



European Bank
for Reconstruction and Development

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E-Procurement Strategy – MDBs Approach

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E-procurement in Serbia – Challenges & Benefits

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E-Procurement not on EBRD priority list of issues in procurement

- Due to the nature of Bank financed projects EBRD has been engaged on broader Procurement issues attending priorities of member countries.
- E-procurement, however within the context of Procurement Policy dialogue has been discussed and analysed with governments of Countries of Operation
- On multilateral level, EBRD is a full member of MDBs Working Group guidelines for e-government procurement reform
- EBRD is further engaged:
 - in joint public procurement initiative with UNCITRAL aimed at enhancing PP Regulation
 - in Public Procurement Laws & Practices Research in the Region
 - in Public Procurement Sector Assessment, forging cooperation with OECD, SIGMA, OSCE, UN, EU and MDBs operating in the EBRD region....
 - In TC Programme designed to promote 2011 UNCITRAL PP Model Law



2011 UNCITRAL Model Law

eProcurement / (e-government procurement)

- Greater transparency, lower cost
- Mitigation of human interaction
- Improving processes
- Standardization
- Better monitoring tools

**Compliant with the MDB Working Group guidelines
for e-government procurement reform**



EBRD's Highest Priority: Efficiency of the Public Procurement Sector

- Considering its enormous impact on public spending, the quality of public services and the fate of private business, the efficiency of the public procurement sector is of paramount importance.
- Transition countries, working towards the development of their economies, have a particular stake in ensuring that their procurement systems are transparent and efficient, yielding the highest possible benefits in the long run.



EBRD approach to procurement incorporates dual sensitivity:

- IFI harmonized with all similar institutions, like the WB, promoting Best practices in Procurement..
- Institution operating within EU environment where EU-directives govern and Country Procurement is applied.



The Bank shares the same procurement principles with most IFIs

- Aligned to the principles of the WTO Government Procurement Agreement
- Eligibility - open to firms from all countries (except UN Chapter VII sanctions)
- Only restriction is capability to fulfil the contract
- Specific rules for sub-sovereign clients
- No domestic preference
- Only internationally recognised contracts can be used
- Private sector procurement based on detailed principles
- Separate concession policy for financing of a private sector party to a concession arrangement

Note:

- The Bank's PP&R are not based on the EU Directives. However, both are aligned to the WTO Government Procurement Agreement (GPA)

