

Licitenet.com: Making Public Procurement More Transparent, Ecuador

I Fact Sheet

Name of the Tool: Licitenet.com: Making Public Procurement More Transparent

Brief Description: The aim of the Licitenet.com project is to create an online database to inform the public about the process of public procurement in Ecuador, and to harness the power of the Internet to foment greater transparency and competitiveness. This is a joint initiative between the private sector and civil society.

Responsible NGO: Corporación Latinoamericana para el Desarrollo (CLD), Transparency International National Chapter in Ecuador.

Problems Addressed by the Tool: Discretionary power in public procurement and a lack of transparency.

Areas of Work: The acquisition of goods and services by state institutions.

When the Tool was Implemented: Licitenet.com started operation on 3 September 2001 and was officially launched on 16 November 2001. Initial development began approximately four months before the site first appeared on the Internet.

Alliances: The following institutions also assisted in the project's development:
 State Attorney General's Office, www.pge.gov.ec
 Quito Chamber of Commerce, www.ccq.org.ec
 Quito Chamber of Construction, www.ccquito.org
 Guaayaquil Chamber of Commerce, www.lacamara.org
 Association of Municipalities of Ecuador, www.ame.org.ec

Creation of the Tool: Corporación Latinoamericana para el Desarrollo (CLD)

Financing: Licitenet.com initially cost US \$40,000 (site development, hardware and employment of CLD personnel). Operating costs are US \$5,000 per month.

The major donors to the project were:

- AVINA Foundation, www.avina.net
- Grupo Empresarial Gente por el Cambio (GPC)
- Grupo Empresarial Ecuador Positivo (E+)

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II Objectives

The general objective of Licitenet.com is to establish a website portal to allow citizens to monitor the acquisition of goods and services by public bodies in Ecuador.

Specific objectives of the project are:

- To encourage transparency and competitiveness in public procurement.
- To use the Internet to create a culture of citizen consultation and interest in public procurement.
- To produce statistics on trends in public procurement in order to develop proposals for improvements in the current system.
- To provide a value-added service to the private sector.

III Context

The process of public procurement around the world has been revolutionised in recent years by the emergence of new technology that has made old systems increasingly obsolete. Governments across Latin America are being urged to deploy technological tools to foster greater efficiency, transparency and better monitoring of the procurement process. This has also prompted a review of the complex legal provisions on public procurement in many countries.

In countries such as Mexico, Chile and Brazil, central governments have already seized the initiative and set up online systems for public procurement that citizens can access directly via the Internet. These “e-procurement” initiatives are part of a wider shift towards a public policy that emphasises free access to information, greater transparency and accountability.

Many of them have emerged from the effort to build more competitive systems for participation in regional and international markets.

National

In Ecuador, the government does not readily offer access to information on public procurement so the media cannot provide a complete or authoritative guide. Because of this lack of reliable and thorough information on public procurement, Licitenet.com was devised as a joint initiative by the private sector and civil society. The project seeks to bring about changes in public procurement processes.

For years, business associations and other organisations have expressed concern about the high level of corruption in public procurement in Ecuador. Since 1997, CLD has participated in several initiatives to try to reform the country's legislation but has met with little success.

After waiting in vain for Congress to modify the legislation, business associations such as Gente por el Cambio and Ecuador Positivo joined forces with CLD to undertake a new project. The purpose was to create a viable system offering relevant information both to the public and to state contractors, as well as providing a forum for the discussion of public procurement in Ecuador.

One of the most important objectives was to disseminate information to citizens. Anyone can visit the Licitenet.com site and make inquiries about procurement processes that are underway, completed or pending approval. They can find ample information to develop a clear and precise understanding of the procurement process in Ecuador since the system went into operation.

Access to this type of information is empowering for civil society. It provides citizens with more knowledge about the processes involved and enables them to demand accountability from the state if anomalies arise.

Licitenet.com and CLD are thus seeking to create a forum for discussion and analysis of this issue. First, the project aims to demonstrate that making information available to the public leads to cost savings and transparency for state institutions. It also aims to highlight the different failings that make current systems of procurement bureaucratic and inefficient.

Ultimately, it is hoped that this will foster the development of a better public service and prompt the state to acknowledge that legislative reforms are necessary.

At the moment, the specific goal is to reduce the discretionary power exercised by officials at different stages of the public procurement process. These include: the submission of specifications or pre-contractual tender documents; the obligatory fee to review the specifications; the requirement of disclosure

only for processes that exceed US \$112,000; as well as the detailed conditions of each purchase, the ambiguity of the deadlines, etc.

