

GOL New Procurement System

Main Features of the System

Ministry of Finance and
Development Planning

31 January 2007

Opening Statement

- Recently phased out Procurement System in use since 1973.
- Chapter 21 of 1973 Financial Regulations
 - General conditions (institutions, procedure, thresholds)
 - Special conditions
 - Procurement of Works assigned to Ministry of Public Works and Transport
 - Exemptions to Tender Provided for
 - Retrospective Authority allowed but limited

Old Institutional Arrangements

- Central Tender Board (CTB)
- Secretariat to the CTB
- Minister of Finance (for Exemptions to Tender)
- Secretary for Finance (for Retrospective Authority)
- Ad-hoc Procurement Units at Ministries and without technical and skills support

Need and Time for Change Came to Pass

- CTB then suitable for a small government BUT grossly inadequate for the 27+10 central and local operating units
- Increasing public demand for **accountability, transparency, and fairness** rendered the old rules inadequate
- CTB quorum difficult (no additional rewards for Members, Members have important responsibilities in their ministries)
 - **Therefore** a responsive modern procurement system needed.

Planning Change began 1/2

- Public Financial Management (PFM) Reforms in 2002
→ Procurement Reforms part of
- PFM, first Component of the older Public Sector Improvement Reform Programme (PSIRP)
- PFM Content—5 thrusts of PFM reforms
 1. Planning and Budgeting (supported by MTEF)
 - Procurement reforms logically supports budget execution
 2. Accounting and Reporting (supported by IFMIS)
 3. Oversight (Internal and External Audit and Parliamentary Scrutiny)

Planning Change began 2/2

- PFM Content—5 thrusts of PFM Reforms cont.
 4. Institutional Restructuring
 - Ministry of Finance and Development Planning first
 - Ministerial Accounting Units (MAU)
 - Ministerial Procurement Units elaborated to Tender Panels, and Evaluation Teams, Appeals Panel, PPAD
 - Planning Units
 5. Training and Capacity Building (CB)
 - PPP approach—GOL creates the support, Private sector trains—leading to comprehensive CB
 - Certification of professionals
 - Ultimately to use only **professionals**.

Communications since process began

- Sensitization workshops centrally and in districts
- Hard Copy circulars issued to:
 - Announce reforms
 - set up procurement units
 - Nominate staff for training
 - Nominate staff to Procurement Working Group (PWG)
- At least two workshops to CPS
- Cabinet information papers
- Email Circulars
- Communication programme in progress

Process to Launch

- Set up Procurement Working Group (PWG)
 - Inter-ministerial and intergovernmental
 - Private Sector (Mohloli and LCCI)
- Private Sector Training Workshops (across the country)
- Public Sector Training Workshops (for Trainers and operators)
- Engaged consultants to support PWG

