



Operational excellence for results that matter

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UNOPS – Brief intro

Operational arm of the UN - helps partners deliver over \$1 billion in aid and development projects yearly. It is fully self-financed and operates on a cost-recovery basis.

Provides support in three main areas:

- Sustainable **Infrastructure**
- Sustainable **Procurement**
- Sustainable **Project management**

Engagement modalities:

- Transactional support (payroll, procurement)
- Implementation support (direct implementation of projects)
- **Advisory services (assessment/diagnostics; capacity development; technical and managerial support)**

UNOPS – Brief intro

Our mandate

Executive Board, 11 September 2009:

“Reaffirms the mandate of UNOPS, in the context of coherence and the furtherance of UN objectives, to act as a service provider to the UN system agencies, funds and programmes, international and regional financial institutions, intergovernmental organizations, donor and recipient governments and non government organizations.

*“Reconfirms the role of UNOPS as a **central resource for the UN system in procurement and contracts management as well as in civil works and physical infrastructure development, including the relevant capacity development activities.***

“Recognizes the potential for value-adding contributions that UNOPS can make in providing efficient, cost effective services to development partners in the area of project management, human resources, financial management and common/shared services.”

Why is Procurement important?

- High value (15% – 20% of GNP)
- High % of public sector expenditures
- Translates budgets into action
- Involved in every government activity
- Affects all aspects of society
- Represent important business opportunity for SMEs
- Great impact on employment

Why is Procurement important?

- Has evolved from a simple administrative task and a series of purchasing events to a strategic function of the state
- Technology, Free Trade Agreements (FTAs) and demands from society have made Public Sector Procurement (PSP) a high visibility issue, complex and strategic

Procurement harmonization

- Within the UN system
 - Procurement policies & procedures
 - Common sanctions and debarment process
 - One UN – delivering as one enhancing the coherence, efficiency and effectiveness of the UN at country level and reduce transaction costs for host countries
- EU, others common procedures
 - (EU policies & Directives)
- IFIs
 - Procurement policies and procedures
 - Common debarment system
- Regional efforts - Example LAC

Regional Integration

- The case of LAC
 - Inter-American Network on Government Procurement
 - <http://www.ricg.org/home/en/>
 - 32 LAC countries - National directors of procurement responsible for PSP policy and modernization
 - Supported by:
 - Organization of American States (OAS), (technical Secretariat)
 - Inter-American Development Bank (IDB)
 - International Development Research (IDRC)
 - Annual meetings – free exchange info – software

Free Trade Agreements (FTAs)

- FTAs now include procurement chapters
- EU FTAs best models signed with numerous countries
- EU FTAs include public procurement chapters tailored to each country's size, level of development and priorities, to regulate market access and the conduct of award procedures

Procurement chapter models

- EU – Chile the model of 2002
- USA – Chile and others very similar
 - Provide a rules-based procurement system that ensures transparent, effective and predictable market access
 - Obligates countries to guarantee national and non-discriminatory treatment to the goods and services produced by each other
 - Cover the purchases of most central government agencies, regional governments, ports and airports and municipalities in the countries

USA – Chile

- First government procurement agreement to recognize Build-Operate-Transfer (BOT) contracts as government procurement
- Includes the first government agreement to require that bribery in procurement be a criminal offense under domestic law

Devastating effects of Corruption

- 30% cost of goods, works and services
- 50% of health sector funding in Ghana does not reach hospitals and clinics
- In Germany, companies lose over €6 billion each year due to corruption, waste and fraud

German Martin Luther University of Halle-Wittenberg, PricewaterhouseCoopers and Germany's TNS-Emnid, 2007

Raymond Baker Global Financial Integrity <http://www.gfintegrity.org/>

<http://www.sigar.mil/pdf/quarterlyreports/Jan2011/Lowres/Jan2011.pdf>

Devastating effects of Corruption

- According to the Center for Economic Studies , a private sector entity in México, in the country:
 - The cost of corruption represents 10% of GNP
 - In order to operate in the local market, private sector companies assign an amount similar to their earnings to the subject “Corruption”

Procurement modernization

- International rejection and fatigue has prompted serious **anti-corruption** efforts worldwide
- PSP modernization in the forefront
- Anticorruption efforts at all levels
- Civil society procurement monitoring
 - (TI tool <http://monitoring.transparency-usa.org/>)
- Monitoring and control exacerbated

Anticorruption efforts

- States have codified and published their procurement rules
- Procurement processes made more predictable and transparent
- Enhanced civil society and vendor monitoring
- e-GP systems being introduced to save money and enhance transparency

Anticorruption efforts

- Tainted procurement now subject to challenge, usually before a court or independent agency
- Rules regarding ethical behavior for public officials and contractors bolstered
- Corrupt and fraudulent contractors sanctioned and debarred
- States are investing in training & professionalizing their procurement work forces

Anticorruption efforts have also led to

- Excessive bureaucracy
- Duplication of efforts
- More rules, regulations, manuals, directives
- Excessive controls
- Stifling of procurement processes
- Decrease in decision-making ability
- Criminalization of profession
- Decrease in efficiency

Study on effects of anticorruption in PSP

- Proliferation of laws, rules and regulations
- Frequent amendments and changes
- Older/obsolete laws left in the books still in effect
- Unnecessary complexity in the law and processes
- Excessive and costly documentation requirements
- Normative conflicts
- Inconsistent application of rules
- Rigidity - legal uncertainty

Decrease in efficiency

- Increase in bureaucracy
- Increase in approval seeking processes
- Difficulty in obtaining best value
- More rules, regulations, manuals, directives
- Additional 20% to 30% of cost works, goods, services
- Obsession with process rather than outcomes and results

Obsession with process

- Strict application of rules and procedures
- Great difficulty in applying technical criteria and professional judgment
- Difficulty in incorporating international best practices

Best practices

- Strategic approach
- Recognition of profession
- Simplified legal framework
- Delegation of responsibilities
- Transparency
- Performance versus transaction based monitoring
- Modern techniques
 - Best value source selection
 - Total cost of ownership

ODA Absorption

Present PSP system makes ODA absorption ineffective. Measures to increase capacity can include:

- Simplification of procedures
- Appropriate controls
- Focus on value for money
- Measure performance
- Reward productivity and savings
- Promote accountability

UNOPS Advisory Services in Public Procurement – How we can help

- Procurement Efficiency Assessments for main public purchasing units (Ministries, State companies, Decentralized units, etc.)
- Evaluation of procurement and supply chain performance
- Rapid assessment of the National Procurement System, identifying main factors impacting the absorptive capacity of the ODA
- Strategic support for public procurement policy-making
- National / Local capacity development.

The end

Many thanks for the opportunity to discuss this important subject

For more information please visit
www.unops.org

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