

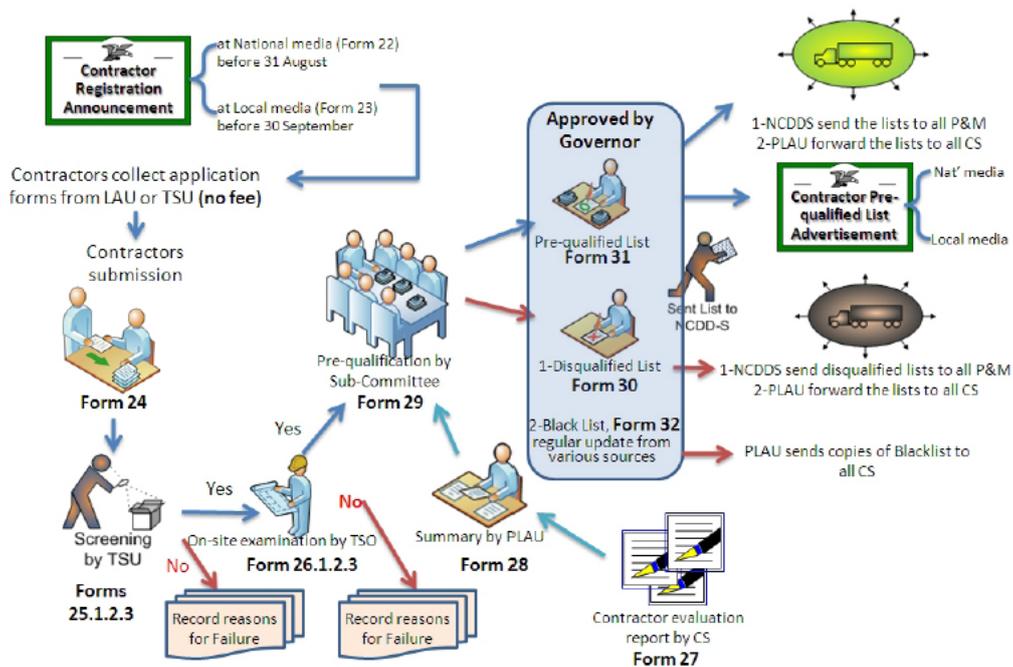


# Handout

## Module 4: Social Accountability Tool

# Procurement Monitoring

### Contractor Pre-qualification Process in PIM



# Procurement Monitoring

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## 1- Public Procurement

Procurement is the acquisition of both goods and services, and involves not only purchasing—buying of goods—but also the hiring of contractors or consultants to perform services (Westring 1974). Procurement – the acquiring of goods and services or the hiring of contractors for civil works (Sub-Decree No 26 dated 02 April 2002 on “The Commune /Sangkat Financial Management System” in Cambodia.

Inputs necessary in the delivery of public services must be of low cost and acceptable quality. These can be achieved through a public procurement system that imitates the competitive methods of the market (Ware et. al 2007).

According to Westring (1974), an effective public procurement has the following attributes:

- Guided by public procurement regulations (laws, statutes, ministerial decrees) and policies (e.g. preference for domestic suppliers)
- Funds for procurement are appropriated by the government
- Scrutinized by the auditing arm of the government
- Obligations incurred in relation to third parties are responsibilities of the government
- The contracting agency is established by statute or incorporated in the same manner as private corporations (Westring, 1974)

But over the years, the role of citizen groups has been widely recognized in promoting good governance particularly in upholding transparency and accountability in the public procurement process.

## 2- Importance of Citizen Engagement in Public Procurement

According to Transparency International, a global civil society organization leading the fight against corruption, around 820 billion dollars are spent by developing countries each year on procurement-related transactions (WBI 2009). While these and services to citizens, public procurement is extremely vulnerable to corruption.

To respond to this vulnerability, procurement monitoring is a process in which citizens are trained to oversee all stages of the public procurement process. Citizens and citizen groups can take part in monitoring procurement in its various stages. This is normally done by facilitating a series of dialogue with the government or through the use of social accountability tools and techniques in monitoring public expenditures and service delivery.