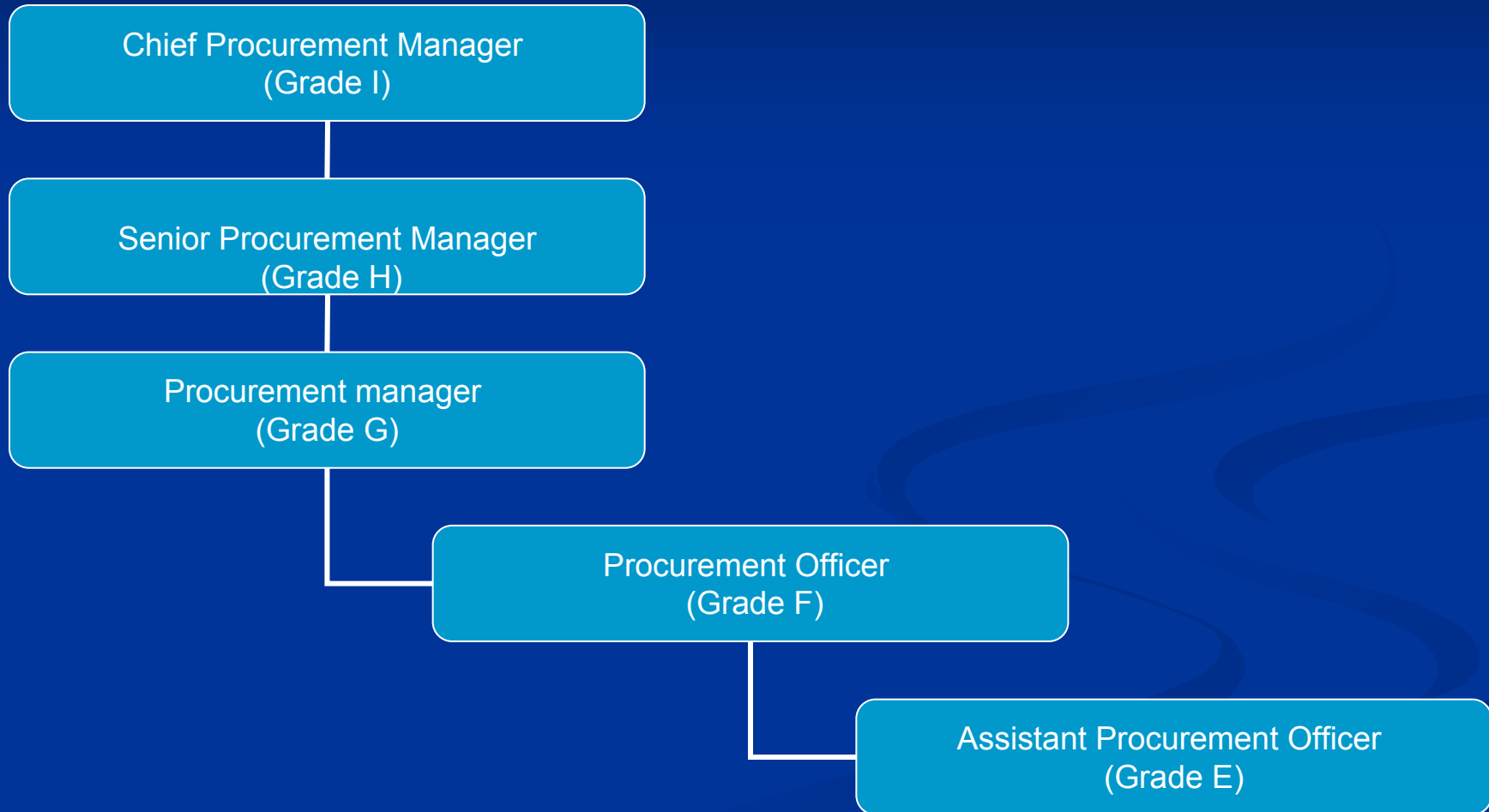
Main features of the New System

- Decentralised (central and local government structures)
- Expedited/Faster (CAO determines speed)
- Transparent (open process)
- Accountable (stakeholders receive feedback)
- Fairer (contestable, adjudication possible)
- Educational/Instructive (debriefing mandatory)
- Greater autonomy and ownership--from **command and control** to **post review** to increase capability
- Increased prospects of paying bills early

New Institutional Arrangements

- Chief Accounting Officer takes full responsibility
- CAO to set up
 - Procurement Units (PU), ONE per ministry or entity
 - Tender Panels (TP), ONE per ministry or entity
 - Evaluation Team (ET), membership flexible aligned to technical requirements of tender
- Minimum Structure (see recommended next slide)
- Procurement Policy and Advisory Division (PPAD)
- Appeals Panel (AP)

