

PUBLIC PROCUREMENT IN DEVELOPING COUNTRIES

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INTRODUCTION

The aim of this paper is to discuss the need for achieving standards, performance and best practice in developing countries. While benchmarking in general is important, benchmarking in public procurement processes as well as standards in developing countries is rarely given the attention it needs.

Executive Summary: What is Best Practice?

Upon research it became obvious that this is not easy to define and there seems to be a multitude of definitions – see below. This is a part of the problem and adds to the difficulty of implementation!. Likewise the concept from a high viewpoint e.g. Government to a 'lower level' e.g. Operational staff who are left to implement an ideal that is not clearly defined.

It is important to realise that 'one size fits all' does not work well and that situations are different in developing countries due to lack of infrastructure etc and the ability to put in place and carry out procurement practices, let alone best practice.

Best practice is looked at as being the best in the specific field. Systems and processes that are clearly defined, achievable and put in place will provide an overall procurement process that is fit for an organisation's requirements.

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Example Definitions

- 'A best practice is a technique or methodology that, through experience and research, has proven to reliably lead to a desired result'.
- 'A way or method of accomplishing a business function or process that is considered to be superior to all other known methods'.
- 'Recommendations regarding processes or techniques for the use or implementation of products or services.'

It should also be recognised that there are levels that need to be considered carefully and it might be a case of implementation by stages. A review before continuing would be wise. It could also be a case of awareness but to decide not to implement until other factors have been managed. This is especially true for developing countries. However awareness is required and for developing countries to include in going forward.

DISCUSSION**Public Procurement in Developing Countries**

Having worked in developing countries, what has been identified is a need for education of both buyer and supplier and the need to move from a verbal process to having a transparent documented process. Without this there is extreme difficulty in achieving appropriate standards, and benchmarking. Equally research shows that best practice is often foisted onto developing countries with an extra issue of this being linked to aid money.

Capacity Building

OECD/World Bank define 'Capacity Building' as 'Capacity is the ability of people, organisations/ institutions and society as a whole to successfully manage their affairs. Capacity development is the process of unleashing, creating, adapting and maintaining capacity over time'. Source: OECD/DAC Task Force on Capacity and Development 2004.

It is their opinion that capacity building will not occur unless (a) careful benchmarking is carried out and (b) progress is monitored.

The principles for capacity building are: (1) don't rush, (2) respect the local value system, (3) challenge mindsets, (4) establish incentives,

(5) building on existing capacities rather than creating new ones and 6) stay engaged.

This paper specifically discusses four of the six. The two that are not discussed i.e. Establish incentives and stay engaged are higher level than the concept of this paper.

There is room for building of capacity – education, procurement office, documentation, appropriate process and the need for consultation – which are all necessary steps to achieving best practice.

Major issues to be confronted are: lack of 'buy in' (by industry), available financial resources and organisational and governmental political issues. These are big issues and often the start point is still at Purchase Order stage. This does not lead easily into best practice when often the tender process – such as it is – is verbal. Benchmarking need to be implemented and documented and it will take time for this to be effective, but without the ideal of enhancing best practice will be hard to achieve.

How to achieve? The benefits to be gained need to be stated and one of the reforms needs to be in the area of strategy. Case studies – both verbal and written - are very useful to tell the successful story of implementation and improvements in the process which bring good gains. Once the benefits can be seen this can lead to the introduction of standards and from there a positive forward direction can be achieved. This will provide a base to move forward and implementation will be easier for other organisations to pick up and use.

Capacity building – to achieve positive steps in public procurement in developing countries there is a need to build and sustain a team. The team needs to be given the resources and the training. If done well they can become the 'champion of the cause'. In some countries however there is the gender issue of who can – and cannot – speak to specific groupings. So, it would be useful to utilise both genders but for different purposes. This can form the base, perhaps, of the concept of Train the Trainers.

It seems logical however that in time of capacity building this should apply to all. This may take time and might be different in practice than in the theory.

Procurement Reform

One area that needs to be looked at is the area of documentation – specifically the need for a precise, specific Scope of Work. This will lead hopefully to standardisation of the process used.

Often the issue in developing countries is 'how do I start'. By being able to use a documentation process that is easy to adapt, the procurement process can be moved forward significantly. This allows for best practice to grow and to be picked up and mentored.

