

Strengthening the quality of public procurement spending to build a fiscally sustainable future (D2418)

Description:**Objectives**

The main objective of this technical cooperation (TC) program is to contribute to public procurement strengthening, as a pivotal element in bolstering public finance, ensuring the quality of public expenditure, and improving good governance. This will be implemented by: (i) implementing of tools to enhance regulatory, digital, and organizational frameworks with a public value perspective; (ii) promoting design and implementation of professionalization strategies to strengthen the skills and knowledge of procurement workforce; (iii) fostering strategic partnerships in the area and the dissemination of lessons learned with other subregions and development partners.

Justification

There is a growing demand in Latin America countries for strengthening public procurement as it represents on average 10 to 15 percent of the region's Gross Domestic Product (GDP), up to 29.8 percent of the region's public spending (IADB, 2018 OECD 2021). Thus, a well-managed public procurement system, focused on getting the results needed and integrated into the government's public finance, can generate efficiency and effectiveness which can translate on fiscal savings.

In addition, public procurement can be used as tool for achieving secondary policy objectives such as increasing opportunities for non-traditional economic actors (vulnerable groups) and it can spur innovation. Recent events in the region also underscore the importance of greatly strengthening in public procurement at all levels, including as a mean to help prevent waste and achieve public value.

Over the past two decades several countries in the Latin America and the Caribbean (LAC) 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, and further savings and efficiencies remain to be unlocked. For example, it is estimated that active and passive waste in procurement on average represents between 0.9 percent to 2.6 percent 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.

The most common challenges to overcome technical inefficiencies in public procurement have been: (i) the 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 spurring innovation; (ii) limited professionalization, which is reflected 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; (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.

As a response to these challenges, this program will support national and subnational governments in strengthening their public procurement systems to achieve more efficiency, effectiveness, spur innovation, and public value in the use of public resources by the following components:

Component 1. Design and implementation of tools for improving institutional frameworks based on a better quality of spending approach (US\$130,000). The objective of this component is to provide governments with a set of tools and better practices to tackle technical inefficiencies in their regulatory, monitoring, digital and operational frameworks, from a public finance perspective. Specific activities include (i) development and implementation regulatory frameworks based on improving the quality of spending perspective; (ii) development of digital plans to implement smart procurement ecosystems; (iii) creation and update of set of indicators to monitor the status of public procurement systems.

Component 2. Preparation of diagnostic and strategies to strengthen professionalization frameworks (US\$120,000). 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 strategies and (iii) promoting collaborative approaches with other institutions working in the area.

Component 3. Dissemination and fostering of strategic partnerships (US\$100,000). The objective of this component is to prepare and disseminate lessons learned and to create opportunities for knowledge sharing with procurement networks. This component will be critical to establishing policy dialogues with policymakers, academia, and practitioners. It includes (i) dissemination of products prepared in components 1 and 2, as well as the participation of government officials and experts on regional forums that promote south-south cooperation.

Submitted by:

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Client Support

Tags:

expenditure fiscal policy profesionalization public finance public procurement

Linked Ideas:

Whiteboard:

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Has the proposal been discussed and authorized by the responsible sector or country department/division, as applicable?

Yes

Team Leader Responsible Department

IFD

Are there specific countries that will directly benefit from your proposal?

Yes

Mark the specific countries that will be directly benefited from your proposal?

Brazil

Colombia

Guatemala

Mexico

Where applicable, describe how the proposal aligns with the respective country strategy (for each country selected)

This proposal is aligned with Guatemala's Country Strategy 2021-2024 (GN-3085) Priority Areas I, institutional-strengthening; Colombia's Country Strategy 2019-2022 (GN-2962) Priority area III Strengthen fiscal institutions to bolster the sustainability of public finances; Brazil's country strategy 2019-2023 (GN-2973) Priority area III on Building a more effective public sector that promotes fiscal sustainability and Mexico's country strategy 2019-2024 (GN-2982) Priority area B Encouraging more buoyant investment.

Does the proposal align to one or more sector frameworks?

Yes, the proposal aligns with at least one sector framework

Identify and describe how the proposal aligns to the sector framework(s)

This proposal is aligned with the Fiscal Management Sector Framework Document (GN-2831-13), challenge 2 on Spending inefficiencies reduce the quality and relevance of public expenditure, as efforts must continue to strengthen procurement systems so as to enhance their impact on expenditure quality and efficiency, as well as transparency in the use of public resources and Line of Action 1 and 3 on enhance the contribution of fiscal policy and management to economic growth as well as strengthen fiscal institutions to bolster the sustainability of public finances,

Select the regional challenges and cross-cutting issues to which the proposal aligns to

Institutional Capacity and Rule of Law

Justify the alignment to each selection above

This proposal is also aligned with the cross issue of Institutional Capacity and Rule of Law through the objective of strengthening the capacities of governments to improve the efficiency of public spending.

What is the estimated funding that you need in order to implement this proposal?

440000

Select the expected outputs of this proposal

Institutional Strengthening Deliverables (Training products, Management Information Systems, etc.)

Reform Deliverables (Legislation/Multi-country Agreements, Governance Models, Regulatory Frameworks, diagnostics, etc.)

Upstream strategies, action plans, etc.)

Events (other than policy dialogues)

Are outputs strictly Knowledge Products?

Describe the motivation and main question(s) this TC intends to answer.

Describe the methodological approach to be used and the type of data (when applicable) which will be used

Please specify the type(s) of Knowledge Product (s) this TC encompasses:

Please provide a brief description of the output(s) selected above (The number of units planned, and the estimated cost). If you selected others, please specify.

Following are the outputs expected to be completed with the TC, and the amounts are in USD.

Component I:

(i) Development and implementation of a tool for regulatory frameworks based on improving the quality of spending perspective. (\$25,000)

(ii) Preparation of three (3) Development of digital/organizational plans to implement smart procurement ecosystems. These plans will be government – driven (\$120,000 in total).

(iii) A creation and update of current regional indicators to monitor the status of public procurement system. (\$40,000)

Component II.

(i) The preparation of a regional assessment of the current state of professionalization in public procurement (\$40,000).

(ii) Development of 2 professionalization strategies. This will be government-driven (\$80,000 in total).

(iii) Support the preparation of an event to promote collaborative approaches with other institutions working in the topic. (\$35,000)

Component III

(i) Preparation of two (2) dissemination reports/video about results and lessons learned from component I and II (\$ 40,000)

(ii) Support the participation of authorities in two (2) regional events to promote lessons learned and collaborative approach in strengthening public procurement systems (\$60,000)

Outcomes: If the outputs are delivered successfully, what is the change expected (in capacity, knowledge, behavior, etc.)

The outcome of this proposal is an improvement in the quality of public spending due to improvement in procurement institutional and professionalization frameworks.

(0) **Attachments**

1 Comment

Comment by Daniel Fonseca Silva 01/17/2024

The TC should be prioritized in the proposed amount, as it will contribute to improve the public procurement function in terms of planning, execution and institutional capacity through the proposed activities, which will lead to more efficiency and better coordination in Governments.