

## TC Document

### I. Basic Information for TC

▪ Country/Region:	REGIONAL
▪ TC Name:	Strengthening the Quality of Public Procurement Spending to Build a Fiscally Sustainable Future
▪ TC Number:	RG-T4510
▪ Team Leader/Members:	Calderon Ramirez, Ana Cristina (IFD/FMM) Team Leader; Astudillo, Karen (IFD/FMM) Alternate Team Leader; Dezolt, Ana Lucia Paiva (IFD/FMM) Alternate Team Leader; Mendoza Benavente, Horacio (LEG/SGO); Yoon Jang (IFD/FMM); Liza Builes (IFD/FMM); Soriano Siguenza Nancy Carolina (IFD/FMM); Roman Sanchez, Susana (IFD/FMM); Castillo, Santiago Alejandro (VPC/FMP); Munoz Miranda, Andres Felipe (IFD/FMM); Lee Hyuna (IFD/FMM); Blanco Urbina Luz Inmaculada (IFD/FMM)
▪ Taxonomy:	Client Support
▪ Operation Supported by the TC:	.
▪ Date of TC Abstract authorization:	March 27th, 2024
▪ Beneficiary:	Brazil, Guatemala and Mexico <sup>1</sup>
▪ Executing Agency and contact name:	Inter-American Development Bank
▪ Donors providing funding:	OC SDP Window 2 - Institutions(W2C)
▪ IDB Funding Requested:	US\$440,000.00
▪ Local counterpart funding, if any:	US\$0
▪ Disbursement period (which includes Execution period):	36 months disbursement period. During this period, the operation will be executed.
▪ Required start date:	August 30, 2024
▪ Types of consultants:	Individual consultants and firms
▪ Prepared by Unit:	IFD/FMM-Fiscal Management Division
▪ Unit of Disbursement Responsibility:	IFD/FMM-Fiscal Management Division
▪ TC included in Country Strategy (y/n):	Yes
▪ TC included in CPD (y/n):	No
▪ Alignment to the IDB Group Institutional Strategy: Transforming for Scale and Impact (GN-3159-11):	Institutional capacity and rule of law

### II. Objectives and Justification of the TC

2.1 **Objective.** The main objective of this Technical Cooperation (TC) is to support national and sub-national governments in strengthening their public procurement systems, which are a pivotal element in public finance management, ensuring the quality of public expenditure and the better management of public funds, and improving good governance in Latin America. Specifically, through: (i) implementing tools to enhance regulatory, digital, and organizational frameworks with a public value

---

<sup>1</sup> This TC initiative is specifically tailored to three main governments in the region, Brazil, Guatemala, and Mexico. However, other governments (national and subnational) may participate by expressing their interest directly to the Bank and contingent to the alignment with the respective country strategy.

perspective<sup>2</sup>; (ii) promoting the design and implementation of professionalization strategies to strengthen the skills and knowledge of the procurement workforce; and (iii) fostering strategic partnerships with stakeholders, and disseminating lessons learned within the region and development partners.

- 2.2 The demand for strengthening public procurement in Latin American countries has been steadily increasing, considering that it typically accounts for 10% to 15% of the region's GDP, and up to 29.8% of the region's public spending (IADB, 2018,<sup>3</sup> OECD, 2023). A well-managed public procurement system, strategically integrated into the government's overall public finance framework,<sup>4</sup> holds the potential to generate efficiency and effectiveness, ultimately resulting in fiscal savings.
- 2.3 Integrating procurement becomes critical in the broader agenda of strengthening public expenditure, which encompasses crucial aspects, such as budget planning and execution, and resource allocation. This establishes a coherent delivery chain for public services, ensuring that resources are optimally utilized and outcomes are effectively achieved (ODI, 2021).<sup>5</sup> The pressures of controlling spending, especially in service delivery sectors, constitute a significant portion of the public budget. Government agencies responsible for spending public funds encounter daily challenges in balancing limited resources with public demands while also navigating the intricacies of government rules and processes regarding public expenditure. This integrated approach not only maximizes the value derived from public funds but also plays a pivotal role in driving overall socioeconomic development within the region. Governments can better address public needs, enhance service delivery, and foster sustainable growth by effectively managing procurement processes within the broader public finances.
- 2.4 In addition, public procurement can be used as a tool for achieving secondary policy objectives such as increasing opportunities for non-traditional economic actors (vulnerable groups) and spurring innovation. Recent events in the region also underscore the importance of greatly strengthening public procurement at all levels, including to help prevent waste and achieve public value. Beyond the economic aspect of achieving "value for money," procurement has been increasingly used strategically—through delivering choices of how to spend taxpayers' money and provide public services to achieve strategic policy objectives, such as mitigating climate change, supporting innovation, or social inclusion<sup>5</sup>.
- 2.5 Over the past two decades, several countries in the Latin America region have made great strides to reform their procurement system. Currently, this important activity is usually organized following a common legal frame, ruled by a public procurement entity or agency, and intensely implementing information and communication technologies (IADB, 2023). However, progress has been uneven across the board,

