

TC ABSTRACT

I. Basic Project Data

▪ Country/Region:	Regional	
▪ TC Name:	Korea and LAC Partnership for Designing and Implementing Digital Transformation in Public Procurement	
▪ TC Number:	RG-T3499	
▪ Team Leader/Members:	Ana Cristina Calderón (IFD/FMM) Team Leader; Ana Lucia Dezolt; Maria Lorena Kevish; Young Jae Young; and Leslie Harper (IFD/FMM).	
▪ Taxonomy:	Research and Dissemination	
▪ Date of TC Abstract:	10 Jul 2019	
▪ Beneficiary:	Regional	
▪ Executing Agency:	Inter-American Development Bank	
▪ IDB funding requested:		US\$500,000.00
▪ Local counterpart funding:		US\$0.00
▪ Disbursement period:		30 months
▪ Types of consultants:	Individuals; Firms	
▪ Prepared by Unit:	Fiscal Management Division	
▪ Unit of Disbursement Responsibility:	Institutions for Development Sector	
▪ TC included in Country Strategy:	Yes	
▪ TC included in CPD:	No	
▪ Alignment to the Update to the Institutional Strategy 2010-2020:	Institutional capacity and rule of law	

II. Objective and Justification

- 2.1 The main objective of this technical cooperation (TC) program is to contribute to public procurement strengthening in Latin America and the Caribbean by promoting the use of digital technologies, application of innovative mechanisms for contract design and management; and promotion of capacity building initiatives to maximize the buying power that governments have, both in service delivery and in their public expenditure area.
- 2.2 In the face of shrinking budgets governments need to overcome technical and allocative inefficiencies for improving the management of their resources and they are realizing that significant savings can be gained by a well-organized and managed procurement systems as Public Procurement constitutes 29.8% of spending in Latin America and the Caribbean (LAC). Over the past two decades LAC region has made great strides to reform their procurement systems. Currently, this activity is usually organized following a common legal frame, ruled by a public procurement entity, and intensely implementing information and communication technologies. However, progress has not been consistent across the board, and further savings and efficiencies remain to be unlocked. For example, according IDB it is estimated that around 10 to 20 percent of investment in publicly funded construction projects may be lost through mismanagement and corruption.
- 2.3 The most common challenges to overcome this issue have been: first, limited knowledge of potential application of digital technologies. This includes the limited systematize information on the latest developments for improving designing and management throughout the whole procurement cycle, or about the potential application in the public arena of private sector digital tools or on research- based initiatives to understand for example suppliers' behavior when rules of the game are modified.

- 2.4 Second, lack of institutions to deal with an integral and inter-operable digital model of public procurement. Effective governance structures must be in place and act as a foundation for the implementation of modernization. However, there are still countries that need to strengthen their regulatory and monitoring entities, some of them are still third level offices within Ministries, they do not oversee the entire procurement system, or they lack capacity to do so.
- 2.5 Third, gaps in strategic planning for digital innovation 4.0. Digital technology and efficient tools implemented via dedicated e-procurement platforms, not only need to be informational but fundamentally transactional, and promote other digital innovations. Also, there is a need to have reliable and useful data in order to automatize data activities, that are a key component of 4.0 technologies.
- 2.6 Finally, the lack of human capital to implement innovation. This includes the shortage of staff that is trained about cutting-edge topics, as there is a need to support the efforts in transforming procurement roles with highly qualified personnel that is able to decide strategies and select innovative method. As a response to these challenges, this program will support governments in the region in strengthening their public procurement systems through the promotion of digital innovation, the development of a body of knowledge about the new tools that can promote fiscal savings, modernization of institutions building capacity activities in areas such as planning, management and supervision of public procurement activities.
- 2.7 The program will provide an opportunity for applying and sharing lessons learned from more advanced countries such as Korea. For example, the Korean KONEPS, that is the integrated e-procurement system, has contributed substantially to the efficiency, effectiveness and integrity of public procurement in Korea. And it would be a good opportunity for LAC countries to consider these this type of international, cutting edge knowledge in the area.