While a baseline would be to have clear tender documentation, implementation regulations that define processes and procedures would be helpful it should also be recognised that having too many rules and regulations would hinder rather than help in the short to medium term. The principle of Keeping it Simple is the best option here. This would enhance the likelihood of utilisation. Simple checklists would suit developing countries rather than too many regulations. This would assist in monitoring progress.

Best practice can also be promoted by way of communication and education. The means to do this must be addressed and a decision made as to the format of such communication and education i.e. verbal or written. It should be stressed that written documentation is a must – to do otherwise is to increase the likelihood of misunderstanding and possibly failure. Evaluation is made impossible in this scenario, as without documentation comparison cannot occur between the different bidders.

Reform needs to be realistic in developing countries and the concept of best practice needs to be achievable and initially set at not too high a level. There should be an understandable aim to put in place a system that works well for the industry concerned.

It would be useful to look at the 'front end' i.e. documentation and planning and achieve best practice there before trying to jump to the middle or beyond. It is my experience that moving too far or too fast initially is not achievable or sustainable. It is made even more unsustainable when trying to jump from the beginning with little manual systems to a fully electronic system. This is not realistic and can add to the problems.

Developing countries still operate in some instances with manual purchase orders. There is the very real issue of transferring problems that exist manually over to the electronic system. It just causes a nightmare. At present there is a real issue with purchase orders as it relates to the ability to know what and how much is being spent. Often it is a case of buy, buy and buy – and forget about budgetary considerations.

Training

Small steps are best until a coherent training programme has been put in place. This is how to improve capacity building - and introducing a 'train the trainer' concept works really well. This way locals can teach locals rather than always using trainers from outside who mean well but do not always understand the local infrastructure. Train the trainer process removes the need for being 'aid dependent'.

Equally the concept of 'best' rather than 'just good' should be reinforced – after all learning from earlier thinking and mistakes should occur and proven experience taken note of - a case of 'not reinventing the wheel' - however relevancy needs to be taken into account and as already mentioned 'one size fits all' does not work well in all situations, and can be disastrous and create further problems..

Benchmarking

Working to best practice, whilst the ideal, can take longer in developing countries. More achievable would be the setting of standards and measurements. While policy is important in public procurement, the setting of daily operational procedures standards is a must. This will lead to better work practices and best practice.

Links between standards and benchmarking: standards provides a direction and means of working. The standards provide a cohesive approach which is useful as a training tool for staff. They also provide a transparent process, which is vital to ensure the process is fair to all – which should be the goal of any Public Procurement tender process – and surely on to best practice.

Interesting Linkages

Having appropriate standards can assist in achieving performance levels. There is an interesting link between all three. The first two will make the third easier to achieve. Benchmarking and best practice in

developing countries should be possible given the focus of implementing a process that is achievable and with clear outcomes.

What to benchmark? The following are some keys:

- KPIs
- Reporting
- Performance

It can be seen there is a circular effect - get one right and often the rest will follow. It is important to benchmark against 'like' and when asking for reports then something is done with the information in the report. This will assist in working towards having appropriate benchmarking factors such as (a) compliance, (b) monitoring and (c) procurement audits – a better word might be 'review'.

Having a baseline tool is essential – as it not only provides a start point but can be the tool to refer back to in future benchmarking. Equally having a performance assessment system based on procurement performance is helpful. This however would need to be simple in nature until such time as the overall process is understood by all relevant parties. There are other issues that need to be sorted first, in my opinion.

Implementation

Having an achievable implementation process is essential – as is the need for a realistic budget. Each of these is important in their own right but there is a link between the two. Taking each in turn:

Realistic budget – the cost of having a robust tender/contractual/procurement process is often underestimated. It can be an issue in developing countries and is often defined by 'aid' money. It is sad but true that often such monies are used elsewhere.

Implementation Process – It is important to have the means and method of an implementation process outlined. A business case sometimes leaves this out to the detriment of the plan. A part of the implementation process is the need to have a realistic budget.

What needs to be considered in an implementation plan? The following is a useful checklist:

1. Training requirements.
2. Training plan

3. Timeframes
4. Budget
5. Personnel
6. Direction and timeframe to achieve.
7. Review of progress.

There is a link between all seven and it is important that all seven issues are covered off. It is not good enough to implement without communication, training and the appropriate personnel. There should be regular communication so all parties are aware of the situation and are able to provide input where appropriate.

Moving Forward

Communication is so important and done well will increase the 'buy in' and include everyone involved. What is the best mechanism for this? Regular meetings and updates on noticeboards is essential. Information needs to be relevant to staff and accessible within the environment. In developing countries this mechanism works well.