---

<sup>2</sup> Public value captures the notion that the government provides services to the community as a beneficiary and that the beneficiaries are not just the direct recipients of services, but a broader community that benefits from the collective goods provided by the government (Moore, 1990; Mazzucato 2018, OECD, 2019).

<sup>3</sup> Inter-American Development Bank (2018). [Better spending for better lives: how Latin America and the Caribbean can do more with less.](#)

<sup>4</sup> Public finance encompasses the entire system of raising, allocating, and managing financial resources within a government or public sector.

<sup>5</sup> ODI (2021). Public Finance and Service Delivery. What's new, what's missing, what's next?

and further savings and efficiencies remain unlocked. For example, it is estimated that active and passive waste in procurement on average represents between 0.9% to 2.6% of countries' GDP in the region, and public bidding is only used in the region in 2.4% of processes on average, accounting for 35% of total contract values and they only attract an average of 2.7 bids per process. This is a relatively low number, and it is usually associated with obstacles to participation such as perceptions of prohibited practices (e.g., the manipulation of contract awards), excessive requirements for participation, very large contracts that limit the participation of micro, small, and medium-sized enterprises (MSMEs), and a lack of financing to compensate for delays in public sector payments (Inter-American Development Bank (IDB), 2022).<sup>6</sup> This subheading should facilitate a clear understanding of the objectives and the problem the TC aims to address.

- 2.6 As an example of these issues central American countries, face several challenges, including (i) citizen's mistrust and perception of bad practices; (ii) lack of performance orientation, thus procurement systems are aligned with the achievement of government goals nor evaluate the impact of the processes; and (iii) poor information management, although progress has been made in the collection and publication of procurement data, there are gaps in the information available, especially in the execution and evaluation phases. In addition, there is a lack of a strategy for the effective use of this data.
- 2.7 **Justification.** Through this TC, the IDB will collaborate with beneficiary countries (currently three) and others seeking assistance in addressing the most common challenges in overcoming technical inefficiencies in public procurement,<sup>7</sup> which include: (i) lack of consolidated institutions (formal rules and organizations) to deal with an integral, fully transactional, and interoperable model of public procurement able to cover the whole procurement cycle, and the entire public sector while fostering innovation; (ii) limited professionalization, resulting in deficient policy frameworks, architecture, and systems to strengthen the skills and competencies, as well as knowledge and experience of the professionals that work in the area; and (iii) limited dissemination of lessons learned of the importance of public procurement from quality expenditure approach, aimed at improving public procurement for better results and public value instead of focusing merely in transparency.
- 2.8 To address these challenges comprehensively, the TC will concentrate on leveraging integrated public delivery chain to create value. This includes focusing on end-to-end process integration and utilizing technologies such as e-procurement systems and data analytics. By adopting this approach, real-time tracking of procurement processes and data-driven decision-making enhances transparency and efficiency in public spending. Recent public procurement reforms in the region highlight the role of public procurement in transforming public resources into value that extends beyond procedural transactions. These reforms emphasize the integration of public procurement into broader spending policies to achieve efficient fiscal management. The creation of a new public delivery chain approach represents a significant shift,

---

<sup>6</sup> IDB, 2022. [Fiscal Management Sector Framework Document](#).