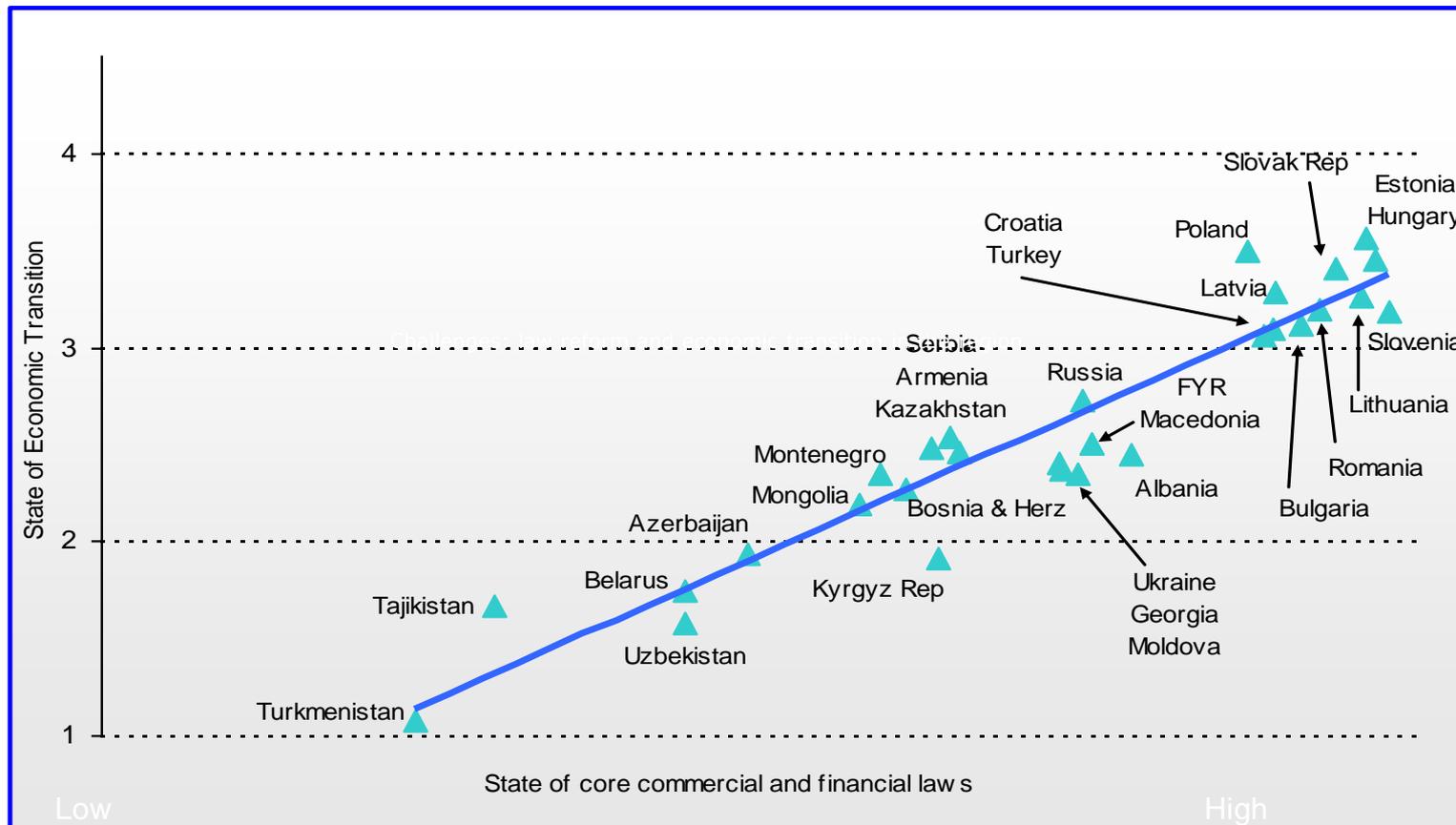


EBRD Procurement Policy activities

Challenges and Findings



Challenges: law reform and economic transition in the region



Source: EBRD Transition Report 2010, Table 1.1; EBRD Composite Country Law Index, June 2012



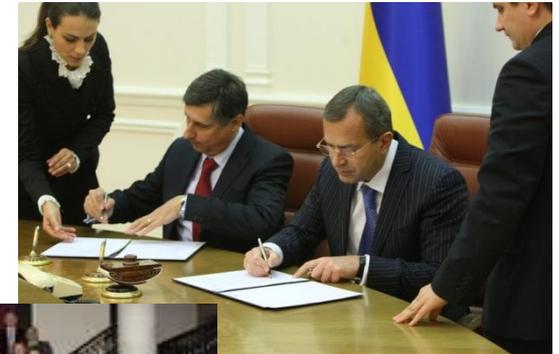
Risk based Capacity Assessment in Procurement:

- A) At Country level – to evaluate risk in National Legal Framework and Practice
- B) At Client's Level – to assess Institutional Capacity of Clients in Procurement to determine the level of EBRD's fiduciary oversight

Initiatives Outcome:

- A1) Country procurement dialogue and reform to build **Stronger Institutional an Legal Framework**
- B1) Client Capacity Building.

- **Policy dialogue with the Governments of the Countries of Operations**



- **Launch of the Report on Public Procurement Laws and Practice in the EBRD region**



- **UNCITRAL and EBRD joint public procurement initiative in CIS countries and Mongolia**





Results of the Review

- Most of the EBRD countries of operation have some elements of a legal public procurement framework in place, which defines the institutional framework and the rights and obligations of the public procurement process stakeholders.
- Both the quality of the legislation in place and local procurement practice may or may not be compliant with good practice, depending on many internal and external factors.
- In order to enhance the economic outcome of the public procurement process, governments need to grasp the role of key efficiency factors and to identify gaps in law and practice, as compared to their peers.



Integrity and Transparency of the PP System - Final comments

- Modernizing and maintaining a country's PP system is an on-going process.
- A cornerstone of a well-functioning PP system operating with integrity (fair, transparent and credible) is the availability of mechanisms and capacity for independent control and audit of procurement operations to provide for accountability and compliance, as well as, separation of responsibilities as a check/balance mechanism and oversight/control.
- Internal and external controls and an effective external audit system are key elements of a governance and public financial management system and are particularly important to the effective and efficient operations of the PP system.
- Administrative review body or authority should be separate from the regulatory body, executing agency and the audit/control agency.



- The EBRD - UNCITRAL initiative is aimed at enhancing Public procurement regulation in the CIS countries and Mongolia in cooperation with OSCE and OECD SIGMA
- It is a Technical Cooperation programme designed to promote 2011 UNCITRAL Public Procurement Model Law and encourage the upgrading of public procurement regulation in countries committed to improvements.