RECOMMENDED PROCUREMENT UNIT STRUCTURE



Key Functions

Procurement Unit

- Undertake preparatory work for procurement of goods, works, and services applying Standard Conditions of Contracts appropriate to the nature of the purchase
- maintain, update and disseminate Standard Conditions of Contracts
- place advertisements for procurements and awards of contracts in the Contracts Bulletin of the Government
- Secretarial and support services to the TP, ET and the rest of the procurement function in the entity
- See Procurement Regulations for more details (<http://www.finance.gov.ls/regulations/default.php>)

Key Functions Tender Panel

- Public opening of tenders
- Take decisions on award of contract
 - *Appointed by CAO. This is a deliberative body that must also have appetite for detail and is in tune with basic governance and fairness principles. We recommend senior staff.*

Key Functions Evaluation Team

- Undertakes evaluations of bids in accordance with bid criteria
- Prepares and submits evaluation reports to the Tender Panel via the PU.
 - *Appointed by CAO in line with technical requirements of the tender and facilitated and serviced by a member of the Procurement Unit*
- Supports TP in its award deliberations

Key Functions

Procurement Policy and Advisory Division

- develop public procurement legislation and initiate proposals for the adoption of further acts and best practice;
- provide advice and support to Ministries on all aspects of procurement legislation, policy and implementation;
- prepare annual reports on the performance of the public procurement system with recommendations;
- provide instructions and guidance on the use of standards

Key Functions Appeals Panel

- Adjudicates disputes between bidders and procuring agencies
 - Set up by the PPAD and membership agreed to by both parties

Capacity Building

■ Certification Programme

- **For Procurement:** Chartered Institute of Purchasing and Supply (CIPS) for Procurement offered by IDM since January 2006.
- **For Public Sector Accounting:** Chartered Institute of Public Finance Accountancy (CIPFA) by CAS from February 2007
- **For Internal Audit:** Plans for a January 2008 launch.
- **For Planners,** the traditional needs-based customized programme—to be supported by ADB and EU.
- **Debriefing Sessions** for failed bidders to enhance their capacity for the next attempt.

Ethics and Integrity

- All staff involved in procurement including Stores **MUST:**
 - understand the **Code of Conduct for Procurement Staff**
 - Sign the **Procurement Ethics Declaration for Procurement Staff**

Key Documentation

(see <http://www.finance.gov.ls/regulations/default.php>)

- Public Procurement Regulations 2007
- Procurement Manual 2007
 - Charter for Small and Medium-Sized Enterprises
 - Code of Good Practice Procurement
 - Tendering for Government Contracts – A Guide for Small Businesses (Issue 2, Nov '06)

Key Concepts 1 of 2

see Procurement Manual for Details

(http://www.finance.gov.ls/documents/GOL_Procurement_Manual_Final_Version.pdf)

- Approved Suppliers List
- Basotho Preference Scheme
- Evaluation criteria and tender evaluation
- Debriefing successful and unsuccessful bidders—to educate them on their weaknesses so that they can participate effectively in the future

Key Concepts 2 of 2

see Procurement Manual for Details

(http://www.finance.gov.ls/documents/GOL_Procurement_Manual_Final_Version.pdf)

- New Appeals procedure
- Mandatory use of new working practices, procedures and standard documentation
- Timeframes for advertising
- Call of Contracts

Residual Functions

- Exemption to Tender remains with the Minister of Finance and Development Planning—*requires sound justification*
- Retrospective authority remains with PS Finance and Development Planning—*requires sound justification*
 - *These should be exceptional*

Next Steps

- Immediately
 - Set up PU and TP
 - Provide names of PU and TP to PPAD including name of head of PU which will be published on website
 - **Notify Treasury of Members of Panel—get date stamp**
 - Sensitize your organisation

Support to Ministries

- Help centre at Finance (being assembled)
- Roving training for central and local authorities being undertaken

Other PFM Milestones

- IFMIS: Pilot in 6 ministries and District Treasury: October 2007
- IFMIS: Roll out: April 2008
- MTEF: Roll out: April 2008
- Consolidation from April 2008

Acknowledgements

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