

TECHNICAL COOPERATION DOCUMENT

I. BASIC INFORMATION

Country/Region:	Regional
TC Name:	Asia - Latin-America e-Government Procurement Initiative.
TC Number:	RG-T2412
Team Leader/Members:	Leslie Harper (IFD/FMM), Team Leader; Jong Wok Lee (IFD/FMM); Viviana Maya (LEG/SGO); Javier Davila (VPC/FMP); Daniel Sanchez; Ana Cristina Calderon and Marina Massini (IFD/FMM).
Taxonomy:	Research and dissemination
Date of TC Abstract authorization:	June 9, 2014
Beneficiaries:	Procurement agencies, private sector, and line ministries
Executing Agency:	Inter-American Development Bank through the Fiscal and Municipal Management Division (IFD/FMM)
Donors providing funding:	Public Capacity Building Korea Fund for Economic Development ¹
IDB Funding Requested:	US\$630,000
Local Counterpart Funding, if any:	US\$50,000
Total:	US\$680,000
Disbursement period:	Disbursement period: 36 months Execution period: 34 months
Required start date:	November 1, 2014
Types of consultants:	Firms/ individual consultants
Prepared by Unit:	IFD/FMM
Unit of Disbursement Responsibility:	IFD/FMM
TC Included in Country Strategy (y/n):	No
TC included in CPD (y/n):	No
GCI-9 Sector Priority:	Institutions for Growth and Social Welfare

II. OBJECTIVES AND JUSTIFICATION

- 2.1 The main objective of the program is to support the strengthening of e-government procurement (e-GP) management in the region through a better leveraging of the knowledge assets that the international community has in the area and by promoting the use of better practices, innovative solutions in the design and implementation of countries' e-GP modernization.
- 2.2 There is a growing demand in Latin America and the Caribbean (LAC) for strengthening and advancing the use of Country Systems, especially in the area of public procurement. As 10 to 15 percent of global Gross Domestic Product (GDP) on average is processed through these systems, their efficiency and effectiveness can play a critical role in the development process. This is the case as procurement is a central function of public financial management and service delivery systems,

¹ The Bank has received communication of fund approval

determining how public money is spent through the purchase of goods, works, and services.²

- 2.3 The Bank has been supporting procurement reform in the region, providing financing and technical assistance in several areas, being e-GP one of the most relevant.³ The countries in the region have achieved different levels of development in this particular area, therefore the program will support institutional, technological and capacity transversal issues that will benefit procurement systems, no matter their stage of development.
- 2.4 One way to have a major impact on the quality of public procurement is through the introduction of new technologies. The e-GP system consists of the use of electronic information technology by governments and other regional authorities in their procurement interaction with suppliers of works, goods and consultancy services. The e-GP technology reduces physical barriers of space and time, allows faster information flow and wider access to information and services, and offers a number of significant benefits⁴: (i) improved transparency in government management; (ii) greater efficiency in the procurement process; (iii) significant savings in government purchases; (iv) higher levels of integration and development of regional and local economies; and (v) increased performance of the public sector.
- 2.5 These benefits have been demonstrated in countries such as Korea, Singapore and Chile, which have shown that the introduction of e-GP systems can contribute to progress in transparency and efficiency. The implementation of such reforms in these countries has resulted in savings of up to 5 to 10 percent of the national procurement budget, thereby making millions of dollars available for other government programs.⁵ Korea in particular is widely viewed as having one of the most advanced systems in the world, covering everything from provision of information and electronic tendering service to actual online payments.⁶ It has implemented an e-procurement solution that is integrated with all other electronic government operations, including financial management systems, company registrations and tax systems. The lessons learned, from the Korean experience as it evolved from a mere e-tendering system in 2000 to the fully integrated system that it has today, are considerable and there is much the countries in LAC can learn from them.
- 2.6 Over the years, the majority of countries in LAC have made progress in introducing information technology into their procurement systems, and countries such as Chile, Brazil, Paraguay, Ecuador and Panama have made significant advances. However, a number of countries are still lagging behind and have not achieved significant

² OECD (2014). Government at a Glance: Latin America and the Caribbean 201. Panorama of public administrations.

