

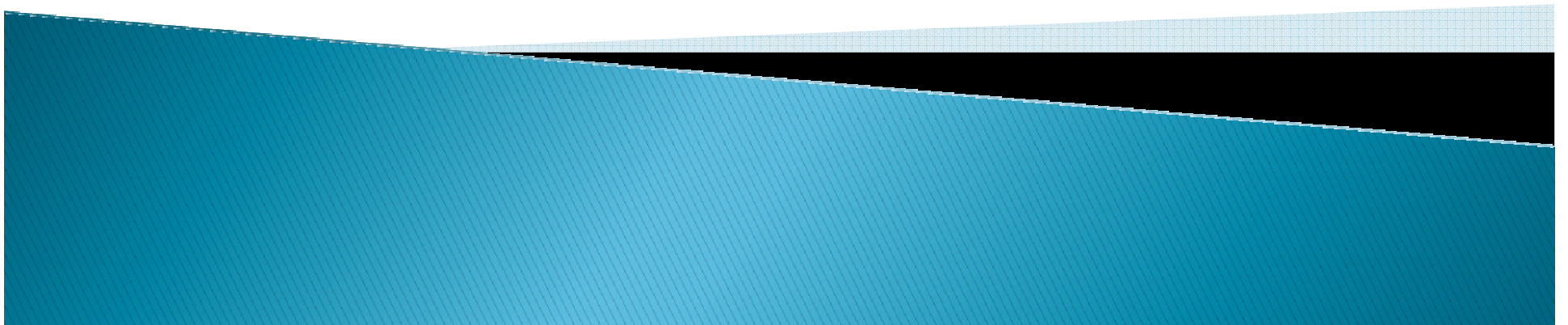
Jamaica High Level Workshop

Why does procurement Matter??

April, 2011

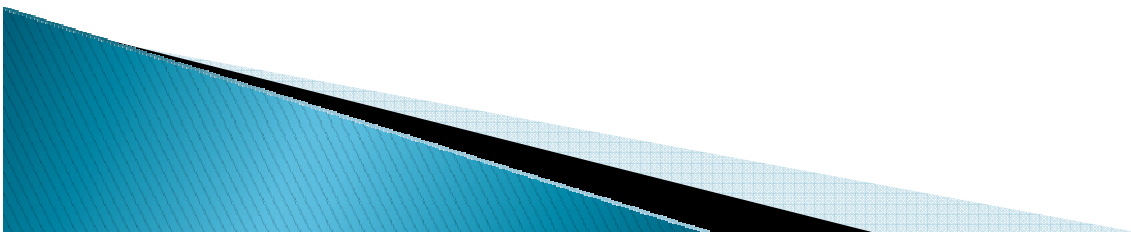
Jorge Claro, President

International Procurement Institute (INPRI)



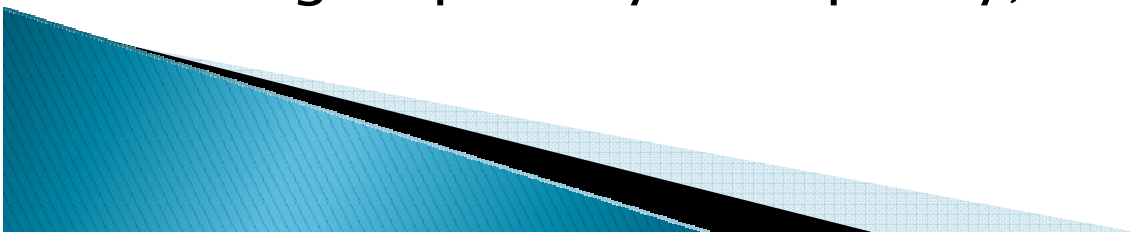
What is procurement?

- A common definition is “The act of getting possession of something”
- A broader definition recognizes that procurement is “The art of acquiring goods, works and services efficiently and effectively, at reasonable prices and in time”



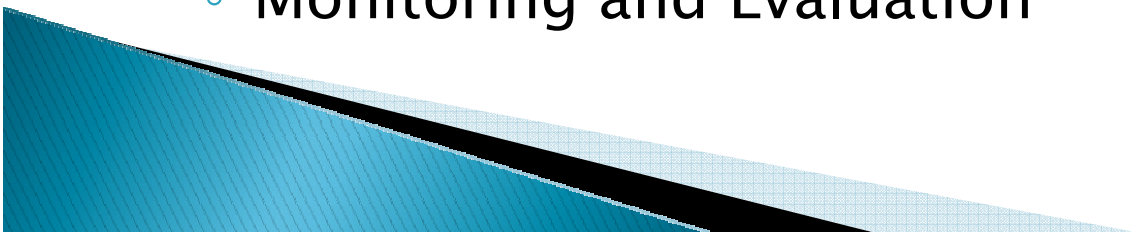
Why does Procurement matter?

