

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK
MULTILATERAL INVESTMENT FUND

REGIONAL

**STRENGTHENING PUBLIC PROCUREMENT SYSTEMS THROUGH
ICTs AND MSME PARTICIPATION**

(RG-M1117)

DONORS MEMORANDUM

This document was prepared by the project team consisting of Antonio Ca'Zorzi, Project Team Leader (MIF); Carlos Lago (VPC/PDP); Carlos Pimenta (ICF/ICS); Leslie Harper (ICF/ICS); Carla Bueso (MIF); Juan Carlos Pérez-Segnini (LEG); and Sandra Iriarte (MIF).

CONTENTS

EXECUTIVE SUMMARY

I.	BACKGROUND AND RATIONALE	1
II.	PROJECT OBJECTIVES AND DESCRIPTION	4
	A. Objectives.....	4
	B. Components	4
III.	COST AND FINANCING.....	7
IV.	PROGRAM EXECUTION	8
V.	MONITORING AND EVALUATION.....	10
VI.	BENEFITS AND RISKS.....	10
VII.	ENVIRONMENTAL AND SOCIAL CONSIDERATIONS	10

ANNEXES

Annex I	Logical Framework
Annex II	Itemized Budget
Annex III	ICT Cluster Projects

APPENDICES

Proposed resolution

INFORMATION AVAILABLE IN THE MIF TECHNICAL FILES

Document I	Operating Regulations
Document II	Procurement Plan
Document III	“Background Study: The Status of e-Procurement Reforms in Central and South America,” IDB, January 2008
Document IV	Compromisos Adquiridos en Grupos de Trabajo de la Red Interamericana [Commitments Adopted in Working Groups of the Inter-American Network]

ABBREVIATIONS

B2G	Business to government
ESR	Environmental and Social Review
ICT	Information and communication technologies
IDRC	International Development Research Centre
IDRC/ICA	IDRC Institute for Connectivity in the Americas
MSME	Micro, small, and medium-sized enterprises
OAS	Organization of American States
RICG	Red Interamericana de Contrataciones Gubernamentales [Inter-American Government Procurement Network]
SME	Small and medium-sized enterprises
TTG	Thematic task group

**REGIONAL
STRENGTHENING PUBLIC PROCUREMENT SYSTEMS THROUGH
ICTs AND MSME PARTICIPATION
(RG-M117)**

EXECUTIVE SUMMARY

Executing agency:	The MIF and the International Development Research Centre's Institute for Connectivity in the Americas (IDRC/ICA).	
Beneficiaries:	The direct beneficiaries of the program will be the procurement agencies of the Latin American and Caribbean governments. The end beneficiaries will be the micro, small and medium-sized enterprises (MSMEs) established in those countries.	
Financing:	MIF (nonreimbursable):	US\$5,000,000
	IDRC/ICA:	US\$1,325,000
	Local counterpart (estimated):	<u>US\$2,600,000</u>
	Total:	US\$8,925,000
Objectives:	The general objective is to increase MSME competitive participation in public procurement processes in the region. The specific objective is to identify and implement best practices and information and communication technologies (ICT) in public procurement and public-private institutional cooperation systems, in order to enhance the efficiency and transparency of contracting processes and facilitate MSME access and participation in them.	
Execution timetable:	Execution period:	48 months
	Disbursement period:	54 months
Special contractual clauses:	As a condition precedent to the first disbursement of MIF resources, a memorandum of understanding will be signed between IDB/MIF and IDRC/ICA.	
Exceptions to Bank policy:	None.	
Environmental and social review:	The Environmental and Social Review process (ESR 32-07 of 24 August 2007) yielded no comments on the program.	

**Coordination
with other
development
finance
institutions:**

The project has been coordinated with the Organization of American States (OAS), which supports and currently serves as secretariat of the Red Interamericana de Contrataciones Gubernamentales [Inter-American Government Procurement Network] (RICG).