MODERN PROCUREMENT TOOLS AND TECHNIQUES

E-Procurement for the Public Sector

- Business-to-government tendering & sale (goods, services and works) via:
 - online platforms
 - networking systems (electronic data interchange procurement planning facilities).
- Business-to-government transactions in complete E-Procurement system :
 - initiated, advertised, and completed online,
 - real time monitoring and audit,
 - bureaucracy and formalities limited to absolute fundamentals

MODERN PROCUREMENT TOOLS AND TECHNIQUES

E-Procurement for the Public Sector:

- Online e-tendering procedures in place
 - New electronic procurement tools can be used:
 - e-auctions
 - e-purchasing based on framework agreements
 - e-catalogues

MODERN PROCUREMENT TOOLS AND TECHNIQUES

E-Procurement for the Public Sector:

Public Procurement Reform
including eProcurement can contribute :

- Greater transparency (lower cost)
- Better accountability (improving procurement process and decision-making)
- Standardization and uniformity (local procurement practice)
- Better monitoring (easy direct access to procurement records & data on public contracts performance)



EBRD and E-procurement Strategy



- Due to the nature of Bank financed projects EBRD has been engaged on broader Procurement issues attending priorities of member countries
- Many countries in the EBRD region are clearly getting quite advanced in the use of e-procurement
- Decision by some countries to make e-procurement mandatory for all types of procurement may affect EBRD sub-sovereign projects
- Current EBRD concerns:
 - E-procurement should not be considered as a one-off solution against prohibited practices
 - E-procurement should be seen as one of the procurement tools and should in itself allow for various procurement methods. The use of reversed auction for all procurement is not good practise
 - Absence of contract implementation data may “skew” the real situation
 - Poorly planned procurement will not be solved by the use of e-procurement. Capacity building and professionalism in procurement will always be the key factor.

E-Procurement Strategy within Public Procurement Reform

- **MDBs Position:**

1. **A comprehensive definition of Public Procurement Reform, including E-Procurement Strategy, is imperative for a successful Introduction of E-Procurement**
 - **Introduction of e-Procurement is:**
 - **expensive**
 - **demanding**
 - **staff intensive**
 - **time consuming**
 - **It may take several years for public sector agencies to fully benefit from the strategic and operational results of e-Procurement**



E-Procurement Strategy within Public Procurement Reform

2. **A comprehensive, structured and effective e-Procurement strategy can deliver a broad range of benefits to taxpayers, the economy and the community at large, such as:**
 - (i) **new value-added services;**
 - (ii) **economy - cost savings;**
 - (iii) **higher transparency and governance in the market place;**
 - (iv) **changes in work practices;**
 - (v) **new market possibilities.**

3. **The Strategy, as a consequence, involves changes that affect management at all levels of the supply chain and potentially all businesses in the economy and need to be complemented by appropriate legislation, infrastructure and training**



Objectives of E-Procurement Strategy

- **Governance** (incl. Transparency, Accountability)
 - **Effectiveness** (incl. Efficiency, Value-for-money)
 - **Economic Development** (Business development, Competitiveness)
- These objectives can be achieved in parallel. The difference in cost to pursue these objectives is marginal whether we pursue one or all objectives at the same time.
 - Therefore, the issues are primarily about design, standards, management and policy rather than resources



E-Procurement Strategy - Critical elements

It is important to identify early on, during the preliminary/preparatory phase, the critical elements (CE) that might impact the successful Introduction of E-procurement.

Organisation and Management can be identified among the most important elements that influence the success of E-Procurement Introduction, according to different studies.

Focusing attention and concentration of efforts on reliable CEs can optimize the timeframe needed for E-Procurement Introduction in line with its strategic and operational objectives.

E-Procurement Strategy - Critical elements

Two main groups of Critical elements have been identified that require Particular attention, as follows:

Technology Factor(construction, deployment technology) includes:

- system integration
- security and authentication

Human Factor (behaviour and expertise) includes:

- training,
- supplier adoption,
- end-user acceptance
- project management
- top management commitment.



Technology Factor

Technology and fast development of Technology Options, has been attributed to spearhead the push for E-Procurement.

The rapid progress of IT options and capacity developed for e-Procurement, contributed to the argument from “the technology corner” that regardless of the various shapes and sizes of e-Procurement systems in the market, that the basic procurement process is the same across the public sectors and can be addressed with straightforward technology to automate standard processes.

However, the empirical evidence in the last two decades, shows that it is important first (or in parallel) to develop a more conceptual approach to the Introduction of E-procurement and, therefore, a more precise technical description of the e-Procurement tools, should follow, rather than lead.

First – Strategy/Conceptual Resolution and Second (or in parallel) Technology/IT).



Human Factor

Human factor has been identified as predominant for the success of E-Procurement Introduction.

It is believed that investment in resolving human factor issues, produces higher revenues.