How to move forward? In many developing countries communication is verbal, so there is a need for consultation – more than one in many cases. This will take time to work through – but is vital and will go a long way to achieving the goal of appropriate benchmarking.

The vision needs to be explained clearly and a clear pathway to follow established with an implementation process that is also easy to follow. Education is the key.

Another key is to ensure that there is agreement/commitment and a willingness to work with the process i.e. 'buy in'. These are the people who most likely will be responsible for budgets. Documentation – stating clearly defined requirements – is a must. From this emerge the standards and this then leads to specific benchmarking factors. There are unfortunately those that do not like change.

Reform is necessary but it is the means to build capacity and to make the process relevant -- and achievable. Small steps to some are big steps for others.

There is the opportunity to learn from other developing countries – but this is no sure thing given distance, communication issues and the lack of progress – for whatever reason.

E-procurement ... or not

A reform factor will be the need to look at the forum for advising of tenders – it needs to be recognised that computer usage is not consistent and not all possible parties have access. Radio and newspapers as well as bulletin boards would be best to start with.

However, there should not be a rush to implement e-procurement before the basics are established and there are not only monies to use for this purpose but also that it is the appropriate time in the change process. All too often there is considered to be a need to implement but this can add to the issues not resolve them. Haste is not the answer here especially when developing countries do not have the infrastructure to support.

Often the concept is that e-procurement is best – but this is not necessarily the case and the negatives of this is: cost, lack of skill base, and lack of will to implement. Too often mistakes move over to an electronic system if the process is not thought out well and the manual system is appropriate to move over.

SUMMARY: RESULTS

It is important to realise that in respect to developing countries best practice is the start point and the introduction of written documentation **is, in this situation, best practice.**

Capacity building is vital and this comes from education. This emphasis should be for both women and men – often a contentious issue in some countries so this needs to be overcome.

Policy and Process – it is important not to get hung up on policy – this does not need to be extensive. The process itself is important to ensure transparency and fairness to all players. Good policy is best developed from the lessons learned in setting up the process so more valid information is available on which to base a good settled policy. Otherwise there is a loss of valuable time (both operational and learning) - while waiting for a policy that is too hard to be completed.

In some instances the need to perfect policy holds up everything. It will never be implemented while firstly, waiting for the 'perfect' wording and secondly in not getting to the appropriate process due to the loss of time waiting for the policy.

In situations of uncertainty there is more of a need for the process – this will assist in the operational side of things. We need to understand that the process is essential, the policy, whilst nice, can be left until later. The policy after all overarches, whereas the process is the 'nuts and bolts' and after all that we are talking about procuring – and in developing countries this could well be nuts and bolts!.

From this comes the standards. Best practice is the ideal to aspire to. This can happen but it will take time and the end result might not be the tried and true but it will lead to a better outcome than exists at present. To be able to achieve appropriate 'front end' documentation and positive ongoing performance will be a 'win' in itself as well as having, in the circumstances, best practice. If we start there, then other best practices can follow.

There is no short cut. It needs to be acknowledged that it will take time. We have to remember that time is fluid and there is a need to be patient for all the issues to be worked through. It could well be generational. There is a need to start though ... and soon.

Why? Because of the way the world does business now – no longer does business occur within specific boundaries – and for developing countries to become more developed is to do business with the world. It starts however at 'home'.

Implementing and understanding your own policies and procedures is a must – understanding tender and contractual procedures externally to your country is essential – for doing business with the outside world and for bringing useful mechanisms into your own procedures. This will enhance and improve best practice in public procurement. The best method is to take from the best from the developed world and agencies such as World Bank, IMF, OECD et al but also to incorporate the local flavour and on the ground reality of the need for time, understanding, education and training.

According to the American Productivity & Quality Center, the three main barriers to adoption of a best practice are a lack of knowledge about

current best practices, a lack of motivation to make changes involved in their adoption, and a lack of knowledge and skills required to do so.

This is especially true in developing countries but even more so especially when it relates to public procurement – there is the lack of understanding, lack of skill base, lack of monies, and often lack of management support. Before we can consider best practice in this situation the factors just stated needs to be managed.

It must be recognised though that there needs to be a positive direction, a clear process and implementation which hopefully will flow on to the private sector.

In other words make a start, review and revise. The ability to enhance can only be increased – and can only be better for public procurement. It is a pity though that the start is delayed due to uncertainty. A start to enhancing best practice begins with the need for having an appropriate procurement policy.

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