I. BACKGROUND AND RATIONALE

- 1.1 Since the beginning of the decade, governments in the region have been reforming and modernizing their public procurement systems to make them more efficient and transparent and, through increased competition, to achieve substantial savings in public expenditures. These changes also reflect the need to adapt to international standards, such as those of the World Trade Organization, as well as regional or bilateral treaties signed by the countries in recent years.
- 1.2 Procurement systems reform is also an instrument of economic policy: public entities, including central and local governments and state-owned enterprises, command a 15% to 20% share of gross domestic product (GDP) and are the largest buyers in national markets. In general, governments have made strengthening the competitiveness of micro, small and medium-sized enterprises (MSMEs) a key objective in their economic policies, and regard participation in public procurements as a growth factor for them. Several countries plan to increase MSME participation through the lifting of technical, financial, and information barriers to their entry into the public procurement market.
- 1.3 Legislative reforms and migration of procurement systems to the Internet, coupled with timely awareness-raising and technical assistance actions, are already producing notable results for MSMEs: in Chile, for example, the share of microenterprises and small businesses in the public procurement market increased from 24% to 34% between 2004 and 2007.¹ In terms of reducing public expenditures, the benefits are clear: in Brazil, for example, the system of online reverse auctions has generated 14% savings in one year.²
- 1.4 Public procurement remains primarily a matter of national legislation, despite its relationship to international trade agreements. Accordingly, each country has pursued procurement reform and e-procurement at its own pace and according to its own priorities, resulting in disparate progress between the region's countries in this area, and in certain cases the platforms and standards developed are incompatible.
- 1.5 The region's countries, particularly the authorities responsible for designing and implementing legal and regulatory reforms and modernizing technology, clearly perceive the need to strengthen regional cooperation and promote the exchange of lessons learned. These exchanges produce clear benefits in two principal areas: first, the development of a shared knowledge base of legal and regulatory reforms, outcomes achieved, and lessons learned; and second, the transfer of this knowledge and, where applicable, of systems based on information and communication technologies (ICT), between countries.

¹ Source: Informe Mipe ChileCompra 2006-2007 [ChileCompra Microenterprise and Small Business Report 2006-2007]. [https://www.chilecompra.cl/portal/files/acerca/informe_MIPE_2007.pdf]

² Source: Rogerio Santana, "Electronic Procurement Allows for Inspection by Society," Global Forum on Governance, Rio de Janeiro, 2007. [<http://www.oecd.org/dataoecd/0/51/39612372.pdf>]

- 1.6 In the context of mutual cooperation, the national procurement institutions, with support from the Organization of American States (OAS) and the International Development Research Centre's Institute for Connectivity in the Americas (IDRC/ICA), have established the Red Interamericana de Compras Gubernamentales [Inter-American Government Procurement Network] (RICG). Since 2002, the RICG has become a leader in regional cooperation. Its objective is to advance an agenda of reform of public procurement systems in the Latin American and Caribbean countries by identifying and promoting the adoption of best practices and exchange of technical resources. In 2006, the RICG completed a mapping for the evolution and requirements of national procurement systems to serve as the basis for the network's activities in 2007.³
- 1.7 The RICG has identified five priority areas for cooperation among the member countries: (a) government e-procurement development strategies; (b) MSME competitive participation in government procurements; (c) training and professional development in government procurement; (d) harmonization of government procurement practices; and (e) financial mechanisms for transactions with MSMEs. In the area of MSME participation in government procurements, the priority issues are currently managing demand and public-private cooperation. In the area of harmonization of practices, three themes of interest have emerged: supplier lists, goods and services catalogues, and electronic accreditation.⁴
- 1.8 As agreed with the RICG and OAS, the proposed project will concentrate mainly on the areas of harmonization of practices and MSME competitive participation in government procurements.⁵ With respect to **harmonization of practices**, the priorities identified by RICG members are: (i) the introduction of online platforms and improvement of existing public procurement systems;⁶ (ii) the development of **supplier lists**, which, as the case of Chile shows, have enabled MSMEs to access public procurement processes by simplifying requirements for legal documentation; (iii) the adoption of a single standard for **goods and services catalogues**,⁷ which will enable market participants to search, compare, and classify goods, services, and works to be purchased by public entities; and (iv) the strengthening of **electronic**

³ The paper, "Compromisos Adquiridos en Grupos de Trabajo de la Red Interamericana" [Commitments Adopted in Working Groups of the Inter-American Network], approved in 2007, is available for consultation in the MIF technical files.