About CLD

This initiative is part of a wider effort to resolve the structural problems in public procurement in Ecuador.

CLD is also working on other related programmes, including:

- A) Project to reform the law on public procurement
- B) Integrity Pacts
- C) Transparent tenders and bids
- D) Transparent procurement for international co-operation.

IV Implementation

The Licitenet.com project was carried out in the following stages:

Stage One: Conceptualisation

All of the project participants (CLD, Ecuador Positivo and Gente por el Cambio, the latter two being business groups) took part in this stage with CLD acting as a mediator. Workshops were held in which problems with public procurement were identified and possible solutions were proposed.

The Internet was viewed as an ideal medium to combat the lack of information on public procurement.

Stage Two: Investigating Information Sources

Ecuador Positivo undertook a three-month study to monitor different sources of information on current procurement processes.

The study identified 18 media outlets from which Licitenet.com selected information to post on its Internet site.

It is important to emphasise that legislation in Ecuador states that calls for tenders and public announcements on procurement must be published in the country's most widely circulated newspapers. However, in practice this area is poorly defined. There are currently at least 18 newspapers in which 90 per cent of the information on state procurement processes is published.

These 18 sources are reviewed daily and all of the announcements are selected and transferred to digital format. This database on public procurement announcements that have been published throughout the country is updated twice a day.

At the same time, CLD identified other sources of information about public procurement and signed a contract with the Attorney General's Office to receive information on contracts that have been awarded directly. It also identified the State General Accounting Office, the municipalities and the provincial councils as institutions that gather information that could be collected in the future.

Stage Three: Technical Design

At this stage, members of GPC and E+ worked jointly with CLD and several technicians to build an interface between the offline and online databases. The interface was developed jointly by Web Conexión, EIS and the computer staff at CLD.

Stage Four: Project Team

While the website and the offline system were being set up, a three-person team was established at CLD to work on the database before it went online. The team worked mainly on gathering and inputting information.

Stage Five: Testing the System

On 3 September 2001, Licitenet.com went live on the Internet on a trial basis. This allowed experts and others to try out the system, offer their opinions about it and suggest improvements.

Stage Six: Public Launch

After a three-month trial period, the site was officially launched on 16 November 2001. In the interim, subscriptions had been sold and participating institutions informed their colleagues and clients about the system.

The Internet site was publicised in newspapers and magazines. Special events were organised and potential clients were contacted via mailing lists, etc.

Although 80 per cent of the information on the site is available to anyone who visits it, parts of it can be viewed only on payment of a fee in order to make the project sustainable. In effect, a system of paid subscriptions has been developed to allow users access to information that has been specially provided for companies with an interest in doing business with the state.

About the information the Licitenet.com offers to its users

As mentioned previously, Licitenet.com provides opportune information to its users mainly in regard to different public procurement processes, either current, closed, or pending adjudication. The website displays links to the three areas, through which users can ask for specific information by using the following criteria:

- Date of Bidding
- Name of the institution issuing the tender
- Place of execution
- Type of project or service
- Type of contract
- Type of participant

In this way, if a user is looking for all the bidding processes that have to do with the construction of bridges, for example, he/she can simply choose this category under “Type of project or service”, and activate a search. This will bring up as a first result all the current bidding processes at the national level that fall under “construction of bridges”.

If on the other hand, the user desires more specific information, he/she must select more options before submitting the search query. For example, he/she can choose a “Place of execution”, such as Pichincha. By doing so, the user will receive information on all the bidding processes on the construction of bridges that have been initiated by the Pichincha province. In this way, depending on the number of search options used, the information will be more or less specific.

The search results display a list of bidding processes containing the relevant facts matching all the search options. For example:

Search

Type of project: Construction of bridges

Place of execution: Pichincha

Result #1:

Date of bidding	Institution	Place of Execution	Type of project or service	Type of contract	Type of participant
5/jul/02	Ministry of Public Works	Pichincha	Construction of a bridge over the Pisque River	Bidding	Individuals or corporations
8/jul/02	Rumiñahui Municipality	Pichincha	Construction of a bridge over the Pita River	Public Tender	Individuals or corporations

Information that was searched for

Once he/she finds the bidding process that he/she is interested in, the user can access a new page by clicking on the bidding process in question. This page provides more detailed information on the particular bidding process chosen, specifying information about the type of contest, the requirements for participating, the amounts bid, the important dates related to the process, the origin of the funds, etc. Here the user may also access the original publication in PDF format.