<sup>7</sup> Other countries that seek assistance from the Bank will be confirmed based on (i) their expression of interest or (ii) engagement or approval for the additional activities, if necessary.

aiming to articulate planning, budgeting, and accounting functions to position public procurement as a result-oriented approach crucial for efficient fiscal management. These stages are coordinated by specialized entities within the Ministries of Economy and Finance, planning or dedicated procurement agencies.

- 2.9 **Contribution to the Bank’s operational program.** This TC will leverage the Bank’s support for previous initiatives, including: (i) Public Procurement Transformation to Strengthen Fiscal Sustainability and Efficiency ([ATN/KR-20327-RG](#), approved in 2023 for US\$550,000). This initiative has already brought valuable results and has demonstrated the importance of considering more advanced systems to learn and compare the possibilities when embarking on public procurement transformation; and (ii) “Better Data, Smarter Technologies, and More Efficient Processes: A Roadmap for Greater Fiscal Transparency to Fight Corruption” ([ATN/KR-18570-RG](#), approved in 2021 for US\$450,000).
- 2.10 **Strategic Alignment.** This operation is consistent with **the IDB Group Institutional Strategy: Transforming for Scale and Impact (GN-3159-11)** and is aligned with the objective of reducing poverty and inequality by ensuring the quality of public expenditure and the better management of public funds. The Program is also aligned with the operational focus area of institutional capacity, rule of law, and citizen security. Moreover, this TC aligns with **the Fiscal Management Sector Framework (GN-2831-13)**. Specifically, it addresses the challenge of spending inefficiencies that diminish the quality and relevance of public expenditure. Efforts are directed towards strengthening procurement systems to enhance their impact on expenditure quality, efficiency, and transparency in the utilization of public resources. Additionally, the program contributes to Line of Action 1 and 3 by enhancing the contribution of fiscal policy and management to economic growth and bolstering the sustainability of public finances through the reinforcement of fiscal institutions. Finally, it is aligned with the Ordinary Capital Strategic Development Program (GN-2819-14), in the Priority Area 3: Effective, Efficient and Transparent Institutions, through the objective that seeks to contribute to public policies and institutions that are more effective, efficient, transparent, and citizen-centered because this TC seeks to support national and sub-national governments in strengthening their public procurement systems.
- 2.11 **Country strategy.** This proposal is aligned with the IDB Group Country Strategy with Brazil 2019-2022 (GN-2973)<sup>8</sup> through the strategic objective of promoting e-government and digital solutions to foster transparency, accountability, and efficiency in delivering public services to citizens and enterprises; and the IDB Group Country Strategy with Guatemala 2021-2024 (GN-3085) through the strategic objective of improving efficiency and transparency in public expenditure; and the IDB Group Country Strategy with Mexico 2019-2024 (GN-2982) through the strategic objective of strengthening public finances.

### III. Description of activities/components and budget

- 3.1 As a response to these challenges, this program will support national and subnational governments in strengthening their public procurement systems to achieve more

---

<sup>8</sup> The strategy is current and in a transition period ([GN-2973-2](#)).

efficiency and effectiveness and spur innovation and public value in the use of public resources by the following components:

