

**ORGANIZATION OF AMERICAN STATES
DEPARTMENT OF INTEGRAL DEVELOPMENT
OFFICE FOR TRADE, GROWTH AND COMPETITIVENESS**

PROJECT SUMMARY REPORT 2004

**“GOVERNMENT PROCUREMENT AND TRADE CAPACITY BUILDING IN CENTRAL
AMERICA AND THE ANDEAN COMMUNITY”**

1. Sponsor

United States Mission to the OAS

2. Coordination

Office for Trade, Growth and Competitiveness, Department for Integral Development, OAS

3. Project Goal

To support governments that want to modernize government procurement practices as part of their capacity building efforts for the transition to free trade.

4. Purpose

Support each participating government in producing a strategy that includes the necessary institutional framework, road map and financial mechanisms and that contributes to transparency, efficiency, trade and small business participation

5. Specific objectives

- Support strategy makers and program managers in their efforts to prepare politically, institutionally and financially feasible strategies for government procurement modernization
- Support national and regional institutional coordination of efforts and the identification of practical approaches to implementation.
- Provide strategy makers and program managers with information, advice, training and direct technical support in the various steps of their decision making process from identification of opportunities for action to the establishment of institutional organizations, road maps and mobilization of technical and financial resources for government procurement modernization.

6. Program components and characteristics

- The project is carrying out activities in the areas of information, advice and training and support for the preparation of strategies and project profiles. The activities in these areas of work are mutually reinforcing.
- The activities are all focused on supporting strategy makers and program managers in their decision making on how to go about modernizing government procurement for the transition to free trade with a view to economic integration and overall development, beginning with the establishment of electronic information systems on government procurement.

- The activities are being implemented in close consultation and with full participation of the national authorities in charge of government procurement modernization in the Americas with activities taking place at the national, subregional and hemispheric level.
- The project resources have been leveraged with contributions from other areas of the General Secretariat, including the Department of Scholarships, the Institute for Connectivity in the Americas / IDRC and the Governments of Brazil, Chile and Costa Rica, among others.
- The activities have been carried out in coordination with the Andean Community Secretariat, IADB and MIF.

7. Implementation of the activities.

The project began implementation in March 2004. The activities carried out so far are presented below with bullets and in italics, following the same structure of the Plan of Work submitted for the Project. For more details on these activities, see "Government Procurement Program. Annual Report 2004" and its annexes.

7.1 Consultations with authorities and drafting of national and regional TC projects

Direct consultations with authorities and organization of project activities:

Consult with governments to update and complete information on current needs and priorities for technical cooperation. Review readiness for technical cooperation activities. Organize workshops in Andean Community, Central America and Brazil. The following activities were carried out:

- *Consultative missions to Guatemala, Honduras, Nicaragua, Costa Rica, Nicaragua. March-April, 2004. Contacted, informed and inquired on the national government procurement authority's interest in participating in the project.*
- *Consultative missions to Peru and Colombia to coordinate with the Andean Community and with national government procurement authorities efforts to foster e-government procurement development. June 2004.*
- *Workshop with the Latin American Confederation of Small and Medium Enterprises (CLAMPI) to present the project and consult on measures to foster and facilitate competitive SME participation in e-government procurement. June 4, 2004.*
- *Central America 2004 Coordination Meeting. San José, Costa Rica, June 14 and 15, 2004.*
- *Andean Community 2004 Coordination Meeting. Andean Community Secretariat. Lima, July 26 and 27, 2004.*
- *Consultative mission to Brazil to coordinate cooperation with Brazilian and other MERCOSUR authorities participating in the First MERCOSUR Workshop on Small Business Participation in Government Procurement in Puerto Alegre, Brazil, and also with ICA in Montevideo, Uruguay. June 2004.*

Document lessons learned and prepare profiles of current government procurement practices in the Andean Community and Central America. Includes preparation of questionnaires; filling questionnaires and preparing draft national profiles by each participating country; implementation

of national workshops, the preparation of final national profiles and the identification of cooperation needs to establish electronic information systems on government procurement.

