

**Research and Policy Development Consultation Meeting
on e-Procurement for Innovative Governance**

10 - 11 March 2011

Seoul, Republic of Korea

TABLE OF TECHNICAL INPUT

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*Participants may use as much space as deemed necessary in filling out the following sections.

1. Merits and Problems of Existing e-Procurement Systems
<p>A) Kindly list three or more <u>merits</u> shared by the existing public e-procurement systems. In what way have they been successful in promoting innovative governance? Please include short remarks to provide their contexts (developmental stage, geographical scope, legal and institutional background, etc.).</p> <p>(1) Reduce administrative cost by improving the procurement process. Its also reduce bureaucracy by helping the State avoid repeating tasks such as registration and certification of contractors, allowing for more efficient control mechanisms and reducing paperwork.</p> <p>(2) Give signs of transparency, as the transactions between contractors and State agencies become public;</p> <p>(3) Reduce purchasing prices, due to a more efficient operation and to a larger number of potential contractors.</p> <p>B) Kindly list three or more <u>major problems</u> shared by the existing public e-procurement systems. In what way have these problems been proved obstacles to advancing government efficiency, transparency and participatory governance? Please indicate concrete examples to provide details.</p> <p>(1) Lack of competences, need of training and absence of motivation in many public procurement offices, are some of the main reasons for which any new projects, new tools like e-Procurement, or any change have to improve the already existing bureaucratic standards. For example, new ICT tools for e-Procurement are technically implemented, but are not anticipated nor followed-up by changes in quality oriented goals, processes, human resources etc.</p> <p>(2) Lack of IT infrastructure. Technological infrastructure is not updated and nor aligned with modern e-Procurement requirements.</p> <p>(3) Lack in legislation. The use of electronic means in the area of public procurement needs to be supported by appropriate legislation as the basis of the legal validity of electronic procurement procedures and documents.</p>
2. A Common Framework / Toolkit for e-Procurement in Developing Countries
<p>UNPOG (United Nations Project Office on Governance) and DPADM (Division for Public Administration for Development Management, UNDESA) will jointly design a common framework and/or toolkit which aims to provide developing countries with a comprehensive set of strategic guidelines to advance e-procurement for innovative governance. In light of the existence of similar toolkits available in other organizations (such as multilateral development banks), and taking into account our necessity to avoid possible redundancies, kindly provide three or</p>

more technical recommendations on how to develop such a common framework/ toolkit with added values.

(1) Its important to determine a specific objective and develop an integrated programme and operations strategy strategy that reflects all country levels.

(2) The Toolkit can contain different types of documents like concept papers, model, case-studies, etc.

The concept paper sets out the thinking and methodology behind a capacity-building tool or activity. The model is a suggested tool that may be widely used, but will need to be adapted for any particular circumstances. The case-study is an example of capacity-building activity from a particular country; it is not automatically replicable but should stimulate further ideas.

3. Recommended Methodologies for Data Collection and Analysis

Following the conclusion of our consultation meeting (10-11 March), UNPOG and DPADM will undertake data collection and analysis on the e-procurement status of the United Nations member states. The information to be collected will include legal, administrative, managerial and other diverse institutional aspects of their public e-procurement status, including relevant cases of innovative governance. Kindly suggest three or more ideas on the approach and/or methodologies to be used in this data-gathering and analysis.

(1) The research strategy could be to use a multiple-case. The rationale for using a multiple case design is that it can help to the researchers better understand the dynamics and complexities present within each case study as well as learn about the processes, critical issues, and perceived requirements as pre-conditions for an e-Procurement project.

(2) The data can be collected from structured interviews conducted on directors of purchase departments.

(3) It's important to include open-ended questions throughout the interviews. They allowed for flexibility and provided the possibility of in-depth qualitative answers; they also enabled the interviewer to clear up misunderstandings (through probing), ascertain a respondent's lack of knowledge, detect ambiguities, encourage cooperation and make better estimates of the respondent's true intentions, beliefs, and attitudes.