⁴ These issues were addressed at the public procurement meeting organized by the IDB and the RICG in Panama on 23 and 24 January 2008. The meeting was supported by the Korean Trust Fund of the IDB.

⁵ Under this project, the decision was made to merge the MSME-related themes into a single set of activities devoted to MSME participation. Certain activities related to the development of e-procurement strategies will also be financed or cofinanced with the OAS.

⁶ A readiness assessment of the region's public procurement systems is provided in Background Study: The Status of e-Procurement Reforms in Central and South America, presented by the IDB at the Panama meeting (see technical files).

⁷ Classification methods such as the United Nations Standard Products and Services Code (UNSPSC) and the European Union's Common Procurement Vocabulary (CPV) will be used.

accreditation, which is a key feature e-procurement system security, through the adoption of digital signature systems of consistent with national laws that provide acceptable levels of security and are compatible with user-authentication systems, so that business and government transactions can be executed between countries.

- 1.9 In the area of **MSME participation** in government procurements, certain barriers created by inadequate **demand management** must be overcome by introducing new procurement practices, such as subdivision into lots, reverse auctions, and annual procurement reporting. **Institutional cooperation** between government procurement entities and private-sector organizations can facilitate training, technical assistance, and MSME entry into the public procurement market. MSME participation in government procurement also requires **financial system linkages**, to provide alternatives with respect to timely payment and the access to lending and hedging instruments necessary for MSMEs to make offers and contracts.
- 1.10 Strengthening procurement systems through the use of ICT will produce direct and indirect benefits for MSMEs. With a greater presence in online public markets, enterprises will become familiar with national and international digital and e-commerce practices, particularly in business-to-business transactions. In addition, the adoption and dissemination of standards in crucial areas, such as goods and services catalogues or specific “languages”⁸ for online business transactions, can facilitate trade between the region’s countries.
- 1.11 The IDB and MIF have been doing significant work in the public procurement sector, supporting the modernization of procurement systems in countries including Bolivia, Chile, Ecuador, El Salvador, Peru, and Trinidad and Tobago, as well as providing training and advisory services to strengthen MSMEs interested in accessing the public procurement market. In the latter of these two areas, the MIF has financed a program of Government e-Procurement Support for SMEs (B2G) (RG-M1021), executed by business associations in Argentina, Chile, and Peru;⁹ a project in Colombia (ATN/ME-8893-CO) involving state-owned enterprises; and a project in El Salvador (ATN/ME-10542-ES) to support MSME participation in government procurement there that is also involved in regional activities of the B2G project, so as to learn from the experience and utilize best practices. The proposed project complements these others, in supporting government adoption of systems to foster competitive participation of MSMEs in public procurement, and in strengthening public-private cooperation in this area generally. The project also fits into the MIF’s strategy to strengthen MSMEs’ adoption of ICT, as the introduction of online procurement systems and online government services in general are a critical step in this direction.

⁸ Standards such as UBL (Universal Business Language), recently derived from the advanced Internet protocol XML (Extensible Markup Language). UBL includes electronic documents and processes applied in the business sector that recently have been adopted by several governments for use in e-procurement.

⁹ The B2G program is divided into three national projects: Argentina (ATN/ME-9076-AR), Chile (ATN/ME-9077-CH), and Peru (ATN/ME-9078-PE).

II. OBJECTIVES AND DESCRIPTION

A. Objectives

- 2.1 The general objective is to increase MSME competitive participation in public procurement processes in the region. The specific objective is to identify and implement best practices and information and communication technologies (ICT) in public procurement public-private institutional cooperation systems, in order to enhance the efficiency and transparency of contracting processes and facilitate MSME access and participation in them.