- *Completed the preparation and pilot testing of the questionnaire used to generate comparative national profiles of e-government procurement development. Profiles have been recently completed for Bolivia, Ecuador, Colombia, Peru, and Venezuela in the Andean Community and Costa Rica and El Salvador in Central America. Nicaragua will be ready soon and Honduras is in process. A combined effort with ICA is allowing the preparation of profiles for Argentina, Brazil, Canada, Chile, Mexico, Panama, United States and Uruguay to be completed during the first quarter of 2005.*
- *Cooperation needs were identified in the national consultations, subregional meetings, and Inter-American Seminar. Another source of information on these needs have been the electronic forums.*

Strategy Workshop in CAN: Includes the preparation of a comparative analysis of technical cooperation needs and the implementation of a strategy workshop in the Andean Community. Preparation of technical cooperation project for CAN.

- *Tentatively scheduled for March-April 2005 now that the National Profiles for the Andean countries have been completed and the necessary national institutional coordination has been established by each country.*

Strategy Workshop in Central America

- *Will be implemented following the completion of the national profiles for Guatemala, Nicaragua and Honduras. The profiles for Costa Rica and El Salvador have been completed.*

7.2 Implementation of TC Initiatives

Design of strategies to establish electronic information system (for complementary activities see Support for Strategy Making below). It includes mobilization of experts to support strategy making in up to 5 countries and missions of strategy makers and program managers from up to 5 countries to receive advice and support to prepare national strategies in up to 2 leading institutions from the Hemisphere.

- *The possibility of receiving support to visit or be visited by expert practitioners from leading institutions was presented to strategy makers during the program presentation missions, during the Andean and Central American Coordination meetings and also during the Inter-American Seminar. To this moment no country has requested this form of support.*
- *A number of participants have suggested that this kind of interaction with experienced strategy makers and practitioners can better take place in the context of Inter-American or Subregional meetings like the ones supported by the Program, were time-pressed strategy makers can interact with a large number of key practitioners without having to travel to different countries.*

Preparation of national project profiles to establish electronic information systems: It includes mobilization of experts to support a project profile preparation in up to 5 countries and missions of program managers to leading institutions to prepare projects for up to 5 Andean Community and Central American countries.

- *The possibility of support to prepare projects profiles was presented to program managers from the participating governments in various occasions. No country has requested this form of support.*
- *The lack of demand for this kind of support can be explained by the fact that, once a strategic path has been defined by the country, the authorities move fast to secure larger scale bi-lateral cooperation or initiate international lending operations that include funds to carry out this kind of missions.*

Links with cooperation and financing institutions: It includes support to promote one technical cooperation or investment project for up to 10 participating countries

- *Bilateral agencies and international financial institutions have intensified their support for government procurement modernization in response to the growing awareness of the importance of this activity among national government modernization and reform leaders. As a result links with these institutions are being established very early, as soon as government procurement becomes a key component of national government modernization and competitiveness strategies.*

7.3 Support for strategy making to establish electronic information systems

Internet portal to access up-to-date information for strategy making: Establishment of a specialized Internet portal to facilitate strategy makers and program managers direct access to relevant information for decision making on government procurement modernization.

- *ChileCompra, the central procurement organization of the Government of Chile, is completing a proposal to implement its offer of establishing, hosting and keeping updated an Inter-American portal that will serve both the Inter-American Network of E-Government Procurement and the Inter-American Network of Central Government Procurement Organizations.*
- *Initial content will include the results of the Inter-American Seminar organized by the Program in Brazil in September 2004, the report on Trade Capacity Building in Government Procurement, the National Profiles on E-Government Procurement Development and the video and textual material generated in the Electronic Forum on Government Procurement.*
- *This activity is co-sponsored by ICA.*

Electronic forum on strategies for the development of e-government procurement: Includes establishing and operating an electronic forum. To be co-financed with ICA and other institutions.