Citizens can help the government achieve effective monitoring and evaluation of its procurements if the government's internal audit agency will provide them access to procurement documents. Cooperation and legitimacy of citizen groups, however, is critical to gain the trust and confidence of the public audit institutions to give access to the procurement documents they hold. Similarly, high level of cooperation is required from government agencies that are found to have irregularities in their procurement process.

### 3- Public Procurement Process

Citizen engagement can take place at all stages of the public procurement process. While the procurement process may vary from one country to another, ideally, it should have the following stages: procurement planning, preparation, advertisement, pre-qualification, bid evaluation, award of contract, and contract implementation. Monitoring should be conducted throughout the entire process, as each of these stages has loopholes for manipulation and fraud (WBI 2009).

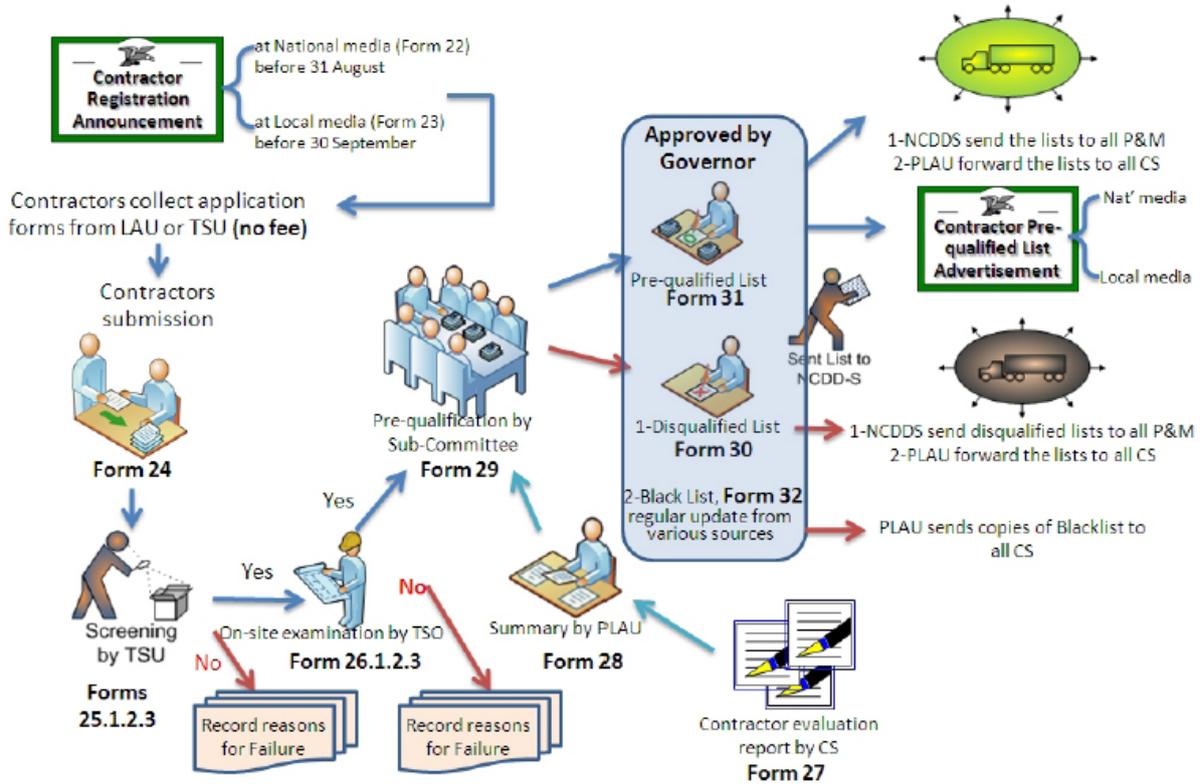
#### Procurement Process



- A. Procurement Planning.** This is the stage where the agency assesses their needs and determines the goods and services they need to request.
- B. Preparation.** At this stage, the agency should have clear and fair description of what is to be purchased and the criteria for evaluation.
- C. Advertisement.** This stage is about informing the public about the tender to provide equal opportunity to all to bid.
- D. Pre-qualification.** The agency will determine the eligibility of the bids based on their capacity, experience, resources, or other criteria defined in the tender.
- E. Bid evaluation.** At this point, qualified bids are assessed as to which bids meet the selection criteria.
- F. Award of Contract.** The winning bid will be selected based on (1) being substantially responsive to the bidding documents and (2) offered the lowest evaluated cost.
- G. Contract Implementation.** The contract will be executed according to set specifications as contained in the bid.

Source: Ed Campos (2006) A Powerpoint Presentation titled “Public Procurement and Corruption: What Have We Learned Thus Far” downloaded from <http://www1.worldbank.org/publicsector/pe/pfma06/page8.htm>

### Contractor Pre-qualification Process in PIM



#### 4- Promote Citizen Engagement in Public Procurement

The table below summarizes the problems that are encountered in each stage of public procurement and the entry points for citizen engagement.

There are some key issues in procurement monitoring those citizen groups and government agencies should watch out for as they may affect the outcomes of engaging citizens in this process.

Stage in Public Procurement	Problems	Entry Points for Citizen Engagement
