



Why Procurement Matters for Development

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Procurement (public) – what is it ?

- ▶ Public procurement is a business process within a political system. Failure to properly balance these elements can lead to wasted effort and poor development results within the most important single marketplace in developing countries. (W.A. Wittig)
- ▶ Public procurement refers to the purchase by governments and state-owned enterprises of goods, services and works. As public procurement accounts for a substantial portion of the taxpayers' money, governments are expected to carry it out efficiently and with high standards of conduct in order to ensure high quality of service delivery and safeguard the public interest. (OECD)

Procurement – Why does it matter?

- ▶ Public procurement remains a big part of the economy of developing countries, accounting for an estimated 9-13% of their gross domestic product. (International Trade Center)
- ▶ Traditionally approach has been transactional on upstream processes – normative!
- ▶ Use of public/funds and scarce resources– tax-payers money! Investors!
- ▶ Focus on appropriate use of funds, transparency, auditable trails and conduct of the procedures;
- ▶ A gradual focus shift towards the social and political element , concerns on 'value' vs. 'cost' and 'economy and efficiency' v. 'outcome and effectiveness'

Procurement – Why does it matter?

- ▶ The political dimension brings new themes, social aspects, environmental sustainability, Gender Equality, Gender Based Violence...
- ▶ To develop such new themes it is necessary to develop Governance in the recipient countries as oppose to ‘imposing’ the so called ‘best practice’ of international organizations, MDBs bilateral Donors!
- ▶ The function ‘public procurement’ may play a new role - from a tactical vehicle to a strategic tool! **A transformation.**

Procurement – MDBs - Development Aid... a path

- ▶ **Recognition** - international financing/donor community recognized that serious measures had to be taken in order to improve the efficiency and effectiveness of the Aid delivered to developing countries;
- ▶ **Action** - various initiatives and consequent commitments undertaken by the international community to increase the funding for development and link it more closely to results achieved! consensus focusing on building capacity and ownership in the recipient countries.
 1. .The Rome 2003 and Paris Declarations 2005 on aid Effectiveness;
 2. .International Roundtables on Results at Marrakech (MfDR) 2004; Hanoi (MfDR) 2007, The Third High Level Forum held in Accra in 2008;

Procurement – MDBs - Development Aid path

- ▶ **Result** – a reform agenda to MDBs procurement rules and regulations from a normative and prescriptive (WB Guidelines) to a **Principle** and risk based approach setting out **Core Procurement Principles** (WB's 2016 Procurement Regulations for Investment Project Financing Borrowers) followed by others (ADB, AfDB, IsDB):
 - ▶ Fairness - *The procurement process is open and fair, non-discriminatory and provides equitable opportunity and treatment for tenderers*
 - ▶ Value for Money - *The procurement process enables the Recipient to obtain optimal benefits with the resources utilized. This may include not only the initial costs, but also costs over the economic life of the procured item, the quality of the output, fitness-for-purpose timeliness, and the achievement of **other socio-economic and environmental development objectives** of the Recipient*
 - ▶ Economy - *total price of contracts for goods, works and services, including economic life or Project cycle costs*

Procurement – MDBs - Development Aid path

▶ **Core Procurement Principles :**

- ▶ Integrity - recipients suppliers, contractors, service providers, consultants, concessionaires and their agents (whether declared or not), as well as sub-contractors, sub-consultants, and any personnel thereof, are required to observe the highest standards of transparency, ethics and integrity during the procurement, administration and implementation of contracts
- ▶ **Fit-for Purpose** – to achieve VfM, the procurement process ensures that procurement modalities applied appropriately reflect the strategic needs and circumstances of the Project. and are the most efficient and effective approach.
- ▶ Efficiency - arrangements are proportional to the required outcome with regard to implementation capacity and time constraints, and are cost effective;
- ▶ Transparency - sufficient and relevant information is required to be made available in an open manner to interested parties and for appropriate scrutiny