4. Country Surveys

In order to facilitate the above-mentioned data collection and analysis, UNPOG and DPADM plan to undertake country surveys, starting first with the member states in Asia and the Pacific. The compilation of these analytical surveys will lead to the formulation of a 'regional inventory of e-procurement systems for innovative governance' in Asia and the Pacific. Kindly list 3 or more concrete recommendations for preparing the requisite questionnaires.

Develop individual in-depth interviews that can be carried out by trained interviewers with key staff of a sample of purchase authorities according to a pre-designed, detailed scenario that defines the objectives and general guidelines for the discussions. The main objectives of the requisite questionnaires in the interviews can be:

(1) recognize the most problematic areas in the everyday performance of the procurement authorities, specific e-procurement;

(2) describe existing practices of dealing with those problems;

- (3) define important areas of training and development in relation to existing problems and practices;
 (4) Learn about key sources of information in topical areas related to procurement authority performance.

5. Past and On-going Initiatives **optional*

*Briefly list three or more **major (past and on-going) initiatives** undertaken by multilateral agencies to assist governments, particularly of developing countries, in advancing innovative governance with the application of an e-procurement system. How have they contributed to advancing e-procurement systems? What specific approach have they employed in promoting innovative governance? For each initiative to be listed, kindly provide its title and short descriptions, as well as the name of the agency in charge.*

(1) "Productive Chains"

How to strengthen the liquidity of the suppliers once they have sold to the government?

In Mexico, large public and private companies are financed mainly from suppliers. Credit penetration and financial system in Mexico is still very limited, so 62% of the financing of large companies is by way of suppliers.

Given this reality we developed the program called "Productive Chains" which is an electronic factoring system.

That is, we advance the federal government payments to its suppliers via this system. "Productive chains" is called for through the corporation which may be a government entity, we provide information, training and financing to their suppliers, either via internet or phone.

All part from the big company. This public company rises to the system the payable accounts to the supplier company; the supplier enters the system with his username and password and select the documents wants to be paid immediately. The government agency or private may have a policy of paying 30, 60 or 90 days, but the suppliers through this tool can deduct the documents immediately.

A commercial bank accepts the transaction (transfer of rights) and requests the funds from the Development Bank. The commercial bank deposit resources in the supplier's account on the same day, of course discounting the interest thereon.

Then the agency, the corporation pays the assignment of rights to the bank and suppliers become detached because they received the resources already.

The supplier enters to the portal in this case Nafinsa which is the largest development bank in Mexico, select the section of production chains and the big company to which he sold.

With his username and password go to his documents, as shown on the screen.

The supplier can observe the number of unpaid invoices, the amount involved, the interest and the rate would be charged at the time he decides to discount the document; the bank that would make the operation and the actual cash that would be deposited into his check account.

The supplier may select one or all documents with a click operation. The supplier need not submit supporting documentation because that was incorporated into the system earlier. All alerts are electronic.

It is important to mention that by law since 2007, all entities of the Mexican Federal Government are required to record the payments to suppliers in this system.

The benefits for suppliers are:

- Access to immediate cash without recourse

- Access to a competitive interest rate
- Access to working capital credits based on sales history
- Access to Training & Technical Assistance
- Access to Information in tenders

We have over 500 large companies affiliated in this program, both public and private. We started with Wal-Mart and PEMEX (the state oil company).

Since the Program began in 2002, has been awarded liquidity to the suppliers companies for more than 80.000 billion dollars, thus making production chains in the second tool of the world's largest factoring.

In conclusion:

- Nafinsa's platform prevents fraud
- Potential to be an important source for SMEs in countries with poor credit information.
- Ideal source of financing in countries with small, risky suppliers
- Highlights how the use of electronic channels
- Productive chains can cut costs and provide greater financing opportunities for the new born SMEs