- ▶ The understanding of public procurement has evolved from an administrative task into a strategic government function
- ▶ A country's procurement system is essential to service delivery
 - Technology, free trade agreements, and the demands of modern society have made procurement more complex and strategic
 - Procurement is about acquiring goods, works and services not just at the right price, but also in the right quantity and quality, and in time



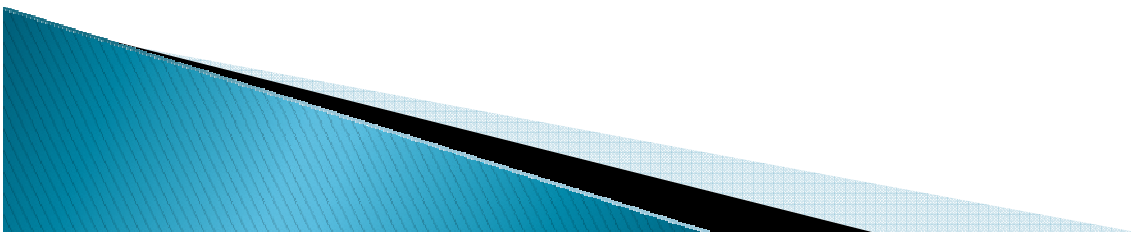
Holistic Approach

- International best practices consider procurement a strategic function, not an activity
- This approach encompasses much more than buying as it includes:
 - Procurement planning and budgeting
 - Standardization
 - Technology
 - Improving government procurement capacity
 - Competition and value for money
 - Capacity Building and professionalization
 - Monitoring and Evaluation



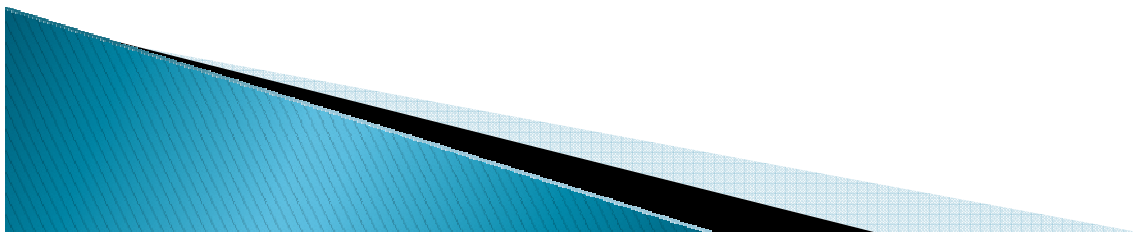
The sequence

- **The budget**
 - The political expression of a government
- **Execution of the budget**
 - Procurement
- **Procurement**
 - The art of obtaining strategic goods, works and services
- **Good procurement**
 - Efficiency, effectiveness, transparency, value for money
- **Value for money**
 - On time, on budget, on price
-



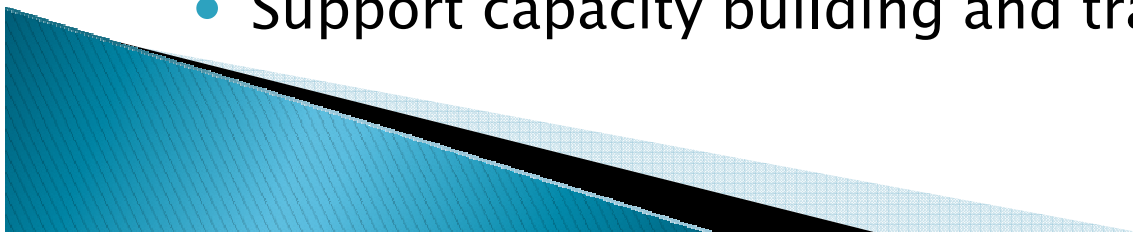
Common (mis) perceptions

- **Politicians**
 - Procurement officials are bureaucratic and inefficient and in many cases corrupt
 - Vendors and suppliers must remain at arms length of process
- **Procurement officials**
 - Politicians just don't understand the intricacies of the job and interfere in the process, mostly for corrupt purposes
 - Vendors and suppliers must remain at arms length of process
- **Vendors and suppliers**
 - Politicians and bureaucrats are inefficient and mostly corrupt
 - Process is mystifying and intimidating, particularly for SMEs
 - Although business opportunities are announced, the winner has probably been decided in advance
- **Civil society**
 - The procurement process as a whole is inefficient and corrupt



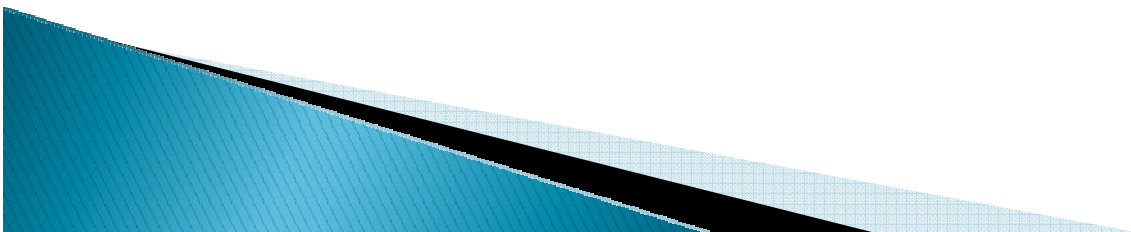
Strategic approach

- In view of common misperceptions it is essential for **Politicians** to:
 - Understand and respect the procurement process
 - Understand that while procurement at the macro level may be governed by a political agenda, at the procedural level is governed by public policy and the rule of law
 - Support procurement officials in discharging their responsibilities, which require skills, disciplines, and knowledge
 - Champion and support procurement reform
 - Support introduction of e-GP
 - Refrain from interfering in the procurement decision-making process
 - Support capacity building and training efforts