Procurement – MDBs - Development Aid/Financing

- ▶ MDBs concerns on how contracts are procured remain very high and part of their articles of agreements;
- ▶ Procurement staff to embrace the change undergoing (re)professionalization – transfer from **policy to operations** - not easy!
- ▶ Project Delivery Strategies and Contract Management are now part of the downstream set of considerations and documents to be developed by recipients/clients before project implementation starts!
- ▶ Recipients of development aid and financing to embrace the governance (practice) agenda – use of national procurement regulations that meet the core procurement principles
- ▶ Verification of integrity to prevent corruption and sanction prohibited practices remains integral part of the processes – embedded in the tendering documentation and Contracts!
- ▶ Environmental, and Social requirements – embedded in the tendering documentation and Contracts!

Procurement – MDBs – PPPs and Private sector

- ▶ MDBs concerns for the appropriate use of funds, with due consideration for economy and efficiency, apply equally to financed contracts procured by Private Entities;
- ▶ MDBs tend to satisfy themselves that appropriate procurement methods that ensure a sound selection of goods and services at **fair market** prices and that capital investments are made in a cost effective manner – due diligence!
- ▶ Ultimately - costs that are determined to exceed market prices cannot be financed
- ▶ When financing is towards Concessions of public assets or services and Public Private Partnerships are subjected to special scrutiny;
- ▶ Concessions agreements normally entail exploitation of public assets/resources to a private entity to deliver services, energy, transport... by a 'build (own) and operate and transfer' of infrastructure - a public asset entrusted to a private entity requires particular attention (**due diligence**)

Procurement – MDBs – PPPs and Private sector

- ▶ Key concerns covered encompass :
- ▶ Fairness, transparency and competition in the award process
- ▶ Compliance with all applicable law and regulations and **free of corruption** and complaints ;
- ▶ Terms of the concession agreement (price, quality, risk-sharing) are fairly distributed and in line with market practices
- ▶ The above criteria are cross-cutting and due diligence is conducted not only by procurement staff!
- ▶ Anti Corruption as well as Environmental & Social Policies apply also to financing to private sector

Procurement – Public vs. Private

- ▶ Public Procurement decisions and award of contracts can be challenged and must be defensible, transparent, auditable – hence regulated!
- ▶ Private sector is driven by efficiency, effectiveness, value creation of Supply Chains – ultimately respond to **investors** and **shareholders**
- ▶ Sustainability – Environmental, Gender Equality, Social, Economic considerations apply
- ▶ Private sector Purchasing Strategies and Supply Chains are drivers for innovation also for the Public Sector; and Public Sector Sustainability is increasingly adopted by Corporations
- ▶ The MDBs have played a role requiring adoption of acceptable, transparent and more sustainable practices
- ▶ The adoption of Core Procurement Principles and Procurement Standards in Public Sector Lending indicates a the gap is narrowing (?)

Procurement – Current challenges

- ▶ To combat the COVID 19 pandemic a higher risk of corrupt practices to respond timely to urgent needs relaxation of processes
- ▶ Disruption of global supply chains → price increase; delays in implementation; lower quality may lead to less Value and impact for citizens!
- ▶ Large economies inwardly looking – policies to favor national products and economic operators by applying restrictions to open participation to opportunities;
- ▶ Use of bilateral economic sanctions pose a threat to established practices and functioning of international open competitive tendering;
- ▶ MDBs don't recognize bilateral sanctions – tensions!

To know more about it....

- ▶ [SAPIENS Network | Bringing creativity, inclusivity, and sustainability to EU sourcing and procurement](#)
- ▶ [A Global Procurement Partnership for Sustainable Development: An International Stocktaking of Developments in Public Procurement \(worldbank.org\)](#)
- ▶ [Microsoft Word - Public Procurement 2002 - Doha Final.doc \(wto.org\)](#)
- ▶ [Public procurement - OECD](#)



Thank you

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