B. Components

- 2.2 **Component I:** Best practices in ICT use and MSME participation in public procurement systems (IDRC/ICA US\$1,101,000).
- 2.3 The objective of this component is to identify, build consensus, and help implement best practices in public procurements, in terms of procurement processes, extensive use of ICT-based systems, adoption of common standards, and MSME participation. The following activities will be conducted: (i) formation of up to nine thematic task groups (TTGs)¹⁰ on specific themes; (ii) national and international studies and comparative analyses related to the program's priority themes; (iii) dissemination of outcomes and recommendations in the region's countries; and (iv) preparation of the program baseline and documentation of lessons learned.
- 2.4 An initial phase of analysis to be conducted by the TTGs will focus on the following priority areas: (i) harmonization of public procurement processes and standards, including the themes of supplier lists, classification of goods and services, and authentication of persons and processes; and (ii) competitive participation of MSMEs in public procurements, including the following topics: development of financial instruments for MSMEs (guarantees, access to credit, prompt payment); incorporation of market mechanisms into national regulations, to facilitate MSME participation; and institutional partnerships to promote government procurement to MSMEs. The thematic areas will be reviewed and updated over the life of the program according to the RICG's priorities.
- 2.5 Each TTG will comprise representatives from four or five countries of the region that have made, or are set to make, investments in the specific area addressed by the TTG. The TTGs will be coordinated by experts in the assigned themes who will also conduct analyses of existing alternative systems at the international level. If necessary, the TTGs will invite representatives of public procurement entities in other countries to present initiatives and experiences of interest. The TTGs will prepare reports and manuals presenting results achieved and recommendations for the use of ICT and implementation of best practices in the country public procurement systems of Latin America and the Caribbean. These reports and manuals will then be updated with the lessons learned from the country projects

¹⁰ In Spanish: "Grupos de trabajo temáticos."

- financed under Component II of this program. The TTG analysis work will also involve research into ICT trends (“technology forecasting”), comparative studies, and government policy studies relating to the program’s priority areas.
- 2.6 This component will also include preparing the program baseline, dissemination activities such as two meetings with government representatives, development of a program website in coordination with the RICG, and preparation of dissemination materials and videos.
- 2.7 Expected outcomes of this component include: (i) preparation and dissemination (potentially in Wiki format)¹¹ of at least six strategy implementation reports and manuals in the program’s priority areas; (ii) a consensus among public procurement officials in Latin America and the Caribbean on the adoption of minimum standards and recommended best practices; (iii) expansion of the thematic areas relevant to modernizing procurement systems and increasing MSME participation; (iv) strengthening of the RICG as an instrument of regional cooperation; (v) a network of public procurement systems experts, formed in conjunction with other OAS professional development initiatives. The reports and documents produced under this component will be released as regional public goods (see paragraph 4.7).
- 2.8 **Component II:** Financing of projects (MIF US\$4 million); Counterpart US\$2.6 million)
- 2.9 The objective of this component is to strengthen e-procurement systems and improve conditions for MSME access to the public procurement market in the region. The following activities will be conducted: (a) design of implementation strategies for national or subregional e-procurement systems; (b) project financing to implement best practices or innovations in priority areas.
- 2.10 **Design of procurement system implementation strategies.** A number of countries in the region¹² have yet to establish strategies for modernizing their procurement systems, including ICT adoption, which is a precondition for instituting the best practices identified and supported by the program. The program will therefore finance consulting engagements to design e-procurement strategies for the beneficiary countries.¹³
- 2.11 **Project financing.** The projects to be financed will focus on the program’s two priority areas: harmonization of procurement systems and MSME access to public procurements. The projects will seek to: (i) adopt and adapt best practices already

¹¹ “Wiki” is a collaborative knowledge management system in which different users can modify or add text and documents. The best-known example of a wiki is the online encyclopedia, Wikipedia. The system is frequently used in developing software manuals and in collaborative projects. The publication of reports online in “wiki” (or similar) format will facilitate their dissemination, publication, and update by users.