Based on the assertion that the human factor plays a more important role than technological factor in the successful implementation of e-Procurement initiatives, therefore, procurement professionals and e-Procurement project managers need to establish a system of progress monitoring and decision-making in regards to their e-Procurement initiatives.



E-Procurement Challenges

MDBs consider, in addition to the above critical elements, that the development and implementation of e-Procurement strategies faces several challenges, as follows:

- ***Weak policy and operational leadership.* E-Procurement involves significant management change. A weak leadership framework will invite fragmentation of objectives, interoperability and methodologies.**
- **Weaknesses in management, planning and ambiguous or divided ownership of the reform programme, rigid processes and regulations, poor contract management, staff apprehension**
- **A misunderstanding that e-Procurement is primarily about technology and therefore is to be implemented by technical experts.**
- **Small and medium enterprises (SMEs) with low awareness, understanding, or skill in relation to new technology.**



E-Procurement Challenges (cont.)

- **SMEs sometimes perceive new online technologies as a threat to their business if Government agencies start using directly the online catalogues of major corporations, thereby locking out small enterprises.**
- **Government activity, especially procurement, that is sometimes subject to intense scrutiny and must be exercised within a policy, accountability and framework that is poorly understood by private sector.**
- **Confusion over standards**
- **Inadequate access and connectivity to communications infrastructure.**
- **Uncertainty about e-commerce legislative environment.**
- **Poor pre-existing procurement practice, legislation and regulation.**



Results of E-Procurement Implementation

- **On balance, although, the introduction of e-Procurement in the last decade (or two) has created a lot of enthusiasm in various countries, many public sector agencies are still at an early stage of implementation.**
- **Evidence in relation to the implementation of e-Procurement initiatives indicates that this transition is turning out to be a major challenge for many public sector agencies at a time when governments worldwide are focusing on e-Procurement as part of their e-Government agenda.**
- **The latest push by EU Commission towards moving to full E-Procurement for all public purchases by 2016, gives testimony to the fact that EU is lagging behind both its own targets and internationally. E-Procurement is still used in only 5-10% of procurement procedures carried out across the EU despite ambitious political targets (EU Commission, Press release 20/04/2012).**



Results of E-Procurement Implementation

Likewise, in Serbia, recent findings (Source: ICT in Serbia, At Glance, GIZ, page 18) show that only 23.3% of companies that have the Internet were engaged in purchasing goods/services online and 20% of companies were approached through the Internet to deliver goods/services.

Only 11.50% of Serbian companies use Enterprise Resource Planning (ERP), most of which are large companies (43.1%) then medium-sized companies (17.8%) and finally, small companies (7.6%). Use of Customer Relationship Management (CRM) systems is even weaker, only 8.5%.



Lessons Learned – Practitioners Experience

Lessons learned based on practitioners reports, indicate that:

- **First, priority should be given to Strategy/Conceptual Resolution; and**
- **Second, (or in parallel) to Technology factors – IT, which should be designed and tested on case by case basis.**
- **This approach is further strengthened by practitioners experience reported in government documents that capture the practitioners' perceptions of E- practices.**
- **These Practitioners' reports indicate that the development and implementation of E-Procurement has not been as easy as some solution providers have suggested, nor has it necessarily brought the anticipated savings.**



Lessons Learned – Practitioners Experience

- **Further, engaging the private sector - suppliers in the process – especially smaller organisations, has also proved to be difficult due to the fact that initial investment (catalogues, etc.) is significant for small business and therefore are not meeting original expectations.**
- **As technology alone does not ensure successful adoption, the success of e-Procurement introduction, also depends on users and buyers making use of the new process and system.**
- **The solution must attract end users to view e-Procurement as the preferred means by which to purchase goods and services.**



Lessons Learned – Practitioners Experience

Training

- **MDBs have noted that as e-Procurement includes new technologies and changes in traditional procurement approaches, the need to train staff in procurement practices and the use of e-Procurement tools are also critical to the success of e-Procurement introduction**



Final comments

- **Compounding the above issues further adds to the complexity of government procurement which precludes the possibility of a one-size-fits-all model for acquisitions.**
- **It is preferable to regard the technology supporting e-Procurement as infrastructure rather than a service and, like most infrastructure, efficiency is ensured through regulated management rather than expensive duplication.**

Current EBRD concerns:

- **E-procurement should not be considered as a one-off solution against prohibited practices**
- **E-procurement should be seen as one of the procurement tools and should in itself allow for various procurement methods. The use of reversed auction for all procurement is not good practise**
- **Absence of contract implementation data may “skew” the real situation**
- **Poorly planned procurement will not be solved by the use of e-procurement.**
- **Capacity building and professionalism in procurement will always be the key factor.**



Thank you