- *The first electronic forum presented and discussed the experience of ChileCompra in November 2004 and the second that of Compranet of Mexico in December 2004. A third one has been scheduled with Costa Rica for February, 2005 and a fourth with GSA-USA in March 2005. These activities have been carried out in cooperation with other areas of the Department of Integral Development and the operations were financed with a grant from CIDA.*

Inter-American Seminar Workshop on Strategies for the Development of e-Government Procurement. To be implemented in cooperation with the Ministry of Planning of Brazil and co-financed with ICA and the OAS Department of Scholarships.

- *The Seminar took place in Sao Paulo, Brazil in September 2004 under the joint sponsorship of the US Mission to the OAS, the Institute for Connectivity in the Americas and the*

Department of Scholarships of the OAS. The activities were organized by the Program in cooperation with the Ministry of Planning of Brazil and the Government of the State of Sao Paulo.

- *The seminar was characterized by the high level of the participants as well as by the establishment of the Inter-American Network of E-Government Procurement.*
- *There was an effective integration of about 40% of the sessions of the Inter-American Seminar with sessions of an International Seminar organized by the government of Brazil that took place in parallel with 600 participants from both the public and private sector.*
- *Another result was the mobilization of additional support for the establishment of the Network of Central Organizations in Government Procurement, an initiative promoted by Peru and Chile that is being considered within the Plan of Action for the implementation of the Inter-American Convention against Corruption.*

On-line course on Strategies for Development of e-Government Procurement.

(To be co-financed with ICA)

- *The preparatory work for the course has been completed with the preparation of the report on Challenges in the modernization of Government Procurement Practices for Trade and Development, the National Profiles of E-Government Procurement Development, the Inter-American Seminar and the Electronic Forum. The Program is in the process now of selecting the most convenient platform for the electronic course in consultation with the participant governments.*
- *It is important to note that the report on Challenges in the Modernization of E-Government Procurement is the first attempt to produce an integrated view of the trade capacity building needs in government procurement in the three areas of the ALCA Hemispheric Cooperation Program. The report was written by Jorge Claro with contributions of Marcos Ozorio of Brazil and Eliel Hassan from Chile and was presented for comments in the Seminar of Sao Paulo. The final version of the Report is being prepared for publication.*
- *Also as part of the preparatory work for the on-line course, the Office reviewed the leading government procurement portals in the Hemisphere and other regions of the World to identify best practices that support competitive SME participation in government procurement. In the Americas the leading practices are those of the United States, Canada, Brazil and Chile, followed by Peru, Costa Rica and Bolivia. Most countries support SME participation indirectly through minimum economic size of transactions and user friendliness combined with on-line training for using the portals.*

8. Main results

To this date the Program has contributed to:

- Create awareness at the highest levels of government of the importance of modernizing government procurement practices and of the contributions made by the establishment of electronic government procurement systems in terms of transparency and efficiency. This awareness has contributed to the participation of high level country representatives in the project activities. For example the Vice President of the Republic of El Salvador participated in all sessions of the Seminar organized by the Program in Brazil and all participants in this Inter-American Seminar received an expression of support from the President of Brazil.

