda

for use in individual countries to minimise the need for resources, provide a better understanding of what improvements could look like in a country and incorporate best practice approaches.

#### **A. Public Procurement and SMEs**

Many problems exist in developing and transition countries that keep local suppliers from taking advantage of the government marketplace. In general, these problems involve:

- ◆ untrained or poorly trained workforces;
- ◆ inadequate accountability for government decisions;
- ◆ lack of transparency in the procurement process, as well as little or no information on the results of specific procurement transactions; and,
- ◆ "bureaucratic influence" which causes a contract to be awarded on the basis of subjective or unannounced criteria to an apparently specially favoured contractor.

**"Private sector participation in public procurement particularly goods and services is very minimal.** Local traders, suppliers, consultants, contractors, architects and engineers have not built enough capacity to participate in tenders advertised internationally and locally particularly when the values are big. Local suppliers and contractors often do not have capacity to raise credit, bid bonds and securities from local banks and insurance companies considering the high interest rates....

**Suppliers who would like to participate in public procurement find the procurement procedures irrational and cumbersome.** They are sometimes excluded when the procurement is too big and they are apprehensive of unfamiliar procedures. They are not well informed. This renders the process difficult and open to abuse. Private sector does not perceive public procurement process capable of moving without a "push". The private sector however would embrace clear, easy-to-follow guidelines if this minimises costs and facilitates business."

*Source: Excerpt from National Consultants Report of 1998 on the public procurement system of Uganda prior to instituting reforms as recommended by ITC (Project UGA/61/69 funded by Switzerland*

Most public procurement systems address in one way or another the issue of how to provide support for the domestic supplier base. Improved techniques for buying goods and services using modern quality standards and business practices can help improve the efficiency of local suppliers as they compete for government contracts. Such improvements in efficiency can enhance trade prospects by making these suppliers more acceptable vendors to global business partners. Inefficient government suppliers provide poor value to their national government, and are unlikely to engage in any meaningful private sector trading partnerships in the era of global competition. For governments, such efficiencies can directly translate into the acquisition of additional goods and services to meet national needs, funding of higher priority programs, or even reduced taxes on the public, which aid development. *The ITC Guide on Improving Access of Small and Medium Enterprises to Public Procurement* provides the experience of several countries (e.g. India, South Africa, USA, and Hungary) in using targeted and untargeted assistance to help develop local industry. Such assistance includes general reform, mentoring programs, sub-contracting opportunities, the payment of price preferences and premiums, and set-asides for small businesses.

## B. Electronic Procurement Support

An active electronic program in public procurement can help develop suppliers into global competitors. By introducing new technology solutions in the government-to-business marketplace, the government acts as an "incubator" to help build demand for "state-of-the-art" technology. The state of the art is relative to that applied locally in the business sector. Thus, in one country the use of email could be state of the art while in another it is making binding contracts over the Internet. ITC is developing under its E-Trade Bridge a programme for use by developing and transition countries to start connecting to the World Wide Web. This is expected to include a standard methodology and package of tools tailored to the specific country; advisory services to complement the package (from a pool of experts); and training materials and tools to help with databases, document preparation and bid evaluation application programs.

ITC's objectives in this area are to:

1. Improve value for money;
2. Increase accountability;
3. Increase transparency of information on public solicitations; and
4. Promote fair competition (nationally and internationally) through:
  - generalised access by SMEs to the public procurement marketplace,
  - regular transfer of public procurement and information technology know-how to public procurement agencies in developing countries.

Public procurement is an information-intensive function of government. It has to satisfy requirements for goods, works, systems and services in a timely manner. Furthermore, it has to meet the basic principles of accountability and integrity for good governance. To do this efficiently, standardised procedures and documents are used as much as