- 3.2 **Component 1. Design and implementation of tools for improving institutional frameworks based on a better quality of spending approach (US\$185,000).** The objective of this component is to develop and implement tools crucial for fostering a smart procurement ecosystem. This ecosystem will enable procurement entities to identify, acquire, and manage all external resources in relation to their business needs to create sustainable value. Achieving this objective requires integration with core functional stakeholders and alignment with tailored strategic and operational plans that address the specific needs of participant countries. The envisioned plans aim to streamline the procurement process, strengthen procurement authorities, and enhance transparency. These efforts foster stakeholder collaboration and amplify value-creation opportunities throughout the public procurement cycle. In parallel, this component places emphasis on the ongoing refinement of performance indicators essential for monitoring the efficiency of the public procurement system. Through crafting and periodic updates of these indicators, governments can obtain insight into procurement performance and identify areas that need improvement. Furthermore, this component will contribute to nurturing an environment for sustainable procurement practices. By cultivating such an environment, the component aims to lay the groundwork for enhanced fiscal responsibility, transparent governance, and equitable socio-economic development. This holistic approach ensures that cost saving becomes a natural outcome rather than the sole objective, as the primary goal is to build sustainable procurement models under a robust ecosystem. Such models facilitate seamless connectivity and information flow among key stakeholders, minimizing friction and maximizing efficiency in public spending.
- 3.3 Specific activities aimed at enhancing regulatory mechanisms, refining monitoring protocols, bolster existing infrastructure, and optimizing operational frameworks, all through the prism of enhancing the efficacy of public finance, include: (i) the development and implementation of a regulatory framework based on improving the quality of spending perspective; (ii) the development of strategic and operational plans to implement smart procurement ecosystems; and (iii) the creation and update of set of indicators to monitor the status of public procurement systems and misuse of funds.
- 3.4 **Component 2. Preparation of diagnosis and strategies to strengthen professionalization and delivery chain frameworks (US\$145,000).** The objective of this component is to develop a regional framework for professionalization. This component includes: (i) assessing the current state of professionalization at the subregional level; (ii) developing professionalization and delivery chain strategies; and (iii) promoting collaborative approaches with other institutions working in the area. Incompetence-driven inefficiency stands as a primary culprit behind the wastage of government spending. Elevating the proficiency of the public procurement workforce through targeted training and methodological support in innovative procurement practices emerges as a strategic imperative. Such initiatives aim not only to cultivate technical expertise encompassing regulatory frameworks, market analysis, and tender document drafting but also to instill competencies in project management and negotiation.

- 3.5 Recognizing the role of a skilled public procurement workforce, Component 2 also underscores the imperative of fostering a delivery chain that allows more efficiency in the use of public resources and serves as a cornerstone for fostering citizens' trust in public institutions. To this end, the framework emphasizes the identification and development of requisite skills and competencies, the formulation of human resource policies to attract and retain talent, and the establishment of mechanisms for performance evaluation. Central to this approach is the conceptualization and implementation of professionalization plans based on a more delivery chain approach, encompassing defined training schemes, capacity-building initiatives, and the exchange of best practices. By adopting a holistic approach to procurement management through the delivery chain framework, organizations can enhance transparency, accountability, and value for money in public spending while achieving desired outcomes and objectives. Emphasizing this approach will serve public procurement to be strategically aligned with the quality of public expenditure perspective, transcending its traditional association with inefficiency and corruption.
- 3.6 **Component 3. Dissemination and fostering of strategic partnerships (US\$110,000).** This component aims to prepare and disseminate lessons learned and create opportunities for knowledge sharing with procurement networks. This component will be critical to establishing policy dialogues with policymakers, academia, and practitioners. It includes disseminating products prepared in components 1 and 2, as well as the participation of government officials and experts on regional forums promoting south-south cooperation.
- 3.7 **Expected results.** At the conclusion of the execution period of this TC, the funded initiatives are to enhance the public procurement systems across selected Latin American and the Caribbean (LAC) countries. These initiatives are designed to bolster public authorities' efforts to enhance the quality of public spending, focusing on ensuring the optimal utilization of resources. The envisioned outcomes will be realized by designing and implementing tools tailored to improve institutional frameworks and preparing diagnostics and strategies to fortify professional frameworks. To ensure sustainability, these initiatives will be customized to align with the specific needs and circumstances of the participant countries, fostering a tailored approach to capacity building and system enhancement. In addition, the results will be disseminated and shared with international public procurement networks, such as the Inter-American Network on Government Procurement (INGP) and the Open Contracting Partnership (OCP) among others. Ultimately, the anticipated results encompass a tangible elevation in the efficiency, transparency, and resilience of public procurement systems within the region. By optimizing procurement processes, enhancing transparency measures, and fostering institutional resilience, the initiatives aim to instill greater confidence and trust in public spending mechanisms.
- 3.8 **Indicative budget.** The total cost of this TC is US\$440,000, which will be financed by the Bank through window 2, priority area 3: Effective, efficient, and transparent institutions (W2C), of the Strategic Development Program financed with Ordinary Capital (OC-SDP), since no local counterpart contribution is contemplated.