- The coordination of national initiatives for the development of e-government procurement that until recently have been running in parallel without mutual support and in some cases with duplication of efforts. This was made explicit by the delegations of Perú and Colombia during the Inter-American Seminar in Sao Paulo.
- Create opportunities for the exchange of experiences, mutual support and joint efforts among government procurement specialists at the subregional level. For example, in the 2004 Coordination Meeting in Costa Rica the national directors of government procurement in Central America indicated that it was the first time in recent years that they had been together in a meeting.
- Coordination of Inter-American efforts for government procurement modernization. For example in January 2005 the governments of Canada and the United States requested the support of the Program to integrate their efforts aimed to the creation of an Inter-American Council of Government Procurement (Ottawa, 2004) with those that are being supported by the OAS at the initiative of Perú and Chile within the framework of the Plan of Action for the Implementation of the Inter-American convention against corruption. The integration of efforts is to take place in conjunction with the preparation and implementation of an Inter-American meeting in Atlanta, in November 2005, a process that may include a preparatory meeting in Santiago, Chile in March 2005.
- Establishment of and Inter-American Network on E-Government Procurement with participation of government, private sector and civil society. The Coordinator of this network is Tomás Campero, Director General of ChileCompra.
- Coordination of efforts to establish an Inter-American Council of Central Government Procurement Organizations. The Coordinator of this initiative promoted by Perú and Chile in the OAS is Ricardo Salazar, President of CONSUCODE of Peru. The Coordinators for GSA/USA – Canada initiative is Felipe Mendoza, Assistant Administrator, GSA.
- Generation of information on the E-Government Procurement Development in Latin America through the preparation of comparative National Profiles of E-Government Procurement Development in 9 countries, with another 5 in process.
- Identification of opportunities and challenges associated to competitive SME participation in E-Government Procurement in the Andean Community as well as Central America and the initiation of a Pilot Project on competitive SME participation in government procurement in Costa Rica.
- The preparation of on integrated analysis of the challenges in government procurement modernization for trade and development, including and identification of trade capacity building needs in each of the areas of the ALCA Hemispheric Cooperation Program.
- Cooperation with other areas of the Department of Integral Development in the organization of an Inter-American Electronic Forum on Government Procurement. The forum produced videos and organized on-line session to review the experience of Chile and Mexico in the development of e-government procurement and has completed arrangements with Costa Rica and the GSA/United States for forums to take place in the first quarter of 2004. The work has been carried out in cooperation with the Inter-American Best Practices Forum supported by CIDA.
- Leveraged resources with the Institute for Connectivity in the Americas, participating member states, in particular the governments of Brazil and Costa Rica, and other areas of the General Secretariat, including the Office of Scholarships and the Government Best Practices program sponsored by CIDA. The Program, having obligated a total US\$116,400 and expended

US\$71,800 was able to mobilize additional contributions in cash and in kind estimated conservatively in US\$139,600 from those other sources, for a total expenditure during 2004 of US\$ 211,400, as detailed in the financial report.

9. Conclusions

- While the necessary consultations with the national authorities and the sub regional coordination took longer than expected, delaying the implementation of some of the project activities, this process of consultation and coordination was determinant in the Program effectively contributing to:
 - A high degree of participation of the national authorities in Inter-American cooperation for the modernization of government procurement.
 - The establishment of a network that provides the organizational framework for cooperation among the member states to support government procurement modernization.
 - The identification of widely supported priority areas of work of common interest for the participating countries in their national strategy formulation and implementation management.
 - Clear and immediate demand and institutional support from the participating countries for the implementation of activities that can be supported by the Procurement Program during 2005, mostly with resources available from the 2004 grant.
- The Program experience confirms that government procurement modernization is first and foremost a political process that requires involvement of national authorities at the highest level as well as effective political management of strategy implementation.
- International cooperation can heighten political awareness and mobilize effectively support for strategy managers through the generation and dissemination of information, the organization of opportunities for the exchange experiences, the provision of access to expert practitioners' advice and the creation of a platform for multinational benchmarking.
- At this stage in E-Government Procurement development in the Region, the Latin American countries are particularly interested in receiving OAS support for activities that strengthen their capacity for strategy making and strategy management. That is to say for activities that inform their decisions on institutional organization, sequencing of modernization steps and approaches to the mobilization of necessary technical and financial resources.
- The countries have express interest in the OAS helping to coordinate an effective Inter-American networking of strategy makers and managers.
- Effective networking for strategy making and management requires the generation of relevant and updated information, the organization of in-situ and on-line activities to exchange experiences and the establishment of mechanisms to access expert practitioners, including workshops, seminars, conferences as well as portals and on-line forums.
- Because modernization of government procurement reaches all government operating entities, it requires the establishment of an effective national institutional coordination. This process can be facilitated by the participation of the national institutions in the preparation of national reports and in the international coordination of efforts. In the case of the Program, there is evidence that work in the National Profiles has progressed in parallel and has been interdependent with efforts in national, subregional and Inter-American coordination.
- National coordination must precede international coordination of technical cooperation. It has taken a long time for the governments of the Andean Community and the Andean Secretariat to establish the degree of internal institutional coordination necessary to produce the National

Profiles of E-Government Procurement Development and identify national needs for cooperation. This is a necessary first step in the preparation of subregional strategies for cooperation and development of electronic procurement systems. Now that this coordination has been established the Program can organize the Andean Community Strategy Meeting.