This is the way that the three sections (processes underway, completed processes, and processes pending adjudication) work, except for the non-availability of the original publication announcement for the adjudicated bidding processes.

Citizens may access the current bidding section only up until the first list of results. Even though the information is not complete, he/she can still learn about the projects in any of the fields that are taking place and where they are located. In the other two areas, the access to information regarding closed or pending bidding processes is complete, and thus allows citizens to follow these projects more closely.

The subscriber, on the other hand, has complete access to all the information in all the areas and other services such as a message alert that informs him/her of bidding processes in his/her field of interest, as well as statistics.

V Results

Virtual Traffic

The number of 'hits' on the Licitenet.com site has grown rapidly. The site has received over 13,500 visits since its launch with an average of 15 hits per visit. In total, it has received approximately 202,500 hits.

Less than 10 percent of Ecuador's population is currently online but the government has placed considerable emphasis on increasing connectivity. For this reason we hope that the site will become increasingly popular.

Subscribers

A total of 37 companies currently subscribe to the service, which is fewer than hoped.

Work with the National Telecommunications Council

Licitenet.com was invited to serve on one of the working groups to develop Ecuador's National Connectivity Agenda. This will oversee progress on connectivity and telecommunications in the country for the next ten years. The group is considering making Licitenet.com the starting point for automating

the entire process of public procurement in Ecuador (i.e. the creation of a fully-fledged e-procurement portal).

Agreements with the Public Sector to Extend Information Coverage

After signing a contract to receive information from the Attorney General's Office, CLD discovered that the data was available only in print – a format that was nearly impossible for citizens to access easily. Consequently, the Attorney General's Office developed a database specifically to send relevant information to Licitenet.com. This allowed citizens to view data in a much more efficient manner.

Assistance from Business Associations: A number of different business associations worked on the project free of charge, for example:

- The Quito Chamber of Commerce invited Licitenet.com to participate in the 'Ecuador: Business, Opportunities and Franchises' fair at no charge, which helped to promote the initiative.
- The Pichincha Chamber of Construction invited Licitenet.com to participate in its permanent exhibition of different construction services.
- The Guayaquil Chamber of Commerce organised an event to present Licitenet.com to its members at no cost.

In addition, business associations like Gente por el Cambio, Ecuador Positivo and the CLD joined forces with Licitenet.com. The role of these two business associations was very important. Both of them consist of senior, young executives at some of the country's most influential enterprises, who are keen to promote social progress and reform in Ecuador.

International and National Acclaim: The Latin American Integration Association (ALADI) has adopted Licitenet.com as its main source of information on state procurement in Ecuador. It has placed a link to Licitenet.com on its Internet site along with a list of all the other official sites in Latin America. Licitenet.com is a private endeavour and not an official government site yet it has become the point of reference for Ecuador.

Media Coverage: Media coverage was crucial to the success of the project.

Newspapers and magazines have published a series of articles and reviews of the site. Nevertheless, the coverage has fallen short of Licitenet.com's initial hopes because the media has been reluctant to provide it with free publicity, on the grounds that this is a private initiative that seeks to make money.

Citizen Reaction: Citizens have been the main users of the site and they tend to view it as an alternative way of accessing public sector information. The

questions and comments submitted by citizens who have visited the site have been very interesting and they change constantly. Frequently, individuals and companies have posed specific questions concerning public procurement, or requested help in understanding how the process works.

Although these communications are the most encouraging evidence that citizens are responding successfully to the project, we still feel that we have not reached the expected level of use. We believe that we could increase its popularity by including new, interactive instruments on the site, such as FAQs, suggestions, etc.

VI Challenges

Although Licitenet.com has won support from many sectors, the organisations that are implementing the project face a range of legal and practical challenges:

- The project's biggest challenge is the fact that current legislation on public procurement requires the publication of calls for tenders only if they surpass a set benchmark (US \$112,000 in 2002). Smaller contracts are granted at the discretion of each institution. Accessing this information would involve contacting each state institution directly and is thus problematic. Consequently, a lot of information on smaller procurement deals is not available on Licitenet.com. To this end, new agreements are being negotiated with organisations such as the Ecuador Association of Municipalities and the Corporation of Provincial Governments to help boost the site's coverage.
- Many companies lack trust in technological solutions. Although 80 per cent of the information on the site is available to anyone who visits it, parts of it can be viewed only on payment of a fee in order to make the project sustainable. In effect, a system of paid subscriptions has been developed to allow users access to information that has been specially provided for companies with an interest in doing business with the state. This means that specific information is developed for registered subscribers, such as details of where to pick up specifications, when and where the calls for tenders will be opened, etc.