### Indicative Budget

Component	Description	IDB W2C	Total Funding
Component 1	Design and implementation of tools for improving institutional frameworks based on a better quality of spending approach	\$185,000	\$185,000
Component 2	Preparation of diagnosis and strategies to strengthen professionalization and delivery chain frameworks	\$145,000	\$145,000
Component 3	Dissemination and fostering of strategic partnerships	\$110,000	\$110,000
<b>Total</b>		<b>\$440,000</b>	<b>\$440,000</b>

- 3.9 **Supervision, monitoring, and evaluation.** The project team leader of IFD/FMM will be responsible for supervising, monitoring and for the financial execution of the operation. A project completion report will be prepared summarizing the activities carried out and the achievement of the expected results. This report will be shared through the Convergence system. The project team leader will closely coordinate the activities of this TC with participating country offices during the execution.
- 3.10 **Learned lessons.** In the monitoring and evaluation of the TC, the lessons learned, and good practices derived from the proposed interventions will be identified and systematized. These lessons learned will be disseminated in workshops and publications.

#### IV. Executing agency and execution structure

- 4.1 **Executing agency.** Due to the regional nature of the TC and at the request of participant countries, the Bank will be the executing agency through IFD/FMM, in accordance with the Bank's Technical Cooperation Policy (GN-2470-2) and the Procedures for the Processing of TC Operations (OP-619-4). Furthermore, the Bank is recognized for its highly specialized technical knowledge in addressing the topics of the required studies and its expertise in best international practices related to matters addressed by the TC, facilitated through networks of experts and efficient contracting processes.
- 4.2 **Structure.** The technical and fiduciary responsibility of this TC will be led by the team leader, who will coordinate closely with: (i) the counterparts in the Governments; and (ii) the specialists in both FMM and other relevant sectors in the country offices in which the technical or financial assistance will be granted.
- 4.3 The knowledge products generated within the framework of this TC will be the property of the Bank and may be made available to the public under a Creative Commons license. However, at the beneficiary's request, the intellectual property of said products

may also be licensed to the beneficiary through specific contractual commitments that will be prepared with the advice of the Bank's Legal area.

- 4.4 **Procurement.** All activities to be executed under this TC have been included in the Procurement Plan (Annex IV) and will be executed in accordance with the Bank's established procurement methods, namely: (a) Hiring of individual consultants, as established in the AM-650 standards; (b) Hiring of consulting firms for services of an intellectual nature according to GN-2765-4 and its associated operational guides (OP-1155-4) and (c) Hiring of logistics services and other services other than consulting, according to the policy GN-2303-28; including its occasional amendments. Please note that Policy GN-2303-33, approved by the Board of Executive Directors on November 22, 2023, will enter into force on July 1, 2024. This policy replaces the Institutional Procurement Policy (document GN-2303- 28) and the Policy for the selection and hiring of consulting companies for operational work executed by the Bank (document GN-2765-4) with a single updated and consolidated policy. Starting July 1, 2024, all contracting of Services provided by firms will be carried out in accordance with this new Policy GN-2303-33 and its associated Guidelines.

## V. Risks

- 5.1 The main risks associated with this TC are the eventual discontinuation of the implementation of governments' initiatives due to domestic political changes and possible shifts in the priorities of newly elected governments. This risk will be mitigated by collaborating with international public procurement networks to enhance the sustainability of the TC's results and inspire other countries. Similarly, institutional weaknesses could delay the execution of some of the planned activities. However, considering the high interest and active engagement of the participant countries, the 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 strengthening public investment systems; and (iii) maintaining a continuous dialogue with the governments.

## VI. Exceptions to Bank policy

- 6.1 No exceptions to the Bank's policies have been identified.

## VII. Environmental and Social Aspects

- 7.1 This Technical Cooperation is not intended to finance pre-feasibility or feasibility studies of specific investment projects or environmental and social studies associated with them; therefore, this TC does not have applicable requirements of the Bank's Environmental and Social Policy Framework.

### Required Annexes:



[Results Matrix\\_45934.pdf](#)

[Procurement Plan\\_18755.pdf](#)