WHY IS PROCUREMENT IMPORTANT?

It adds up – reliable procurement

In the 1990s corruption was rampant in the Department of Education in the Philippines. The department was unable to deliver the most basic services to its 18 million public school students. Unqualified bidders were over-pricing their school text books and corrupt officials were awarding them contracts to deliver books which seldom arrived at schools. In 2001 a new government decided to fight corruption and reform the way text books were ordered and delivered. The ‘Textbook Count 1-2-3’ project made sure that every text book was accounted for and delivered. NGOs, parents, Boy Scouts and Girl Guides were all involved, including the Coca Cola company who agreed to deliver text books for free in their trunks when delivering soft drinks to remote areas.

WHY IS PROCUREMENT IMPORTANT?

WHAT IS PROCUREMENT AND WHY IS IT IMPORTANT IN DEVELOPMENT

Procurement is the process of:
• identifying what is needed
• determining who is the best person or organisation to supply this need
• ensuring what is needed is delivered to the right place, at the right time, for the best price, and that all of this is done in a fair and open manner.

Governments procure in this way and so do you and I when we buy a car or furniture, for example.

We all want to achieve concrete results. The United Nations General Assembly has set eight Millennium Development Goals to be achieved by 2015. One of them is for primary education:

Goal: Achieve universal primary education
Target: Ensure that, by 2015, children everywhere, boys and girls alike, will be able to complete a full course of primary schooling

To enable girls and boys everywhere to complete primary school to meet this particular goal, we need school buildings, roads from where the children live to where these schools are, fair and clear contracts between the government and teachers so the teachers will be paid each month to teach and we need modern, good quality school textbooks delivered to every school for every student.

Developing countries and donors have to commit and deliver money for all this and in doing so they both have to account to their respective citizens for the proper use of these public funds. Reliable procurement processes will transform this money into schools, roads, teachers’ salaries and delivered textbooks. This is how the MDGs will be achieved. The more efficient and reliable the procurement system, the greater the number of schools, roads, teachers and textbooks from a given amount of money.

The same analogy is true for the other MDGs. It is equally true that corruption, fraud and inefficient procurement decrease and steal the benefits that good procurement practices can deliver to citizens and they lower the level of trust and confidence they have in their elected government to deliver needed services and goods.

In 2003, the OECD DAC and the World Bank established the Roundtable on Strengthening Procurement Capacities in Developing Countries. Thirteen bilateral donors, eight multilateral organisations and nine partner countries were members. Their goal was to create better tools and techniques to strengthen procurement in developing countries.

In 2005 the OECD DAC set up the Joint Venture for Procurement with a mandate to fulfil the Paris Declaration on Aid Effectiveness and its commitments to: strengthen national procurement systems; support capacity development; and use local country systems.

Today there are best practice papers, and tools to help implement effective procurement, including baseline indicators which have been developed to help practitioners assess procurement systems. Although they are designed for use in the assessment of central government or national procurement systems in a country, they can be adapted for use in regional, local or agency assessments.

Most importantly, they have been designed for a country to conduct a self-assessment of its procurement systems.

Once an assessment has been carried out, the information gathered helps a country (with the support of donors) design harmonised reforms and build capacity. This information can then be used to monitor systems and the success of reforms.

A Technical User’s Guide helps facilitate a consistent approach to the application of the indicators, and provides information on internationally accepted practices on implementation, performance indicators, benchmarking and evaluation.

The User’s Guide, and more procurement tools and papers can be found on the OECD DAC web site (see below) in English, French, Spanish and Portuguese.
WHY IS PROCUREMENT IMPORTANT?

For OECD countries, the ratio of total procurement for all levels of government (national, state or provincial and municipal governments) is estimated at about 20% of the total Gross Domestic Product (GDP) of these countries or the total value of all the goods, works and services a country produces in a year. This is equivalent to about US dollars 4,730 Billion (using 1998 OECD data) and for non-OECD countries it’s valued at about 4.5% of the total GDP or about US dollars 820 Billion.

HOW MUCH IS SPENT ON PROCUREMENT?

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SIZE OF PROCUREMENT IN SELECT COUNTRIES

<table>
<thead>
<tr>
<th>Country</th>
<th>Procurement as % of total expenditures</th>
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<tbody>
<tr>
<td>Global</td>
<td>12-20%</td>
</tr>
<tr>
<td>Dominican Republic</td>
<td>20%</td>
</tr>
<tr>
<td>Malawi</td>
<td>40%</td>
</tr>
<tr>
<td>Uganda</td>
<td>70%</td>
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<tr>
<td>Vietnam</td>
<td>40%</td>
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</tbody>
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Corrupt-free Procurement Delivers Better Results

The Philippines' National Textbook Delivery Program "Textbook Count 1 – 2 – 3"

Fixing corrupt practice

By the end of the 1990s, the Department of Education in the Philippines had become a laboratory of nearly every known form of corruption, from low-level petty corruption to high-level political corruption involving senior officials, elected legislators and cabinet secretaries. So much public funding was being stolen in this way that the department was barely able to deliver the most basic services to the country’s 18 million public school students. For example, one textbook had to be shared by about six elementary students because not enough textbooks were being purchased and delivered and the ones that were delivered did not last very long because of inferior quality.

At this time, unqualified bidders were over-pricing their books and corrupt officials were awarding them contracts. In turn, these contractors were charging the department for deliveries of books that often didn’t happen and then splitting the payments with the officials who approved these invoices. Even when the books did get delivered to schools, they were often of sub-standard quality and did not last long before they fell apart.

A new start

In 2001, a new government assumed power and a new minister was given the responsibility for the department. A decision was made to implement reforms in the department and elsewhere to attack corruption and to change the way school textbooks were ordered and delivered.

How did they do it?

For three years, starting in 2002, and lasting until 2005, the new management team in the department undertook what they called “Textbook Count 1 – 2 – 3”. What they did was to confirm which textbooks and how many of each were actually needed by teachers, they made sure the tendering process (by which hopeful suppliers send in their offers to supply and deliver the books) really selected the best qualified suppliers and they ensured the books were delivered to the districts where they were needed.

Parents, children and Coca cola recruited

NAMFREL, the NGO set up to monitor elections, has offices in almost every public school because the schools are the local polling stations. In 2003, NAMFREL was able to monitor over 50% of all deliveries at the time they were actually delivered in the districts.

The Boy Scouts and Girl Guides of the Philippines were also recruited. Virtually every school has a troop of Scouts or Guides; the school’s teachers and the children’s parents are all involved, as well. The children were asked to monitor the delivery of their own school books. In 2004, the inspection rate jumped to 85%.

Despite this, remote schools were still not receiving books from district offices for up to months after delivery. The Coca Cola company agreed take school books on their delivery trucks for the normal deliveries of soft drinks to these remote schools and for no charge. The country now has virtually complete coverage of timely delivery of school books.

Year | Procurement Period (mo.) | Number of Books | Price/Book | Total Budget | Delivery Sites |
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<td>1998/99</td>
<td>24</td>
<td>-</td>
<td>90</td>
<td>-</td>
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<tr>
<td>2000/02</td>
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<td>33.5</td>
<td>37.4</td>
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<tr>
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<td>48.5</td>
<td>660</td>
<td>7651</td>
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<tr>
<td>2004/05 – “3”</td>
<td>-</td>
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- To quench our students’ thirst for knowledge, we called on COCA-COLA to help deliver textbooks to hard-to-reach schools.