Procurement Planning	<ul style="list-style-type: none"> <li>- Demand is induced, not real</li> <li>- Misrepresent purchase as urgent so as to short cut the bidding process</li> <li>- Misallocation of resources</li> </ul>	<ul style="list-style-type: none"> <li>- Public participation through public hearings to check the need, enable accountability and identify necessary or unnecessary elements of the goods or services to be acquired</li> <li>- Proactive disclosure by government agencies of relevant information through billboards, radio, newspapers or internet.</li> </ul>
Procurement Preparation	<ul style="list-style-type: none"> <li>- Weak technical specifications</li> <li>- Project management</li> </ul>	<ul style="list-style-type: none"> <li>- Public participation to discuss design process and ventilate any</li> </ul>

	office given sole responsibility over tender specifications and design	concerns or reservations about project
Advertisement	- Lack of competition	- Proactive disclosure by government agencies of relevant information
Pre-qualification	- Limited/insufficient advertising	- Prioritize advertizing in papers with broad reach
	- Prospective bidders undergo detailed, tedious and potentially subjective pre-qualification process	- Accessing and widely publicizing information about the bidding requirements and process
	- Requirements set to favor a particular contractor or group of contractors	
	- Lengthy process that creates opportunities for bribe solicitation	
Bid evaluation	- Wide discretion given to decision makers	- Accessing and widely publicizing information about the bidders and the bidding evaluation process
	- Tendency to seek judicial interventions	
	- Unusual or lengthy delays in bid evaluation	
	- Abuse of clarification period	
Award of Contract	- Unclear rules	- Pro-active disclosure by government agencies of relevant information
	- Rejection of all bids	- Public participation through civil society groups as third party observer in the bid evaluation process to ensure integrity of the process
Contract Implementation	- Poor monitoring and enforcement	- Participatory performance monitoring tools
	- Contract renegotiation is allowed	- Clear and pre-established limits for contract change order

## 5- Key Learning

Procurement monitoring is a process of analyzing procurement documents and holding government agencies accountable for their procurement transactions.

Procurement monitoring can reduce corruption in public procurement by strengthening information, transparency and accountability.

The public procurement process covers the following stages: procurement planning, preparation, advertisement, pre-qualification, bid evaluation, award of contract, and contract implementation.

Procurement monitoring consists of a range of tools and techniques as applied in the different stages of the public procurement process. These include participatory expenditure tracking tools, participatory performance monitoring tools, integrity pacts, procurement watchdogs, and e-procurement.

Some of the key challenges in facilitating a participatory procurement monitoring are (1) lack of legal framework; (2) highly politicized and weak governance system; (3) lack of transparency and information; (4) lack of trust; and (5) lack of community support