- Most every government has incorporated as an early step in their strategies for government procurement modernization the publication in Internet of government procurement information. This has helped them to establishing a national and international presence and to gather support for more advanced, costlier and longer term efforts. Rather than waiting for larger scale international technical support and financing many countries have decided to start the building up of electronic government procurement systems using in-house or in-country technical and financial resources.
- Under these circumstances it is the lessons learned, as they relate to strategy making and implementation management, rather than the specific best practices that became critical for decision-making. In the strategy making context, specific best practices are more important as examples and demonstration of the fact that under Latin American needs, resources and conditions it is feasible to establish efficient and transparent procurement processes. Specific practices need to be fully integrated into their local institutional context. While it is always possible to borrow elements of solution from an institutional best practice, it is not possible to transfer an institutional best practice as a whole without a very significant degree of adaptation to local conditions, a process that usually leads to a rather new solution.

10. Recommendations

- Center the Program activities in the strengthening of national capabilities for strategy making and the management of strategy implementation.
- Provide support for this line of work during the next two years in order to give continuity to the partnership that is being established among the high-level strategy makers already participating in the Program.
- Reallocate the remaining 2004 Program resources to the generation and dissemination of information and to the organization of activities that facilitate mutual support and joint efforts by strategy-makers, including support for the GSA-CCC-OAS Meeting in Atlanta and its preparatory E-Government Procurement meeting in Santiago.
- Implement priority activities identified by the Inter-American Network of E- Government Procurement, concentrating the use of resources during 2005 in the following areas of work already approved for the project:

Project component 1. Consultations with authorities, documentation of national experiences and identification of technical cooperation needs. Includes:

- Direct consultations with authorities and organization of projects activities
- Preparation and updating of national e-government procurement development profiles.
- Document lessons learned and best practices
- Identification of national and subregional technical cooperation priority needs.

Project component 3. Support for strategy making to establish electronic information systems. Includes:

- Coordination of the Inter-American E-Government Procurement Network
- E-Government Procurement Government Procurement high level strategy seminars and workshops.
- Internet portal

- Electronic Forum on E-Government Procurement
 - On-line courses on E-government procurement
 - Technical reports on specific key priority subjects
- Within these two broad areas of action, the work will relate to lessons learned and best practices in subject areas such as the following ones selected by the participants in Inter-American Seminar held in Sao Paulo:
 - Alternative strategies to implement e-Government Procurement
 - Roadmaps for the development of electronic systems from publication of information to transactional systems
 - Strategy management for the development of e-government procurement
 - Identification of the impact of E-GP in transparency, government efficiency and promotion of SME.
 - Cataloguing systems
 - Procurement planning
 - Small business participation in E-Government procurement
 - Foster local business associations participation
 - Civil society participation
 - Digital signature and security policies
 - Integration of e-procurement systems with other government electronic systems.
 - Preparation of models contracts
 - Identification of new forms of contracts
 - Create and maintain a stock of information related to countries' laws and norms
 - Supplier's registration
 - Online training
- In the implementation of these activities the Program intends to follow the guidelines suggested in the first coordination meeting held on the occasion of the launching of the network in Sao Paulo:
 - The activities should be carried out by the Inter-American E-Government Procurement Network created in Sao Paulo with the support of the OAS and other international organizations.
 - The Inter-American Network of E-Government Procurement should complement and exchange information with the Network of Government Procurement Regulatory and Audit Institutions in aspects related to E-GP.
 - The countries will contribute national content to the Network website to facilitate the exchange of information and experiences, mutual support and joint action among the members of the Network.
 - Use as initial content of the website the results of the Inter-American Seminar carried out in Brazil in September 2004, the National Profiles on E-Government Procurement Development, the report on Trade Capacity Building in Government Procurement, and the video and textual material generated in the Electronic Forum on Government Procurement.

Office for Trade Growth and Competitiveness, January 24, 2004