III. Description of Activities and Outputs

- 3.1 This TC will be implemented through 4 main components: (i) knowledge development and research; (ii) institutional strengthening; (iii) action plans and strategies on procurement management and capacity building and dissemination.
- 3.2 **Component I: Knowledge development and research.** This component is aimed at building a body of knowledge about cutting edge practices, technologies, tools and methodologies for public procurement. It will include (i) preparation of research products such as the state of the art on public procurement 4.0, (ii) preparation of case studies on public procurement at the sector level and (iii) the collection and designing of cost-benefit analysis of procurement interventions.
- 3.3 **Component II: Institutional strengthening.** This component will support the modernization of rules and organizations that are needed to enable a proper environment for a successful implementation of digital innovation. This includes: (i) review and update of regulatory frameworks; (ii) preparation of an organizational assessment tool; (iii) action plans for the modernization of directorates, agencies and other organizations at the national or subnational levels that are in charge of public procurement regulatory and monitoring functions.
- 3.4 **Component III: Action plans and strategies on procurement management.** This component will support governments in the preparation and implementation of targeted activities to support the improvement of macroprocesses in the management of public procurement, as well as the design and application of digital solutions for public expenditure at the sector level (i.e. procurement in health and infrastructure). The component will focus on: (i) the design of strategies and actions plans; and (ii) the implementation of pilots and targeted activities.

- 3.5 **Component IV: Capacity building and dissemination.** This component will support the development of highly skilled human resources in the public procurement area by supporting the implementation of technical events, visits and trainings that can foster south-south cooperation. The Korean Public procurement service agency will be a critical partner in the implementation of this component as it is recognized as one of the most advanced organizations among their peers in the area of procurement.

IV. Budget

Table 1. Indicative Budget

Activity/Component	IDB/Fund Funding	Counterpart Funding	Total Funding
Knowledge development and research	US\$80,000	US\$0.00	US\$80,000
Institutional strengthening	US\$80,000	US\$0.00	US\$80,000
Action plans and strategies on procurement management	US\$140,000	US\$0.00	US\$140,000
Capacity building and dissemination	US\$200,000	US\$0.00	US\$200,000
Total	US\$500,000	US\$0.00	US\$500,000

V. Executing Agency and Execution Structure

- 5.1 This TC will be executed by the Bank and supervised by the Fiscal Management Division (IFD/FMM) in coordination with relevant Bank divisions such IDB country offices and FMP as well as with the Inter-American Network on Government Procurement (INGP).
- 5.2 The justification for this execution structure is that this is a regional program that will include relevant activities around LAC. Bank execution is required as it will enable the program to consider the variety of experiences and lessons learned from the diverse governments and possibly from other countries outside the region which is critical as several countries in Latin America and the Caribbean are still transitioning to procurement systems with better institutions and more agile processes, therefore they need to have a better understanding of other countries experiences.

VI. Project Risks and Issues

- 6.1 For the activities to be successful, this program will require on-going participation and commitment on behalf of the countries. There is a risk that competing priorities will slow the process down. This will be mitigated by ensuring countries ownership of the process from the beginning. There is also the possible risk of limited response of beneficiary entities to participate in due to the limited knowledge of the program or its benefits. This will be mitigated by building awareness of the project among beneficiary entities through a close collaboration with the Inter-American Network on Government procurement (INGP).
- 6.2 In addition, a significant effort will be required to build the necessary capacity in the region, particularly the time required on the part of public officials. This risk will be mitigated by providing training that is highly relevant to the work and careers of the participating officials. To that regard following actions will be carried out: (i) preparation and implementation of customized training for the LAC context; (ii) raising public awareness of the need for strengthen public procurement systems; and (iii) maintaining a continuous dialogue with the governments.

VII. Environmental and Social Classification

- 7.1 The ESG classification for this operation is "undefined".