Financial Viability

To ensure the project's financial viability, a company was formed and several businesspeople contributed capital as partners. CLD contributed a considerable amount of funding (40 per cent of shares), and was able to benefit from an agreement with the Swiss Avina Foundation to match every dollar donated with a dollar of funding from the private sector. When the company starts to make a profit, the money will be used to finance similar projects.

The project also involved strategic partners from other sectors, including the following key public and private sector institutions:

- Attorney General's Office
- Association of Municipalities of Ecuador
- State General Accounting Office
- Corporation of Provincial Governments
- Quito Chamber of Commerce
- Guayaquil Chamber of Commerce
- Pichincha Chamber of Construction
- AROG (Guayaquil NGOs' Network)
- Latinaccess (Consultant)
- Profile Consultores
- Dinámica Consultores
- Paz & Horowitz Law Firm
- Bustamante y Bustamante Law Firm

VII Recommendations

Any other National Chapter seeking to replicate this project might find the following recommendations useful:

- **Build a strong relationship with the state institutions that handle information:** To carry out a project of this nature it is crucial to have strong relations with the state bodies that handle information. We would recommend that some of these key organisations should be actively involved in the development of the site, because they will be able to see the benefits that this sort of tool will ultimately provide to citizens.
- **Form an alliance with international e-procurement experts:** An initiative of this type has much in common with similar projects that are being carried out in other parts of the world. It is very useful to obtain advice from institutions that have experience in the field, preferably from a country in the same region (e.g. www.compranet.gob.mx in Mexico or www.chilecompra.cl in Chile. Another example is www.gem.wa.gov.au in Australia.)
- **Form an alliance with a software design group:** One of the most expensive aspects of the project was designing and perfecting the technical tools and the software. Having a software company on board to pursue the initiative jointly would be a great advantage.

- **Pay close attention to the availability of free and subscription-only services:** The fact that the system offers some information for free and some for a fee can result in conflicts of interest in the project. We recommend that intensive work be done to develop services and products that offer real value for subscribers, while not neglecting the quality and the availability of free information to the public.

Description by: Valeria Merino Dirani and Alfonso Abdo

Workshop on Public Procurement, Paraguay

I Fact Sheet

Name of the Tool: Workshop on Public Procurement

Brief Description: The aim of this project was to set up a programme of workshops about public procurement designed for government officials responsible for selecting suppliers in Paraguay.

The seminars sought to examine the shared experience of different officials in order to identify some of the informal practices that are commonly used in public procurement but which may conflict with proper regulations. Such practices bring the process into disrepute because they are illegal and may provide a cover for official corruption and bribery. These shared experiences of public procurement are then used to draw up a 'map' of potential risks and dangers involved in the process of public procurement. The risks that are highlighted are contrasted with the norms and practices that promote a transparent procurement process that is efficient, responsible and open to scrutiny.

Responsible Organisation: Transparencia Paraguay (TP)

Creation of the Tool: The tool was developed and implemented by Dr Federico Salgueiro and Dr Patricia Marchewka of Transparencia Paraguay.

Problems Addressed by the Tool: 1) Lack of knowledge about public procurement on the part of public officials; 2) Lack of transparency in public procurement in Paraguay.

Areas of Work: Transparency in public procurement and administration.

When the Tool was Implemented: The project was implemented between January and June of 2002. In March, the tool was used in the municipality of Coronel Oviedo. As of July 2002, Transparencia Paraguay had successfully introduced it to two other institutions (the national water company and the City of Asunción).

Alliances: TP has established bilateral alliances with different public entities.

Financing: The cost of each workshop was between US \$2,000 and US \$3,000. During the first six months of 2002 the Avina Foundation sponsored the project.

The Konrad Adenauer Foundation has given preliminary approval to sponsor the workshops during the second half of 2002.

For Additional Information, Contact: Federico Salgueiro, Legal Adviser, or Patricia Marchewka, Executive Director, Transparencia Paraguay
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II Objectives

General Objectives

The two main objectives of this project were to arrange seminars in order to determine the problems and risks that exist in public procurement in Paraguay and to bring these processes in line with existing legislation by drawing up risk maps.