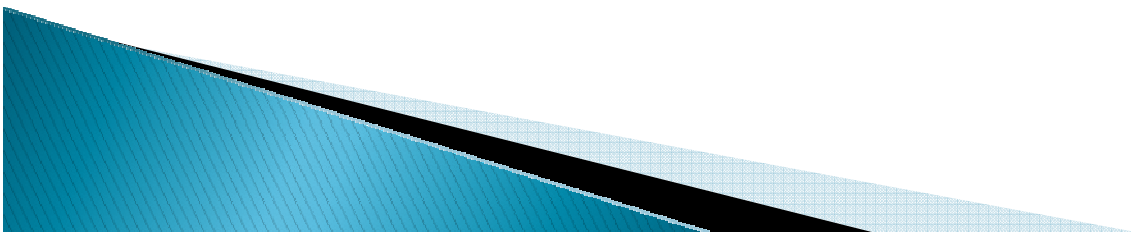
Strategic approach

- **Procurement officials**
 - Understand role of politicians in carrying out political agenda of the government
 - Develop and implement clear communication strategy on the requirements and nuances of procurement
 - Discharge responsibilities with a balance between public policy implementation and efficiency
 - Design and implement appropriate and relevant training programs
 - Avoid being obsessed with process



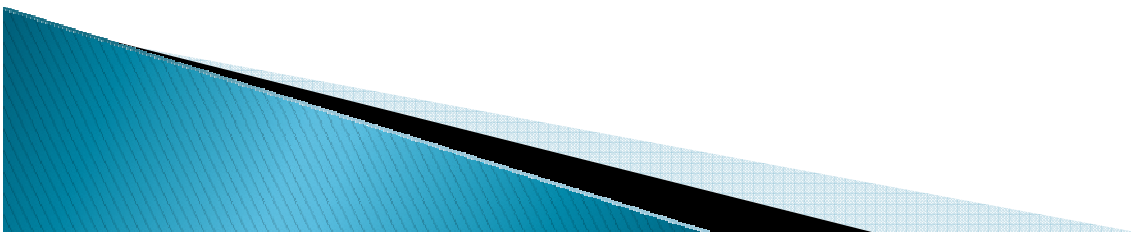
Strategic approach

- **Vendors and suppliers**
 - Be properly informed of processes and roles
 - Actively participate in process – Compete
 - Understand the need of procurement officials to balance value for money with policy implementation
 - Operate with transparency and efficiency
 - Develop and implement own codes of ethics, procedures and standards



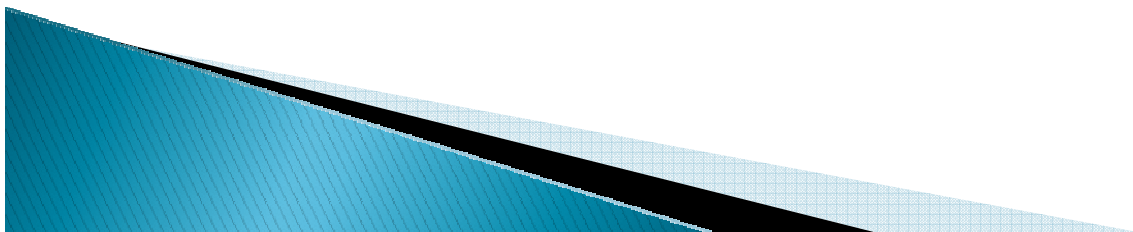
Strategic approach

- **Civil society**
 - Understand the intricacies and nuances of procurement to differentiate between perception and actual inefficiency and corruption
 - Actively participate in the process through civil society oversight, social audits, integrity pacts, others
 - Educate the press on the procurement process



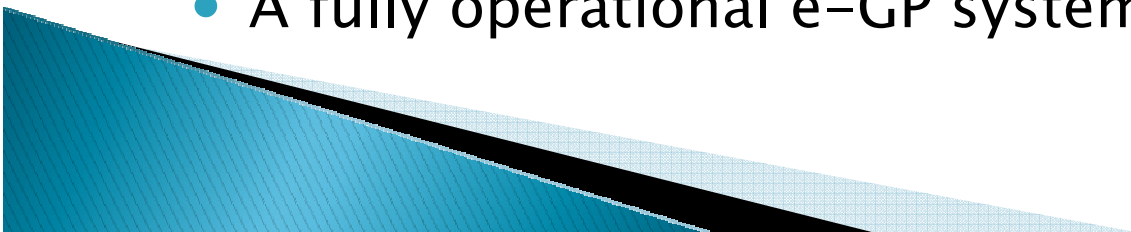
Why is Procurement Important?