Figure 2

### **e-Public Procurement functionality**

Procurement planning  
Tracking supply needs (including demand forecasting, inventory management, etc.)  
Procurement budgeting & budget control  
Preparing catalogues of approved items (e.g., for common use items, framework contracts)  
Communicating the buyer's procurement programme (e.g., yearly, quarterly)  
Providing information on the buyer's procurement catalogue (for common use items / framework contracts)  
Advertising the buyer's solicitation notices  
Providing suppliers' access to the buyer's solicitation documents  
Advertising previous contract awards  
Sharing of information concerning the national network of public procurement agencies on topics like:  
    Membership, News, Public procurement events, and Sharing of common texts like public procurement laws and regulations, guidelines for implementation of regulations, standard procurement documents and contracts, and standard management and record-keeping forms  
Tracking the solicitation approval process  
Managing supplier data  
Suppliers expressions of interest / no interest  
Suppliers' registration / pre-qualification  
Buyer/supplier communications on technical and other clarifications regarding solicitation  
Suppliers' submission of bids, quotations and proposals  
Buyer processing and evaluation of bids, quotations, proposals, etc.  
Buyer communication of award to supplier  
Communications as needed between buyer & supplier prior to closing the contract  
Closing the contract  
Communications between buyer & supplier regarding contract implementation by the supplier  
Communications between buyer & supplier regarding invoicing & payment  
Tracking and managing the ordering process from requirement to payment  
Monitoring the delivery and progress of awarded contracts, including tracking supplier delivery schedules  
Data archiving for purposes of audit trail and security.  
Contact and communication facility

possible during a typical procurement transaction. The more this process is supported by information technology, the easier it becomes to handle the paperwork and documentation burdens. Some functions supported by a typical e-PP system (front-office and back-office) are listed in Figure 2. The more integrated the two solutions are, the less obvious the distinction is between front-office and back-office, especially when they are both operated on the Web. Front-office refers to electronic support for information and functions available to users inside and outside the procurement agency. Back-office refers to electronic support for information and functions available only inside the procurement agency needed to manage the internal procurement process by the procurement agency. Security of access by authorised users needs to be ensured for both front-office and back-office systems. To improve efficiency within the framework of public procurement reform, it is important to support not only one agency but to provide suitable IT assistance to a group of government agencies (or to all of them) organised as a national network.

### **C. Compendium of Public Procurement Systems**

This pilot interactive database enables a country to compare its procurement system to those of other countries and with generally accepted models. As with all databases, it is important to maintain currency of the material. ITC is seeking to partner with countries and other international organisations to expand the number of countries in the compendium. The compendium is available for viewing on the ITC web site <http://www.p-maps.net/cpps>.

### **D. ITC Modular Learning System for Public Procurement**

These generic training courses - to be tailored to specific country needs - are being developed and piloted to build up the required knowledge and skills of purchasing managers and staff. The courses are intended to be taught on-site (in country) with a duration of 2 weeks for each course. The targeted student population is all contracting personnel in a country to provide a common baseline of knowledge of the procurement function. This can vary according to the training plans of Government to balance needs against available resources. Normally, there are private sector networks of training institutions that could provide the training needed. By using existing training providers teaching agreed materials, the government can develop a more sustainable training base built on the commercial marketplace model. The ITC modular approach will allow training partners to organise their own courses to address the most pressing needs. An Executive

<p><b>Figure 3</b>  <b>Public Procurement Training System</b></p> <p><b>Phase One Public Procurement Operations</b></p> <p><b>Module 1: Overview of Public Buying</b></p> <p><b>Module 2: Planning and Specifying Requirements</b></p> <p><b>Module 3: Identifying Suppliers</b></p> <p><b>Module 4: Supplier Relationships and Contract Types</b></p> <p><b>Module 5: Negotiating</b></p> <p><b>Module 6: Managing the Contract</b></p> <p><b>Module 7: Anti Corruption Considerations</b></p> <p><b>Phase Two Improving Operations Understanding</b></p> <p><b>Module 1: Better Procurement Systems</b></p> <p><b>Module 2: Introduction to Contract Law</b></p> <p><b>Module 3: Cost and Price Analysis Techniques</b></p> <p><b>Module 4: Performance Contracting</b></p> <p><b>Module 5: Services Contracting</b></p> <p><b>Module 6: Construction Contracting</b></p> <p><b>Module 7: International Procurement Techniques (World Bank)</b></p> <p><b>Phase Three Public Procurement Policies</b></p> <p><b>Module 1: International Legal and Trade Policies</b></p> <p><b>Module 2: Analysing a Supplier Base</b></p> <p><b>Module 3: Resolving Supplier Complaints</b></p> <p><b>Module 4: Basic Logistics Management</b></p> <p><b>Module 5: International Logistics Systems</b></p> <p><b>Module 6: Streamlining Procurement Process Operations</b></p> <p><b>Phase Four Executive Level</b></p> <p><b>Global Procurement Issues</b></p> <p><b>Managing for Results</b></p> <p><b>The Human Side of Change</b></p> <p><b>Managing the Public-Private Interface</b></p>
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Level Public Procurement Course (Phase Four) provides a supplemental 2 or 3 day course for senior managers who influence procurement decisions. In this course, some higher level concepts are exposed for discussion with peers. This includes an overview of the international and national framework for procurement, how to use the marketplace to achieve mission responsibilities, how to manage for results, how to achieve change in the workplace, and key ethics and anti-corruption policies and considerations. The courses listed in Figure 3.

