

Mid Year Review 2006

Working Group Procurement Reform

1. Short executive summary (key fundamental points for Aide Memoire)

- The 2006 indicator for the procurement reform to implement a modern procurement system in accordance with the best international practices, measured by a supervisory and regulatory body (Supervision Unit for Public Procurement - UFSA) that is created, budgeted and operating, can be met but requires a close cooperation of UFSA, UTRESP and UTRAFE and no further delays in decision making on finances.
- The structure of UFSA has been determined by a diploma ministerial by the Minister of Finance, key staff including the Director of UFSA in the rank of a Deputy National Director has been appointed, a further roll-out plan for UFSA including the staff structure, necessary investments and the need for external consultancy has been approved by GoM. The budget for UFSA is part of the normal GoM planning and budgeting procedures for 2007 but the continuation of external financing for 2007 remains important. DNPE has taken a pro-active role in the creation and the capacity building for UFSA. It was agreed that DNPE/UFSA would play this role in the future for the procurement reform in general taking also a strong leadership towards UTRESP as far as procurement reform activities as part of the public sector reform are concerned.
- Besides of the PAF-Matrix which is part of the Balanço do PES (BdPES), the BdPES text for the first half of 2006 does not deal with specific objectives and actions of the procurement reform. Procurement reform is not even mentioned in the text.
- The key lessons learned during the JR 2006 have been taken into account, respective measures have been initiated but completion takes sometimes too much time leading to delays for the operation of the new system. The long delayed publication of Standard Bidding Documents or the publication of the Diplomas Ministeriais for the structuring and functions of UFSA and UGEAs are examples for those delays. The procurement reform action plan is revised on a regular basis.
- The agreed 2007 PAF Indicator for progress concerning the procurement reform objective is that a transparent and efficient public procurement system is operational (see para 3 below). A technical note on how to measure this indicator was discussed and agreed during the MYR. The integration of procurement into e-SISTAFE remains important and is reflected in the procurement reform action plan.

2. Looking back:

- In theory, the procurement regulation for public works, services, goods and concessions based on international best practice approved in December 2005

should be operational since July 2006. This is not yet the case as important elements of the system are still under construction or under implementation. Nevertheless, important efforts have been made to make the system operational and a strong leadership by DNPE-UFSA together with a close cooperation between UFSA, UTRESP and UTRAFE should ensure that key system elements are in place towards the end of 2006.

DNPE/UTRAFE presented a number of documents, including an updated action plan on the state of the procurement reform as a written input to the MYR.

Action has been taken by GoM towards the implementation of the regulation:

- The implementation of UFSA (see above) is well advanced but needs still some efforts to be concluded within 2006. The implementation of the procurement units UGEAs (ca. 200 UGEAs down to the district level) has commenced but the Diplomas Ministeriais for both the structuring of UFSA and the UGEAs still await publication.
- The new Standard Bidding Documents (SBDs) have been drafted and are ready for publication. Publication is now envisaged for September. However, these SBDs should have been provided when the new regulation entered into force in July 2006 but publication is delayed due to constant errors discovered in the documents whenever they are ready to go for publication.
- DNPE-UFSA and UTRAFE have designed and implemented an “emergency training programme” for the dissemination of the new procurement regulation. Meanwhile ca. 1000 people have received a first training amongst them all district administrators, permanent secretaries of all ministries, provinces and districts and procurement officials of various ministries
- In cooperation with UTRAFE, UTRESP and the World Bank ToRs for the in depth training of procurement officials in public and private entities with regard to the new regulation and its underlying documents have been drafted and submitted to stakeholders for information. Again, the tendering process is delayed and shall be concluded in September.
- Following a workshop of the Decentralized Planning and Finance Program a “Pillar” for Internal Control within the Public Financial Management System was created including IGF, Tribunal Administrativo (TA) and UFSA.. Within this pillar the control of the procurement system and procurement processes will be clarified between the institutions involved. The issue of previous inspections (fiscalização prévia) is being discussed between UFSA and TA aiming at the abolishment of the fiscalização prévia once TA is confident that supervision and control of the procurement system are effective and efficient. The training of 40 inspectors of IGF concerning the new procurement regulation will take place in September.

There is an agreement that the introduction of electronic procurement and the integration of procurement into e-SISTAFE are important. Clarification and actual

implementation of this integration is part of the approved procurement reform action plan.

3. Looking forward:

Confirm PAF matrix indicators for 2007 and indicative indicators for the matrix for 2008-2009.

It has been agreed to use the following indicators for the years to come:

Pillar/Area	Objective	Realization (Action)	Responsible	Indicator	Meta 2007	Meta 2007	Meta 2007	Tipo Ind.
MACROECONOMY AND POVERTY								
Public Financial Management	Create a transparent and efficient public procurement system	Implementation of an operational procurement system down to district level	MF - DNPE	Procurement System Operational [DNPE-MF]	X	X	X	P

For the 2007 indicator a technical note has been discussed during the MYR and is attached to this note. For the 2008 and 2009 indicators the same technical note shall be applied in principle but percentages will be concretized during the MYR 2007 and 2008 respectively when it becomes clearer what realistic and meaningful figures are to measure efficiency and effectiveness of the procurement system.

Confirm PAPs Matrix

The following PAPs Matrix on Procurement has been discussed and agreed.

Objectives	Activities	No (points)	Indicators	2006	2007	2008	2009	2010 Paris
Harmonization and Alignment	Utilization of government systems and reporting	12 (1)	% PAPs ODA disbursed using national procurement systems (Paris Indicator 5b)	45%	45%	55%	60%	(2/3) reduct.