- **Value**
 - 15 to 20 % of GDP
 - Can be as high as 70% as a percentage of budget expenditures
- **Impact on society**
 - Permeates all government activities and affects all aspects of society
- **Safeguarding of public funds**
 - Fiduciary responsibility – it is the public's money
- **Efficiency and effectiveness**
 - Inefficiency can account for 20% of value with corruption an additional 20%
- **Public and supplier confidence**
 - Undermined when procurement is perceived as politically manipulated, inefficient and/or corrupt



Need for transparency

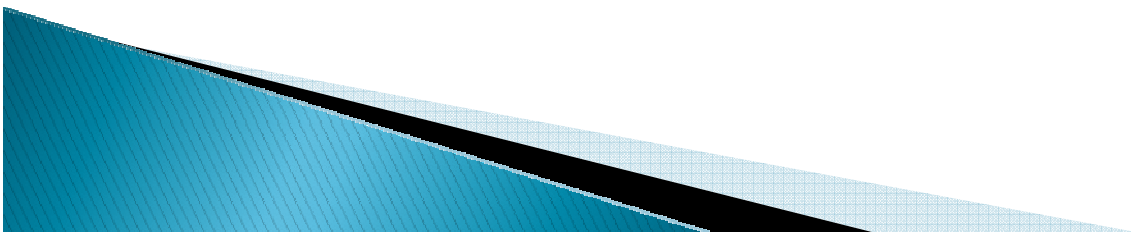
- Generalized perception is that:
 - Procurement equates with mismanagement and corruption
 - Process is politically manipulated
 - Contracts are awarded based on influence
- Remedies include
 - Clear, understood and applied procedures
 - An efficient, well trained and empowered cadre of procurement professionals
 - A transparent system with appropriate checks and balances and compliant mechanisms
 - Appropriate control and oversight systems
 - A fully operational e-GP system



Definitions

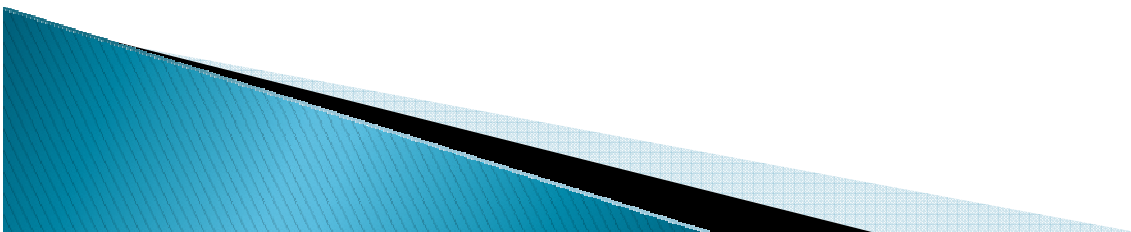
Essential decision makers understand

- Terminology and key procurement actions:
 - Unsolicited proposals
 - Sole source
 - Direct contracting
 - Reparable errors
- Ethical considerations
 - Clear definitions of corruption and observance of policies
 - Policy on gifts, gratuities, or other things of value, which might influence or appear to influence purchasing decisions



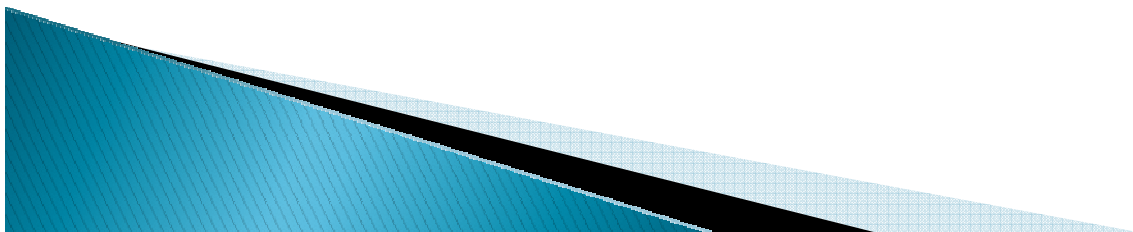
Stagnated inefficient Systems

- Put conformance ahead of performance
- Are over-legislated, rigid and formalistic
- Have been reformed
 - By introducing even more legislation driven by anti-corruption (Transparency) agenda
 - As a result of public pressure, and not political will to promote strategic management
- Have many layers of authority
- Don't allow for innovation
- Suffer from high attrition of already limited number of trained officials to the private sector
- Have high Transaction Costs
- Are obsessed with process and checklists