¹² To date, the following countries have identified the need to develop or strengthen their strategy for procurement system reform and modernization, including the adoption of e-procurement: Bolivia, Costa Rica, the Caribbean countries, and Uruguay.

¹³ This activity will be conducted in coordination with the OAS.

tested in other countries of the region or at the international level; (ii) implement common regional standards set by consensus at the RICG level; (iii) design and implement mechanisms for interagency cooperation and services, including partnerships with the private sector and financial institutions; and (iv) introduce and test innovative processes and/or technologies, including advanced applications and mobile technologies. The projects may include ICT solution design activities, upgrades to existing systems, review and reform of regulatory frameworks, staff training at beneficiary entities (government agencies and entities supporting MSMEs), evaluations and lessons learned, and workshops and conferences to promote the project and disseminate outcomes.¹⁴

- 2.12 **Eligible institutions.** Financing from this component is available to national institutions responsible for setting government procurement policies and regulations and/or conducting public procurement processes. Proposals will also be considered from local governments or sector agencies (e.g. health sector) working in coordination with national institutions. The institutions may consider partnering with private-sector organizations, business associations, and/or financial institutions for the project.
- 2.13 **Project selection and approval.** The projects to be financed by the program will be proposed by eligible institutions. They will be selected and approved in two phases. In the first phase, the beneficiary entities will submit a project profile to the MIF for its no objection. In the second phase, the entities will prepare a project proposal to be sent to the MIF for consideration and final approval. In both phases, the MIF will coordinate a consultation process within the IDB¹⁵ and with other institutions supporting the RICG.¹⁶ The MIF General Manager will approve national projects selected for financing, when the MIF contribution does not exceed US\$250,000.¹⁷ Two calls for proposals will be conducted each year for project selection. Individual projects must at least: (a) provide sufficient information to evaluate the proposal and monitor the operation; (b) demonstrate the availability of counterpart resources; (c) be compatible with the program's objectives and priority areas; and (d) not duplicate other projects financed by the IDB. The MIF will coordinate a consultation process for project selection within the IDB¹⁸ and with

¹⁴ The procedures for the selection, execution, and supervision of individual projects are detailed in the program Operating Regulations. During the program, MIF Management may make modifications to the selection mechanisms. The draft Operating Regulations for the program are available in the program files.

¹⁵ The IDB departments involved in public procurement policy and projects will be consulted, specifically the Institutional Capacity of State Division (ICF/ICS) and the Operations Procurement Office (VPC/PDP). The Bank's Country Office in the country where the project will be executed will also be consulted.

¹⁶ A similar process is being used for the ICT4BUS program (ATN/ME-9733-RG).

¹⁷ Projects with a MIF contribution above this threshold will be submitted to the Donors Committee by short procedure.

¹⁸ The IDB departments involved in public procurement policy and projects will be consulted, specifically the Institutional Capacity of State Division (ICF/ICS) and the Operations Procurement Office (VPC/PDP). The Bank's Country Office in the country where the project will be executed will also be consulted.

other institutions supporting the RICG.¹⁹ The MIF office will provide a semiannual report to the Donors Committee on program progress and the projects selected during the period.

- 2.14 **Financing and eligible costs.** The program will provide up to US\$250,000 in financing for each country project selected, subject to an annual limit of one project per country and a cumulative maximum of US\$400,000 per country. Each project will require a minimum local counterpart contribution of 30% to 50%, depending on the country. The MIF financing will cover outside consulting services including legal and technical consulting, staff training costs for procurement entities and others involved in the projects, dissemination of outcomes, procurement of technology goods and services, and international travel. The administrative costs (coordination and logistics) will be considered part of the counterpart funding. The execution periods for the country projects will not exceed 24 months.
- 2.15 **Project execution and monitoring.** The projects will be executed on the basis of the MIF guidelines for results- and performance-based project management, and will be monitored from the Bank's Country Office in Uruguay with the support of the country offices of the respective countries.
- 2.16 **Expected outcomes.** By program end: (i) at least 15 national initiatives will be executed, at least 10 of them involving technology transfer and/or adoption of best practices and standards; (ii) e-procurement implementation strategies will be developed in at least three countries; (iii) 1,500 staff of government agencies and participating organizations will be trained in the use of adopted tools and best practices; and (iv) a set of lessons learned and best practices will be generated by the projects.