Specific Objectives

The project had the following specific objectives, although they are not listed in order of importance:

- 1) To provide officials with all of the necessary technical knowledge so that they are familiar with current legal provisions.
- 2) To provide officials with the relevant knowledge and skills to allow them to distinguish between the different types of public procurement applicable in individual cases.
- 3) To encourage officials to use the appropriate criteria in order to make the acquisitions made by public institutions more transparent.
- 4) To implement mechanisms that ensure officials follow the correct procedures for public procurement.
- 5) To make relevant suggestions to the respective organisations based on the results of this project.
- 6) To publicise the results and conclusions of the project.
- 7) To develop a more ethical culture among public officials.
- 8) To determine the risk factors and their rate of incidence.
- 9) Subsequently, to monitor the selection procedures that officials use in different public institutions.
- 10) To substantially reduce the risk of corruption by implementing necessary corrective measures.

III Context

National

In Paraguay, public officials responsible for procuring public goods and services on behalf of the state often lack the technical and juridical knowledge to perform this work effectively or punctually.

To make matters worse, there is an absence of clear or up-to-date legislation on public procurement. Current legislation is as follows:

- 1) The Law on Administrative Organisation dates back to 1909 and was revised in 1992.
- 2) The Law on Public Works dates back to 1973. It introduced substantial improvements that refer specifically to public procurement. In 2000 it was superseded by the Law on the Procurement of Works, which instigated a complex and bureaucratic system of selection. In general, this has a negative impact on the financial situation of the public institution making the call for tenders.

The laws that regulate public procurement rarely include sanctions or special clauses designed to fight corruption (either internally among public officials or externally in the private sector).

Some private sector operators work very closely with public officials. These are the state contractors who have formed a strong, closed and exclusive syndicate that often bars other suppliers or bidders in the same field from competing. These companies tend to stifle any rival companies and maintain a firm grip on state contracts despite charging exorbitant prices.

The seminars aimed to improve the culture and behaviour of high and mid-level public servants involved in public procurement in order to prevent corruption and promote greater transparency in government. The principle was for these workshops to be held simultaneously with officials from different public institutions across the country in order to ensure that they all observe the same rules and regulations.

Reasons for Using the Tool

TP first developed the idea for this tool while monitoring the different stages involved in the process of public procurement at different state institutions in Paraguay. These stages are as follows:

- 1) Public debate prior to the call for tenders.
- 2) Evaluation of tenders and cost comparisons.
- 3) Awarding the contract.

During this monitoring, TP noticed a clear lack of understanding on the part of public officials about the laws and general principles that govern a public call for tenders to select a supplier.

For example, in many areas public procurement decisions are often made out of habit and the legal provisions that are supposed to regulate the process are disregarded altogether.

Many of the mistakes or anomalies that were observed could have been prevented if the officials had applied the proper regulations.

In this context, TP realises that providing public officials with a theoretical and practical grounding in the tasks that they must perform will promote clearly defined procedures based on correct legislation.

IV Implementation

Stages of Implementation

TP implemented the project in the following stages:

- 1) **Invitation:** TP invited a state agency or body to participate in a workshop on Public Procurement and Risk Maps. The invitation makes clear TP's objective of improving knowledge about public procurement and subsequent monitoring.
- 2) **Profile and Selection of the Participants:** After undertaking rigorous analysis of the institution in question, TP proposed a profile of workshop participants. There are several options here: working with the executives (superintendents, directors of public institutions), working with the legislators (city council, municipal board), or working with the officials in charge of the administrative areas involved in public procurement.
- 3) **Publication of the Programme:** See the sample workshop programme listed below.
- 4) **Scheduling:** The seminar takes place over a four-day period for three hours per day. More workshops may be held depending on the availability of officials and the location of the institution. If it is located outside Asunción, there will be fewer opportunities to hold another workshop.
- 5) **Workshop:** The workshop takes place at the appointed time.
- 6) **Evaluation/Conclusion of the Seminar**
- 7) **Evaluation/Final Discussion by Individual Participants**
- 8) **Workshop Ends**
- 9) **Presenting a Final Report**

Human Resources

Two staff members developed this tool. First, a TP legal specialist with a solid understanding of the theory and practice of public procurement at a local level. Second, a lawyer with specialised knowledge of tools for transparency, negotiation, and administration. They joined forces and shared knowledge in order to develop the programme and deliver the seminar.