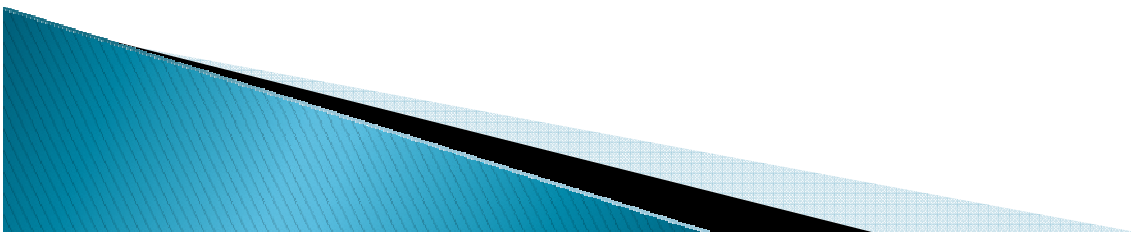
Modern Procurement Systems

- Play a central role in strategic management
- Feature multifaceted contracts and relationships
- Integrate long-term strategic partnerships
- Gather and use business intelligence
- Provide complete service solutions
- Deal with high-value and high-risk transactions
- Provide fertile ground for SME participation
- Foster efficiency and transparency
- Take advantage of new techniques, mechanisms
- Permit decision-making at appropriate levels



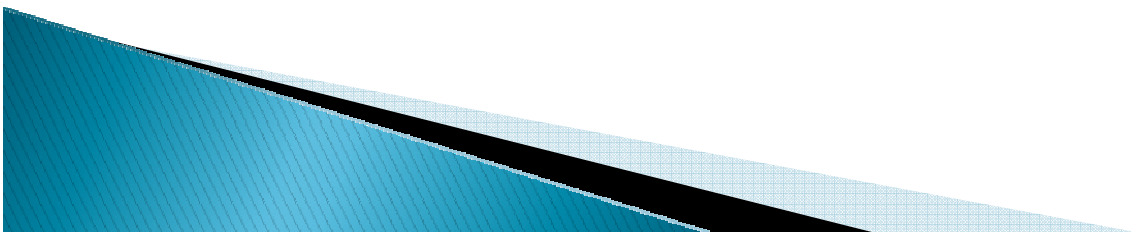
Jamaica's advances

- E-readiness assessment carried out
- Extensive consultation with stakeholders
- New legislation drafted
- Revised handbook
 - Makes process easier for practitioners
 - Strengthens ethics/anti-corruption
 - Clarifies code of ethics
 - Regulates unsolicited proposals
- e-GP system being readied
- Stage ready for consolidation of reforms



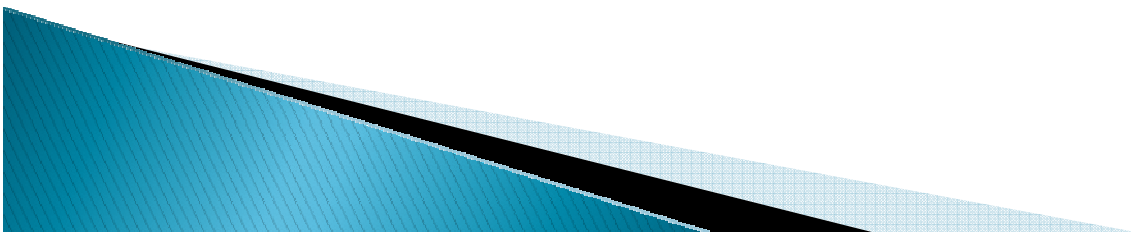
Consideration

- In view reforms and advances made by Jamaica high level officials should examine which of the considerations of stagnated systems still apply to the country, if any, and determine what can be done about them
- In addition, officials should consider how they can support process on sustainable basis to ensure success and set an example to the rest of the Caribbean



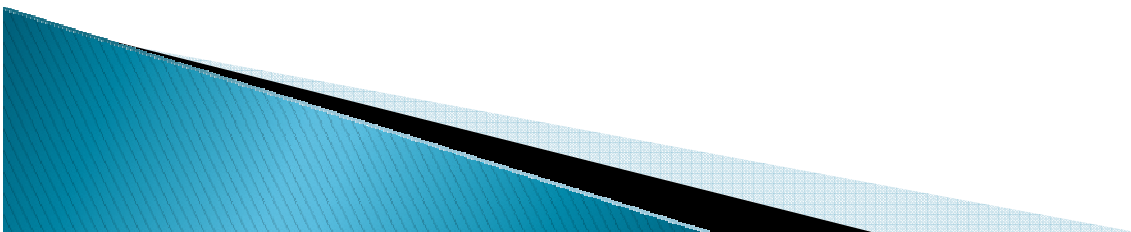
Who looks at Jamaica's Procurement System?