III. COST AND FINANCING

- 3.1 The total cost of the project is US\$8,925,000. The MIF will contribute 56% of that amount in nonreimbursable resources (US\$5 million); the counterpart contribution will be supplied by IDRC/ICA (US\$1,325,000) and the national procurement institutions associated with the RICG (US\$2.6 million). The MIF contribution includes US\$70,000 for ICT cluster activities, to be administered by the MIF office.

¹⁹ A similar process is being used for the ICT4BUS program (ATN/ME-9733-RG).

Budget (US\$)

Components	MIF	IDRC/ICA	Local	Total	%
Component I. Best practices in ICT use and MSME participation in public procurement systems	0	1,101,000	0	1,101,000	12%
Component II. Financing of projects	4,000,000	0	2,600,000	6,600,000	74%
Strengthening of RICG	170,000	0	0	170,000	2%
Project management	576,000	224,000	0	800,000	9%
Evaluations	100,000	0	0	100,000	1%
Contingencies	84,000	0	0	84,000	1%
Total	4,930,000	1,325,000	2,600,000	8,855,000	99%
ICT Cluster	70,000	0	0	70,000	1%
Program Total	5,000,000	1,325,000	2,600,000	8,925,000	100%

- 3.2 **Sustainability.** The program's sustainability is tied to the adoption by country procurement systems in the region of technologies and best practices identified and implemented under this initiative. The program will also yield sustained benefits for MSMEs through effective access to the public procurement market. It will also strengthen the RICG as a regional cooperation mechanism for country public procurement entities.

IV. PROGRAM EXECUTION

- 4.1 The project has two components. Component I, "Best practices in ICT use and MSME participation in public procurement systems," will be financed and executed by International Development Research Centre's Institute for Connectivity in the Americas (IDRC/ICA). Component II, "Individual project financing" will be funded and administered by the MIF office of the IDB. The donor organizations will sign an memorandum of understanding to formalize their involvement in this program.
- 4.2 The International Development Research Centre is a Canadian Crown corporation founded in 1970 to support applied research and the use of science and technology to support the world's developing regions. Based in Ottawa, the IDRC has six regional offices, including one in Montevideo, Uruguay, and over 400 employees. The Institute for Connectivity in the Americas specializes in ICT with a geographic focus on the Latin American and Caribbean region. It has supported e-government initiatives (including the e-Government in Latin America and the Caribbean Network (Red GEALC) in partnership with the OAS), thematic networks including the RICG, education, health, wireless connectivity, and community Internet access points (telecentros). In 2002, the IDB and IDRC/ICA signed a memorandum of understanding, and cooperation with the MIF began under the "ICT4BUS" ICT innovation program for e-business and SME development (ATN/ME-7956-RG and ATN/ME-9733-RG), to which IDRC/ICA has so far contributed US\$1.2 million.