³ A list of Bank interventions in the area can be seen in the report: Three-year Review of the Strategy for Strengthening and Use of Country Systems - Annex 6

⁴ Albano, G. (2012). Public procurement performance measures.

⁵ Leipold, K. (2007). E-Procurement Opportunities and Challenges.

⁶ Korean Public Procurement service (2014); an overview of KONEPS (Korean e-procurement system).

results, even after several years of implementation.⁷ Among the main factors that explain the limited advancement in this area include the lack of specific knowledge among the institutions in charge of public procurement, limited access to financing for technological tools and lack of specialized technical assistance in the region.⁸ In addition, there are other critical components in the process of designing and implementing an e-GP system that need to be taken into account that go beyond just the technological issues. Governments have to take the lead in adopting the appropriate legal environment, changing the institutional processes, and build capacity among parties involved in the e-GP program.⁹

- 2.7 To that regard, this program will support the countries in the process of design and implementation of e-GP strategies that take into account international lessons learned, particularly from Asia, cutting edge knowledge in the area and regional experiences. Learning from the experience of Asian countries will be very beneficial for future e-GP implementations in LAC, as both regions have countries that have carried-out successful implementations in this area and countries that are in the process of overhauling and modernizing their e-GP systems. This is a natural partnership that this program will facilitate.
- 2.8 It will also support the work of the Inter-American Network on Government Procurement (INGP),¹⁰ which has been at the forefront of promoting knowledge exchange and south-south collaboration in this critical area in the LAC region. By working together in a comprehensive fashion, the countries will be able to leverage and maximize the limited resources that are available by promoting: (i) cooperation among countries (technology and human resources); (ii) the combination of resources from other international organizations; and (iii) optimization of existing initiatives and ongoing investments.
- 2.9 The program will contribute to the Ninth General Increase in the Resources of the Inter-American Development Bank (AB-2764) (GCI-9) Lending Program Priority Target “small and vulnerable countries”. Within this priority, the program will contribute outputs regarding implementation and upgrading of Public Financial Management systems (in this case public procurement). The program will also contribute to the Bank’s sector priority: Institutions for growth and social welfare, and its corresponding indicator “number of public financial systems implemented or upgraded”. Finally, it will contribute to the Strategy for Strengthening and Use of Country Systems (GN-2538).

⁷ McCue, C. (2012) e-Procurement Myth or Reality? Journal of Public Procurement Vol. 12.

⁸ Thai, K. (2009). International Handbook of Public Procurement.

⁹ Thai, K. (2009). International Handbook of Public Procurement.

¹⁰ [The INGP](#) (also known by the RICG, its Spanish acronym) is comprised of 31 heads of procurement from government institutions with the highest level of responsibility for public procurement regulations, management and modernization in their countries.

III. DESCRIPTION OF ACTIVITIES / COMPONENTS AND BUDGET

- 3.1 **Component I. Strategic planning.** This component will finance the preparation of a strategic action plan to improve the implementation and adoption of e-GP in the region. This action plan will serve as an overarching framework for coordinating local efforts with the existing regional and international initiatives, and advancing the development of a community of practice. This action plan will be based on discussions that the Inter-American Development Bank (IDB) team will have with the INGP members, as well as representatives from the different multilateral development banks to determine priority areas that will be addressed in the program as well as how they fit into other initiatives being carried out in the region. Additionally, the action plan will take into account the IDB agenda for use of country systems, by strengthening the countries with a high potential to have their systems validated in the mid-term.
- 3.2 In addition, this component will also finance public procurement reform strategic planning documents and e-GP action plans for individual countries.¹¹ These planning documents will help the governments of the region effectively map out the next steps for their reform programs, including for example strategic planning on new business models, policy and regulatory frameworks, redesigning procurement services, guidelines and models on e-GP.
- 3.3 Finally, the component will support consensus building meetings amongst the heads of procurement in LAC. This will give them the opportunity to share lessons learned and knowledge through south-south collaboration. The discussions will guide the activities of the project as they relate to each other as well as to the other initiatives being carried out in the area of e-GP.
- 3.4 **Component II. Knowledge management, capacity building and dissemination.** This component will support the following activities: (i) development of procurement indicators and their inclusion in DataGov.¹² This will enable policy makers and practitioners to have a baseline for monitoring results in improvements in this area in their countries; (ii) development of studies and working papers on the topic, to further research and positioning of the topic of e-GP; and (iii) implementation of training programs in e-GP. This will include both virtual and classroom programs for high-level officials from the region. In particular it will finance technical visits to the republic of Korea to learn about their procurement and financial management systems. Heads of procurement and project coordinators that are carrying out e-GP implementation will be the primary target for these technical visits.
- 3.5 In addition, this component will support the e-GP Community of Practice led by the IDB and the World Bank. This community of practice provides officials throughout the region with updated information about what other countries are doing in this

¹¹ Countries will be identified according to demand after the TC is approved.