- National Stakeholders
 - Government officials
 - Civil society
 - Vendors and suppliers
- International Community
- Investors



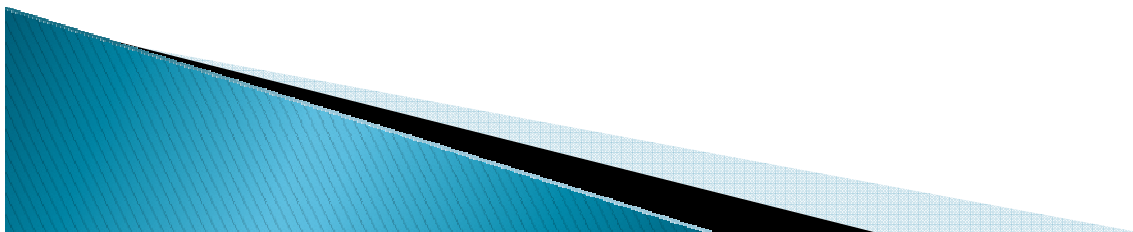
Internal Stakeholders

- Since procurement is a strategic government function, there is a wide variety of stakeholders throughout the government as well as civil society
- Stakeholders act as
 - Operators
 - Overseers
 - Watchdogs
 - Interested parties



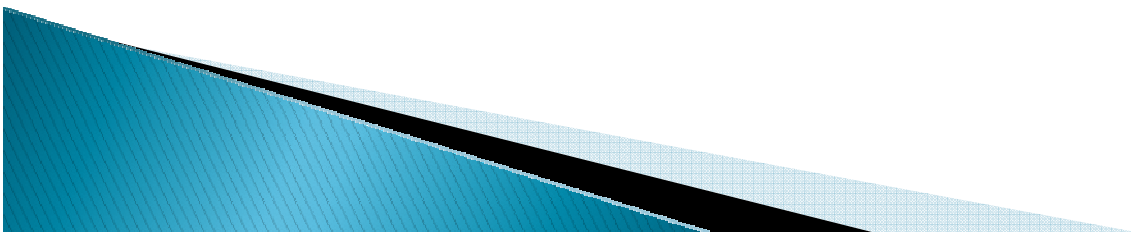
International Donor Community

- Procurement systems are the means through which aid is delivered
- The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action make strengthening national procurement systems a top priority
- Partner countries and donors committed to:
 - Use mutually agreed standards and processes
 - Commit sufficient resources to support reforms
 - Strengthen capacity development



International Investors

- Providing an enabling business environment is key to securing Foreign Direct Investment
 - Tax Burden
 - Ease of Doing Business
 - Long-term relationship with Government
- Government purchasing is of paramount importance in an economy, not just because of what is bought, but also how much and in what manner



International Investors

IFC: Doing Business 2011 Report

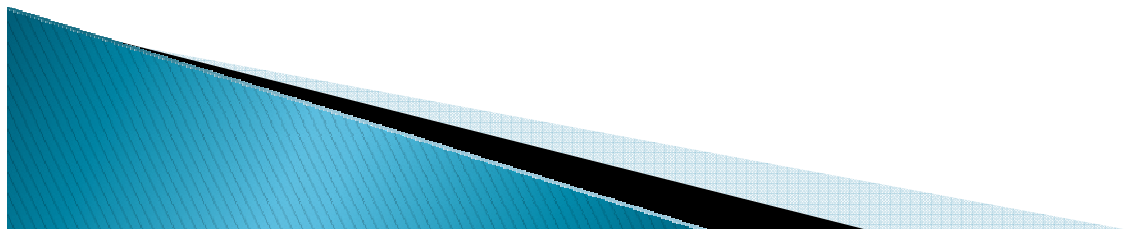
TABLE 6.1

Where is paying taxes easy—
and where not?

Easiest	RANK	Most difficult	RANK
Maldives	1	Jamaica	174
Qatar	2	Panama	175
Hong Kong SAR, China	3	Gambia, The	176
Singapore	4	Bolivia	177
United Arab Emirates	5	Venezuela, RB	178
Saudi Arabia	6	Chad	179
Ireland	7	Congo, Rep.	180
Oman	8	Ukraine	181
Kuwait	9	Central African Republic	182
Canada	10	Belarus	183

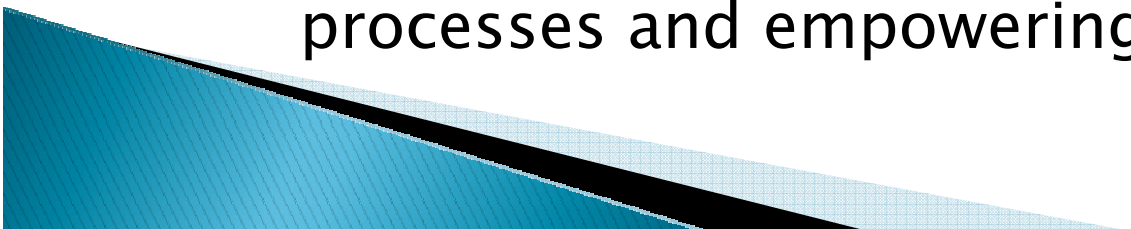
Note: Rankings are the average of the economy's rankings of the number of payments, time and total tax rate. See Data notes for details.

Source: Doing Business database.