## **E. Recent and Current Projects**

### **Uganda**

Working in close co-operation with the Government of Uganda and the World Bank, ITC has developed revised public procurement regulations issued by the Minister of Finance. These regulations restructure the Central Tender Board to provide more focused management of a coherent public procurement system where the procuring entities are accountable for contracting decisions. The system also includes new standard contract documents, professional training, electronic procurement, improved management information systems and a more responsive means to hear complaints from suppliers.

### **Guinea Bissau**

ITC is helping the government harmonise donor rules and national procurement rules to create a responsive and effective procurement system. New regulations are being formulated with national and international stakeholders. A new central procurement office will develop policies, training programs, oversee selected contract award decisions, and install management information systems.

### **The Gambia**

ITC is working with the Government to provide the necessary improvements in their system of controls to support a World Bank funded Poverty Reform Support Credit through changes in the legal framework, organisational infra-structure and training programs affecting public procurement.

### **Maghreb Harmonisation**

ITC is working with Algeria, Libya, Mauritania, Morocco and Tunisia to help these countries improve their regional approach to public procurement. This will involve harmonising the legal frameworks, financing mechanisms, electronic procurement systems and a comprehensive training programme.

## **5. What more can be done**

### **A. Country Perspective**

ITC's primary "customer" is the developing or transition country in need of assistance. We see that sometimes our customers are forced to balance several competing interests in the area of procurement reform. To help them do this, a clearer recognition of these interests is needed. For example, external pressure in the form of conditions made part of loans or grants from donor institutions is often the major reason for reform efforts. The target performance level then becomes merely to eliminate the conditionalities imposed in the agreement. Such changes may be needed to better integrate the country into the global trade network but it may not be the most effective way of building locally-driven, sustainable reforms.

Greater harmonisation of donor procurement rules to be followed would help to improve the effective use of relatively scarce professional procurement staff. Donors often require that only their rules be followed. The OECD Development Assistance Committee has initiated a study of procurement reforms to see if there can be some added value in how donors approach the subject.

While donors have every right to set their own rules and conditions, questions of sovereignty will exist to determine the longevity of the reforms. Sovereignty describes the ultimate authority in a state, important in an international system of commitments. Aid-recipient countries give up some sovereignty when they agree to conditions in loan and grant agreements. While done for good reasons, the conditions still must be explained at home. Client countries need to understand, document and explain to local stakeholders how the local economy has benefited through reforms imposed in international commitments. We see as our role to help them document and explain achieved success (e.g. hiring contractors from outside the region or country saved "X" amount of money that helped build "Y" new schools)

## **B. Greater Local Input**

Helping countries marshal the necessary political will and budgetary resources and personnel for effective procurement reform is our largest challenge.

In preparing for public procurement reforms, "hot button" issues need to be identified to help the government develop acceptable alternatives within international norms. For example, in many LDCs, tribal or group politics are more important than in developed countries. Without an understanding from stakeholders early-on which pre-reform arrangements could be hard political decisions, much time and effort on reforms can be wasted. After identifying such issues, attention could be given to identifying alternative, transparent means to meet the commitments. Also, in the area of devolution, the local government level often has different skill levels to implement reforms from the central level. What will work for all needs to be identified. Putting reforms on paper without political commitment is not sustainable

To create sustainable reforms, local commitment has to translate into tangible results. While we work on the technique and not the politics of public procurement, we recognise that politicians have taken certain actions based on the existing system. In some countries, there is no transparent way to give and receive donations to fund political parties and the system of government contracts has been used to do that. Therefore, without a recognised "campaign finance law" in those countries, government contracts will continue to be the preferred source of political party funds. We need to know this beforehand what the government actually wants done if we are truly going to make improvements in the system. Without facing up to these local demands, political factors can delay adoption of reforms. There must be time for the political structure to work out a new equilibrium in constituent relationships under the reformed system. To do this, any reform effort must take into consideration the role of stakeholders (e.g. private business, public officials, and politicians). Also, some understanding is needed of how local traditions and business practices are embedded in procurement institutions, such as the degree of involvement of the local private sector in contract award decisions. To many, this would be a potential conflict of interest. But in some countries, having private sector representatives on the award panel helps assure transparency of government decisions.