¹² [DataGov](#) is the IDB's governance indicators Website.

area, disseminating cutting edge practices and lessons learned. This will involve activities such as daily updates, news and events, access to news feeds, blog entries, press materials, articles, interviews, etc. It will support activities that the countries have in common in LAC and contribute to the improved coordination among them. In particular, it will support the operation of regional procurement policies and community of practice in the area of e-GP. This community of practice provides the countries with a virtual space to consolidate information and tools such as policies, guidelines, best practices, training modules, e-GP solutions, software, etc, as well as facilitate dialogue among the countries through a dynamic portal that has features such as chat, email, and online working groups and classrooms.

- 3.6 This TC will provide inputs that complement this initiative through the action plan, the implementation of the training modules, dissemination and network building. Finally, as part of the dissemination of the program, the component will support the annual meeting of the INGP which was created by the countries of Latin America in 2003 to foster knowledge and discussion on the topic of procurement. This annual meeting constitutes the forum where the technical knowledge produced by the program will be disseminated to policy makers in the region in order to ensure a multiplying effect that will generate public policies in the area.
- 3.7 **Component III. Asia Latin America e-GP conference.** This component will support the Fifth Global Conference on e-GP that will be organized jointly with the Asian Development Bank (location to be determined) and other multi-lateral development banks. This conference will provide a space for the countries to have access to networking opportunities, training and sharing of experiences and best practices.¹³ It will include inaugural lectures with high-level leaders, researchers and entrepreneurs to learn the latest trends in the public and private sectors. The target audience will be over 200 government leaders and industry experts from around the world, including ministers, deputy ministers, general procurement directors and heads of information technology.
- 3.8 In addition, for this conference there will be a call for papers promoting research in the use of good international practices and innovative solutions in e-GP. This will include cutting-edge topics such as: institutionality in e-GP, interconnection among e-GP and financial systems and new means of e-GP (mobile telephones, etc).

¹³ The resulting country strategic plans will be presented during the event.

Table 1. Indicative Results Matrix

Results Indicators	Unit	Baseline		Goals		Means of verification
		Value	Year	Value	Year	
Outcomes						
Increased competition, value for money and controls in procurement ¹⁴	PI-19	2.4 ¹⁵	2014	3.0	2018	PEFA Report
More countries have a system for collecting and disseminating procurement information, including tender invitations, requests for proposals, and contract award information	MAP ¹⁶ Scores (sub-indicator 5a)	1.3 ¹⁷	2014	1.6	2018	MAPS assessment
Increased the # of countries with information that is published and distributed through available media with support from information technology when feasible	MAPS Scores (sub-indicator 11a)	1.1	2014	1.4	2018	MAPS assessment
Outputs						
Action plans (overall plan and e-GP national strategic plans)	#	0	2014	6	2018	Project files
Research documents on e-GP (studies and indicator baseline)	#	0	2014	3	2018	Project files
INGP annual conference and consensus building meetings	#	0	2014	4	2018	Project files and INGP Website
Training program (Technical visit to Korea)	#	0	2014	2	2018	Project files
International conference	#	0	2014	1	2018	Project files
Conference publication	#	0	2014	1	2018	Project files

3.9 The total funding required for the program amounts to US\$680,000. The Public Capacity Building Korea Fund for Economic Development will provide funding for the amount of US\$630,000 and US\$50,000 will be in kind contributions from the participating countries.