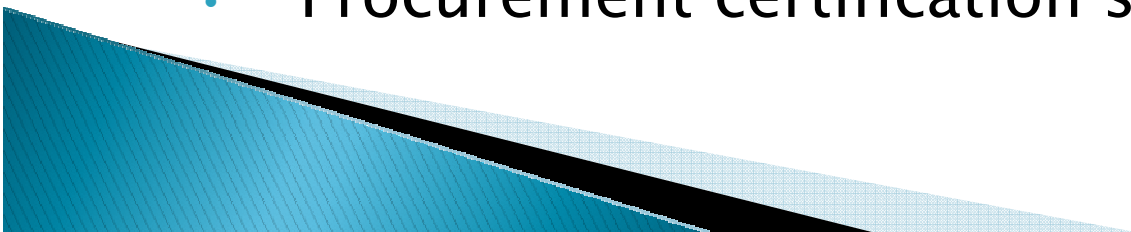
Business facilitation

- To facilitate business development and investments consider simplifying the list of procedures and documents required for TRN and TCC application in Jamaica as these affect foreign investments. These include:
 - Notarized copy of articles of incorporation
 - Notarized identification
 - Several forms
 - Five letters to five different entities
 - Local address and local contact to actually walk papers
- Also simplifying overall procurement processes and empowering officials



Procurement pending issues

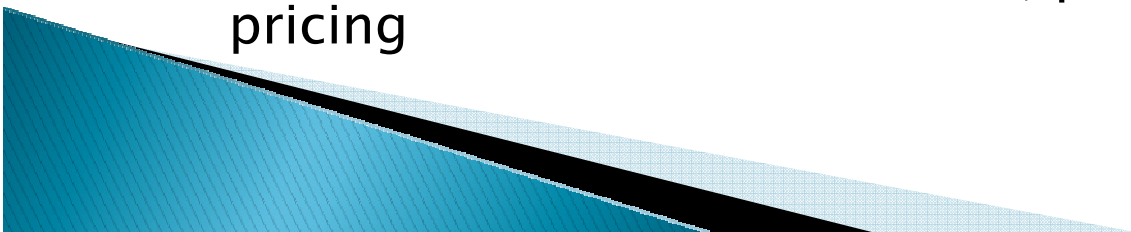
- New procurement Law to include:
 - Streamlined/simplified processes
 - Full introduction of e-GP
 - Publication of statistics and data
 - Data mining
 - M&E indicators
- Sustained capacity building at all levels
 - System operators
 - Procurement officials
 - Vendors and suppliers
 - Civil society
- Procurement certification system



Example of reform

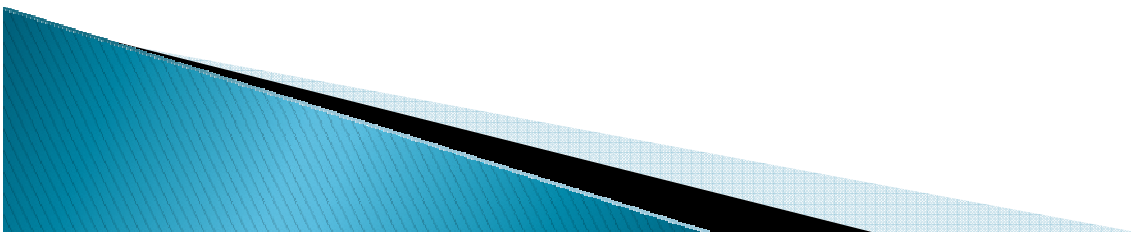
Minas Gerais (MG), Brazil

- 2003, Management Shock strategy to overhaul public sector operations is implemented because Procurement system:
 - Had no M&E tools to determine effectiveness and efficiency
 - Lacked information on civil works contracts
 - Had no CS monitoring capacity
 - Outdated catalogue meant obsolete or very expensive items
 - Decentralization prevented bulk buying of common items
 - 60% of contracts were awarded with no competition
 - Little or no use of e-GP
 - Opaque, cumbersome and time-consuming vendor payment processes increased cost of doing business
 - Strategic management positions vacant
 - Staff under-qualified
 - Better information was needed, particularly on contract pricing



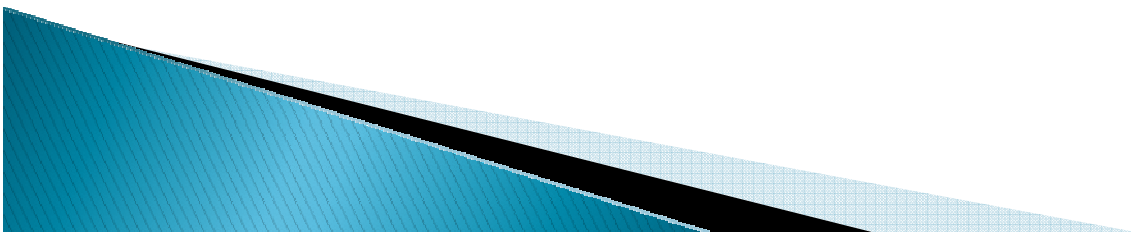
Minas Gerais, Brazil

- 2005, the World Bank provided technical expertise and grant financing to overhaul the Procurement System
- Significant results in two fronts
 - A shortened procurement cycle
 - Increased use of competitive procurement methods resulted in cost efficiencies