Preparing the Workshops

The following technical and legal factors were included in TP's workshop programme:

- 1) Principles and legal considerations intrinsic to public procurement.
- 2) Obligatory legal procedures.
- 3) Economic/financial aspects.
- 4) Fiscal implications.
- 5) Resulting legal responsibilities.
- 6) Theory of the Administrative Act.
- 7) General background on rights, duties and powers.
- 8) Principle of legality in action.
- 9) Guiding principles on public calls for tenders.
- 10) Criteria for evaluating bids.
- 11) Public debate prior to issuing calls for tenders and specifications.
- 12) Standardisation of the terms of reference.
- 13) Transparency and public access to information during all stages of the procurement process.
- 14) Compliance with the basic criteria for the selection of suppliers.
- 15) Principles of public procurement: security, suitability, equality, effectiveness and timeliness.
- 16) Modes of procurement.
- 17) Procedures, limits and scope.
- 18) Problems and responsibilities.
- 19) Monitoring procedures: initial monitoring, parallel monitoring and subsequent monitoring. Advantages of monitoring public procurement.
- 20) Tools for technical and legal monitoring.
- 21) Monitoring factors.

22) Identification of risk factors in public procurement = risk mapping. Although it would be ideal to hold a second and separate workshop dedicated to developing a risk map, sometimes it is necessary, due to lack of time, to combine the two workshops into one.

The risk map presents the different aspects of the procurement process as a geographic map identifying the most frequent risks and problems. This tool is therefore a diagnostic framework. The risk map serves to identify the vulnerabilities throughout a procurement process.

TP designed and developed this programme, based on the organisation's prior experience of the subject. The workshops consist of group discussions followed by an open plenary session.

Work to Date

To date, one workshop on public procurement and another on institutional risk mapping have been hosted in the municipality of Coronel Oviedo, the capital of the Department of Caaguazú (March 2002).

Further seminars have been held with the officials in charge of public procurement at ESSAP, the state water supply company, and the city councillors of Asunción (June-July 2002).

At all the meetings related to public procurement held between January and June 2002, TP set out the urgent need to hold workshops for training and risk mapping.

Future Plans

In the second half of 2002, TP plans to host workshops or undertake monitoring at 14 different organisations:

1. Itaipú (Paraguay/Brazil hydroelectric company)
2. City of Asunción
3. Finance Ministry
4. National Electricity Administration/Japanese Co-operation Agency JBIC
5. City of Encarnación
6. National Police
7. Central Bank of Paraguay
8. Cattlemen's Fund
9. Water

10. Education and Culture Ministry/Spanish Internationals Co-operation Agency AECI
11. Bank Employees Retirement and Pension Fund
12. Justice and Labour Ministry.
13. Ministry of the Interior

Challenges

The fact that both managers and junior officials participated in the workshop created some problems. This was because the hierarchical structure that characterises public institutions made it more difficult to carry out a balanced analysis of an institution's acquisitions department. Junior officials were reluctant to speak out openly because they were concerned about the way their superiors would view their comments.

The project co-ordinators resolved this problem by assuring participants that all the information shared in the workshop would remain confidential.

For a variety of political and economic reasons, some officials were sceptical about the challenge of implementing the knowledge acquired at the workshop.

These problems were resolved by using negotiation strategies and a technical focus on specific cases. The negotiation strategy was the Harvard Law School Negotiation Project, supplemented by work on interpersonal communication skills.

V Results

- 1) The project substantially increased the technical knowledge of public officials about the use of legislation in the different processes of the procurement of goods and services. The communication of this knowledge helps to undermine the habit of improvisation that can lead to diverse and often erroneous interpretations of the law.
- 2) Participating officials learned about the legal considerations they are obliged to follow in the exercise of public duties.
- 3) Participants requested a second workshop specifically about the procedures involved in making calls for tenders. The workshops revealed a marked ignorance about the regulations involved in this sort of procedure.

For additional results concerning institutional risk maps, please contact TP.

VI Recommendations

TP has the following recommendations for the future of the workshop programme:

- 1) To arrange separate workshops on the procedures for direct purchasing, price comparisons and calls for tenders. This is related to the different stages of procurement as set out by law.
- 2) Facilitating broad and frank discussion of opinions and experiences of specific selection procedures.
- 3) The tool should continue to be used at both the national and international level.
- 4) In order to tailor the workshops to the main needs of the institution in question, it is important to identify the most commonly used procedures (direct purchasing, calls for tenders, price comparisons). Customising the workshops substantially increases the project's potential to succeed.