Another issue for local consideration is the role of consultants vis a vis public employees. In some cases, public employees have been non-co-operative with government policy goals to protest the often large pay gap between them and local and international consultants working on procurement reforms. Counter to the stated goal of most international agencies to build government procurement capacity, consultants, not public employees, traditionally carry out the reforms. In this regard, there can be a use for "third party" contractors - basically hired government procurement agents often at donor expense - to provide short term assistance. However, after having a contractor responsible for procurement, it may be harder to develop internal resources. The performance test would be what happens to the reform effort when donor funds are no longer available to fund such

consultants and the government must decide to use its own resources to keep them or not.

### **C. Improve Performance Measurement**

From a management sense, performance measures are needed to determine how effective policies and practices have been to meet the stated objectives. If public procurement systems are to achieve their potential to add value to budgets and help develop local industry, there should be wider discussion and agreement on what the objectives are and how performance to meet these goals is proceeding. This subject can be part of a wider dialog with LDCs to understand how they see the procurement system adding to their welfare and what changes, if any, they would like to see. For any measurement system to work, it has to rely on the willingness of governments to share information, to evaluate themselves and use it to measure the effects of change - both positive and negative effects.

Once agreement on a suitable set of measures is developed, specific measures could then be part of a sustainable procurement improvement program could help demonstrate local benefits and encourage international investment.

ITC is continuing to work with its partner institutions to develop improved diagnostic techniques to identify measures for effective performance of public procurement systems. These measures can then be discussed and reviewed with developing and transition countries with the intention to tailor reforms to achieve benefits desired. Existing Performance Measures include

**Potential Performance Measures include such areas and factors as:**

**Operational**

- ◆ competitive vs. single-source contracts; procurement administrative lead time; customer satisfaction surveys;

**Professional**

- ◆ full time or ad hoc procurement workforce; skill-level of workforce; career ladder

**Business Aspects**

- ◆ ability to attract best suppliers; contractor past performance

- ◆ World Bank Country Performance Assessment Report (CPAR): This is an external template for review of a country's public procurement infrastructure. It is used to assess the risk of lending or grant transactions. The CPAR reviews areas like legal framework, personnel and the status of procurement within the private sector. The CPAR is conducted in conjunction with the government of the country being reviewed, which has an opportunity to comment on the report.
- ◆ OECD SIGMA/EU Baseline: The Organization for Economic Cooperation and Development and the European Union have developed a set of baseline criteria on progress towards adopting EU-compatible procurement provisions to be applied to EU candidate countries. It presumes certain conditions will exist in a country, such as a central policy office and devolution of procurement authority and responsibility.
- ◆ ITC Baseline Questionnaire: ITC developed a questionnaire to help a government focus attention on the procurement function and document what it is doing or intends to do. It is based on the CPAR

### **6. Conclusion**

For ITC, our bottom line is that we want to work with both donors and client countries to clearly recognise successful techniques and programs to help control poverty and provide a better life for all. Public procurement reform can help control corruption, improve national accounts and aid local industry.

Those countries that have an organised, system-wide management approach to public procurement will be able to more easily identify effective negotiating positions and trade strategies at the national, regional and international level. However, international agencies need to help by working more closely among themselves as well as with less developed countries to create effective performance measures and a procurement reform "tool chest" to avoid unnecessary duplication of effort. A model for such a tool is the Model Public Procurement law developed after many years of discussion by the United Nations Commission on International Trade Law (UNCITRAL) in 1994. This model has helped many countries think about improvements in the legal framework for procurement.

If such tools were readily available, client countries would not have to reinvent the wheel time after time looking for a good way forward to control procurement expenditures. Also, they may be able to adopt more focused reforms as they seek to improve their performance. As an example, perhaps just the introduction of better standard contracts coupled with a training program could provide the performance sought without a more expensive and time consuming wholesale change in the law to see benefits.

Implementing tools to support better performance should be developed using a more streamlined process than that used by UNCITRAL. A good place to start such a dialog and development of performance measures and implementing tools would be the Integrated Framework. A first step in doing this is for public procurement officials to help sensitize the Integrated Framework agencies as to the role and importance of public procurement in poverty reduction efforts. With the leadership of the World Bank and the involvement of other agencies of the Integrated Framework, a program for support of improved performance measures and concrete improvement actions can be offered to LCD's for their input as they prepare their development programs.