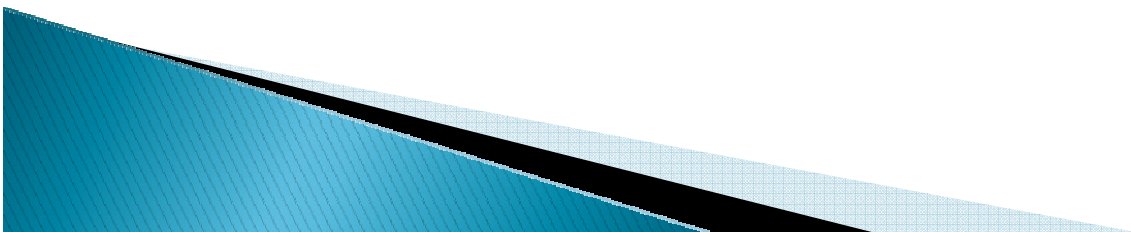
Minas Gerais, Brazil

- What did the Reform Strategy cover?
 - Developing of 10 performance indicators to enable M&E
 - Online system with reliable data on civil works contracts that can be accessed and searched by the public
 - New procedures based on a strategic approach to procurement
 - Redesigning business processes of transactional e-GP platform
 - Consolidation into a one-stop shop portal
 - Competitive bidding the norm, not to exception
 - Developing and implementing an e-Invoicing system
 - Improving controls and availability of information
 - Lowering the costs of issuing as well as participating in a competitive bid



Minas Gerais, Brazil

- Results 2005 –2010
 - Strategic approach – Increased competition – better prices
 - Savings \$77 million from 2005
 - Better planning, contract management – streamlined operations generated additional \$25 million savings per year
 - Information on \$11.7 billion of civil works contracts in 2009 were made available to the public
 - The number of contracts that bypassed a competitive process decreased from 12,904 in 2004 to 1,117 contracts in 2009
 - The cost of carrying out a procurement process was reduced by 33%
 - The cost of the private sector to prepare a bid for a government contract was reduced by an average of 81%

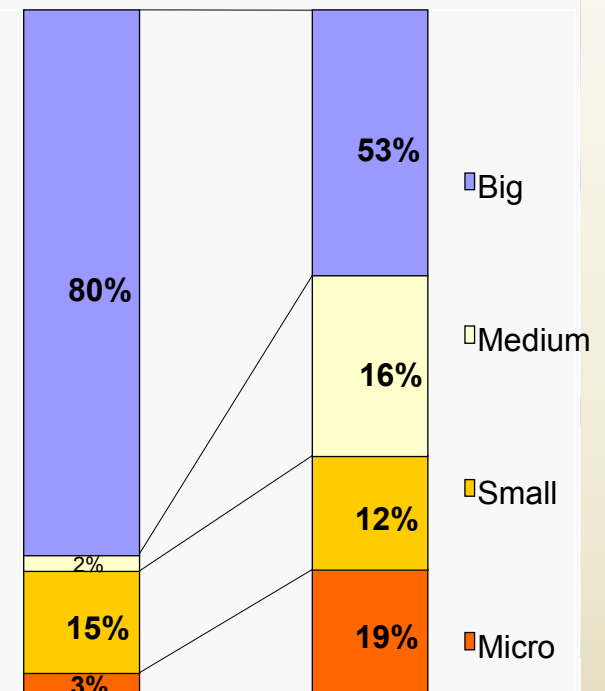


● Chile Public Procurement System

■ Synthesis 2010:

- ✓ Aims: Transparency + Efficiency + Electronic Commerce
- ✓ 900 Public Services: Agencies, Municipalities, Schools, Universities, Hospitals, Armed Forces
- ✓ 280,000 Companies registered in system
- ✓ 1,200.00 visitors per month
- ✓ 1.5 Million Purchase Orders per year valued at US\$ 4.500 million (3% GNP)
- ✓ Saving in prices / US\$ 100 million per year
- ✓ Substantial savings in time and effort
- ✓ 60 - 80% user satisfaction
- ✓ 35% SME participation

Sales participation per Company size (2004-2010)

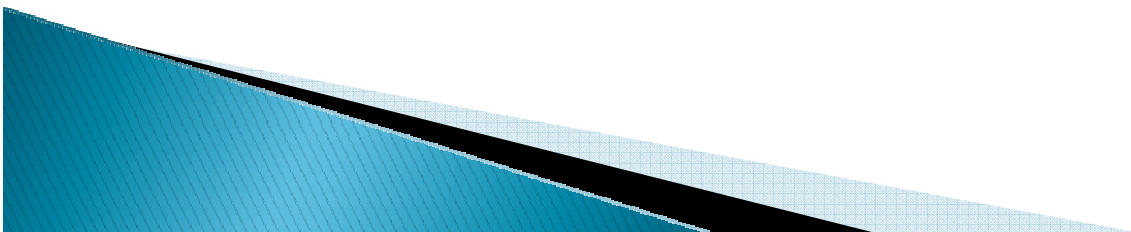


Chilean Marketplace

Source: CCS, ChileCompra, INE.

Consideration

- Could these experiences be replicated in Jamaica? Why or why not?
- Was the strategy as important as the politics?
- What are the external factors that possibly contributed to the success of the project?



Thank you

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