Table 2. Indicative Budgetm (US\$)¹⁸

Components description	IDB Funding	Counterpart Funding	Total amount
Component I: Strategic Planning	\$150,000	\$30,000	\$180,000
Component II: Knowledge management, capacity building and dissemination.	\$260,000	\$20,000	\$280,000
Component III: Asia-Latin America e-GP Conference	\$200,000	-	\$200,000
Monitoring	\$5,000	-	\$5,000
Audit and Evaluation	\$5,000	-	\$5,000
Contingencies	\$10,000	-	\$10,000
TOTAL	\$630,000	\$50,000	\$680,000

¹⁴ Public Expenditure and Financial Accountability Methodology (2011).

¹⁵ Scores were calculated by doing a simple average of the LAC scores. The scores range from 0 to 4, with 4 being the maximum score.

¹⁶ Methodology for assessing public procurement systems (2009).

¹⁷ Scores were calculated by doing a simple average of the LAC scores. The scores range from 0 to 3, with 3 being the maximum score.

¹⁸ See Detailed Budget ([IDBDocs#39055479](#))

- 3.10 The monitoring and evaluation of the program will be carried out by taking into account the indicators that are provided in the Result Matrix for the technical cooperation program, which include means of verification.
- 3.11 Technical and basic responsibility for the implementation of the TC rests in the project team. Specifically, IFD/FMM will have both technical and fiduciary responsibilities for the project.

IV. EXECUTING AGENCY AND EXECUTION STRUCTURE

- 4.1 This TC will be executed by the IDB and directly coordinated, managed and supported by the Fiscal and Municipal Management Division (IFD/FMM).
- 4.2 Procurement will be carried out in accordance with IDB policies and procedures set forth in documents AM-650-1 and the corporate procurement policy GN-2303-20.

V. MAJOR ISSUES

- 5.1 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 country ownership of the process from the beginning.
- 5.2 The implementation of most of the activities under this program requires a high level of persistent political support among the participating countries. In the absence of such support, the program may not deliver the expected results. This is particularly the case with regard to full implementation of the e-GP procurement action plans. This risk will be mitigated by supporting the authorities with realistic solutions that can be applied to their own context. These actions enhance the countries commitment and ownership of the program.
- 5.3 In addition, it is worth noting that although it is not a part of the scope of the TC, when necessary issues that hinder successful e-GP implementation such as those related to the regulatory environment and corrupt practices will be taken into account when developing the activities of the program.
- 5.4 Finally, 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 students. 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 to strengthen public procurement systems; and (iii) maintaining a continuous dialogue with the governments.
- 5.5 There are no integrity clauses or special intellectual property agreements that need to be included in TC agreement.

VI. EXCEPTIONS TO BANK POLICY

- 6.1 No exceptions to Bank policy are foreseen.

VII. ENVIRONMENTAL AND SOCIAL STRATEGY

- 7.1 No negative environmental impact is anticipated from this technical cooperation. Based on the Safeguard Policy Filter Report, the project does not require a classification or further environmental or social actions. According to the Environment and Safeguards Compliance Policy (OP-703) this TC has been classified as category “C”.

Required Annexes:

Annex I – [Terms of Reference](#)

Annex II – [Procurement Plan](#)

ASIA – LATIN-AMERICA E-GOVERNMENT PROCUREMENT INITIATIVE

RG-T2412

CERTIFICATION

I hereby certify that this operation was approved for financing under the Public Capacity Building Korea Fund for Economic Development (KPC) through a communication dated June 9, 2014 and signed by Suyeong Yu, Director of the International Bureau, Ministry of Strategy and Finance of the Republic of Korea. Also, I certify that resources from said fund are available for up to US\$630,000 in order to finance the activities described and budgeted in this document. This certification reserves resources for the referenced project for a period of four (4) calendar months counted from the date of eligibility from the funding source. If the project is not approved by the IDB within that period, the reserve of resources will be cancelled, except in the case a new certification is granted. The commitment and disbursement of these resources shall be made only by the Bank in US dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except in the case of local consultants working in their own borrowing member country who shall have their remuneration defined and paid in the currency of such country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this operation. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Original Signed

October 9, 2014

Sonia M. Rivera
Chief
Grants and Co-financing Management Unit
ORP/GCM

Date

APPROVAL

Approved:

Original Signed

October 9, 2014

Vicente Fretes
Division Chief
Fiscal and Municipal Management Division
IFD/FMM

Date