- 4.3 The project was developed, and will be executed, in cooperation with the Red Interamericana de Contrataciones Gubernamentales [Inter-American Government Procurement Network] (RICG) and the Organization of American States (OAS). The RICG²⁰ was created by the national government procurement directors or their equivalents of the OAS member states. It has been operating since 2003 with support from the OAS Government Procurement Program and the IDRC/ICA. The RICG's objective is to share lessons learned and good practices and coordinate the activities and efforts of its members. The OAS serves as technical secretariat of the RICG. In allocating its resources, the OAS will give priority to training and career development programs for public officials, developing e-procurement strategies, and integrating Caribbean countries into the RICG. In order to strengthen its capacity to coordinate with the proposed program's activities, an RICG manager will be contracted in conjunction with the OAS.
- 4.4 The program Operating Regulations, agreed upon by the IDB/MIF and IDRC/ICA, will establish the mechanisms for cooperation on annual programming, procurement, conduct of activities, and program monitoring and evaluation. A program advisory committee will also be formed, to include the RICG president and representatives of the Caribbean Community (CARICOM), IDRC/ICA, the IDB/MIF, and the OAS. The advisory committee will be consulted on proposed modifications to the program Operating Regulations, review of priority areas, and the annual strategic plan.
- 4.5 **Execution Period.** The execution period and disbursement period for the overarching program will be 48 months and 54 months, respectively.
- 4.6 **Procurement.** The procurements for Component II, financed and executed by the IDB/MIF, will be conducted in accordance with the Policies for Procurement of Works and Goods Financed by the Inter-American Development Bank (document GN-2349-7), the Policies for the Selection and Contracting of Consultants Financed by the Inter-American Development Bank (document GN-2350-7), and the MIF guidelines. The project team will review the institutional capacity of each executing agency for the country projects and determine the supervision arrangements on a case-by-case basis according to the rated risk. Given that the majority of the institutions eligible to submit projects are the national institutions responsible for setting government procurement policies and regulations and/or conducting public procurement processes, their capacity is expected to be strong, and the risk low, so the ex post review method will be used for supervision.
- 4.7 **Intellectual property rights.** Intellectual property rights arising in the context of the program will be handled according to the policies of the institution financing the output in question (IDB/MIF or the IDRC/ICA). In order to ensure the broadest

²⁰ The RICG cannot serve as executing agency for a program such as this one, because it has no separate legal status. At the same time, the program execution structure ensures that the RICG will remain neutral in the approval process for projects submitted by its members.

possible dissemination and access in the public domain, the outputs will be covered by open licenses.

V. MONITORING AND EVALUATION

- 5.1 The MIF will be responsible for processing and making disbursements for individual projects (Component II), ensuring compliance with IDB procedures and the contractual clauses, supervising individual projects, and receiving the audited financial statements and audit reports. The MIF officers at the Bank's country offices where the projects are being executed will assist in their monitoring.
- 5.2 Two program evaluations will be conducted. A midterm evaluation, 24 months after the start of the execution period, will look at program progress; the program execution mechanism; the selection mechanism and criteria, financing, and monitoring of individual projects; and the relevance of the priority investment areas. The final evaluation will identify: (i) the economic benefits achieved; (ii) best practices; and (iii) proposed mechanisms to ensure continuity of program benefits. The IDRC and the MIF will cooperate in contracting and monitoring the evaluations.

VI. BENEFITS AND RISKS

- 6.1 **Benefits.** The program's main benefits will be: (i) increased MSME participation in public procurements; (ii) greater transparency in government procurement processes; (iii) more efficient public procurement processes; (iv) savings on procurement processes and the cost of the purchased goods and services; and (v) adoption of common standards to facilitate trade between countries.
- 6.2 **Risks.** The program carries the following risks: (i) the governments of the region may not view greater efficiency and transparency in public procurements as a priority; (ii) enhanced efficiency in procurement systems may serve to marginalize MSMEs with insufficient resources to effectively engage in procurement processes; and (iii) the RICG's leadership and coordinating role in this area may decline.
- 6.3 To mitigate these risks the program plans: (i) to finance awareness-raising and promotional activities in these areas, to be conducted under the auspices of the RICG; the OAS will coordinate the policy dialogue process among its members on e-government and transparency issues; (ii) to develop measures to engage MSMEs in procurement systems, as well as to coordinate closely with private-sector entities representing the MSME sector; and (iii) to adapt the program execution mechanism to changes in the regional institutional environment.

VII. ENVIRONMENTAL AND SOCIAL CONSIDERATIONS

- 7.1 In principle, the program presents no environmental or social risks, since its focus is the development and dissemination of best practices for government procurement

and ICT use. The Environmental and Social Review process (ESR 32-07 of 24 August 2007) yielded no comments on the program.