Description by: Dr Federico Saguaro and Dr Patricia Marchewka

Building Transparency in Budgeting and Public Procurement at the Local Level, Serbia

I Fact Sheet

Name of the Tool: Building Transparency in Budgeting and Public Procurement at the Local Level

Brief Description: Immediately following the democratic changes in Serbia, the local TI Chapter commenced the programme 'Building Transparency in Budgeting and Public Procurement' in three pilot municipalities: Niš, Kikinda and Čukarica (November 2000). The programme consisted of reforms aimed at more transparent and accountable budgeting practices and a public procurement system in the Serbian municipalities that were involved in the adaptation of procedures and practices to EU standards.

Responsible NGO: Transparency International Serbia.

Creation of the Tool: The Serbian National Chapter of TI launched the programme. Together with the Local Government Initiative of the Open Society Institute (LGI-OSI), the Dutch Development Agency (NOVIB) supported the pilot project and the campaign 'Citizens Select the Best Municipal Civil Servant'. Some of the related workshops were supported by the Transparency International Secretariat in Berlin.

Problems Addressed by the Tool: According to surveys, the most significant sources of corruption in Serbia are currently in the areas of privatisation and public procurement, and inefficient local public administration. Based on this diagnosis, TI Serbia therefore chose to focus on the area of local government generally and procurement specifically.

Areas of Work: Local governance (public finance and public procurement).

When the Tool Was Implemented: November 2000 to November 2001.

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II Objectives

Through this programme and its various activities at the local level, TI Serbia endeavoured to improve the functioning of public administration. One of the outcomes was the close co-operation established with more than 30 municipalities, which make up one-fifth of the entire Serbian population. The main objectives were to:

- Promote transparency in budgeting and public procurement.
- Introduce European Union standards in Serbian municipalities.
- Support better planning and more rational budget spending (with efficient controls).
- Link the municipalities into a single public procurement network with a joint public procurement website.
- Increase the quality of municipal services.
- Raise public awareness of anti-corruption activities (through media, pamphlets, stickers' campaign, etc.)

III Context

A pilot project relating to the reform of public procurement and budgeting practices included three Serbian municipalities: Niš, Kikinda and Ćukarica. This project was implemented during the period from November 2000 to November 2001. It was originally designed for three pilot municipalities, but because of the interest expressed by other municipalities, the other 14 municipalities joined the initial group as observers.

At the beginning of the programme, an independent opinion pollster prepared a survey in three municipalities. Three groups of people were questioned: (1) citizens as users of municipal services; (2) managers and employees of private firms, and; (3) public servants and their supervisors. The survey's results provided useful input for tailoring programme activities, and also provided TI Serbia with an accurate insight into the conditions that initially existed. TI Serbia worked with both groups of stakeholders: the civil servants, as well as with civil society organisations.

One year after the implementation of the programme, the number of municipalities interested in participating had increased ten-fold as a result of the very positive evaluation and feedback of the pilot municipalities. By June 2002, the project included 29 municipalities throughout Serbia.

IV Implementation

1. Training civil servants who participate in seminars and workshops led by international experts lecturing on budgeting and public procurement procedures

Municipal decision-makers participated in seminars on municipal budget planning and on alternative sources of municipal budget revenue. The lecturer was an expert on local public financing in the European Union (EU). He presented the experiences from EU countries, as well as experiences in transition countries. Seminar participants were also familiarised with budget tables prepared using EU standards.

The workshops on public procurement were organised in co-operation with the United Nations Development Project (UNDP). International experts from the International Trade Center, the United Nations Conference on Trade and Development (UNCTAD), and the World Trade Organisation (WTO) explained EU procedures on public procurement and tenders. The public procurement issue was a very important one, especially as there was no law regulating public procurement at that time. Instead, each bidder was using its own procurement procedure. After the workshops, the municipal decision-makers agreed to apply the procedures suggested by the international experts and Transparency International Serbia.

2. Bestowing an award on the best civil servant

TI Serbia began the campaign 'Citizens Select the Best Municipal Civil Servant' in three pilot municipalities in order to:

- Initiate the competition among public servants,
- Improve the relationship between citizens and their municipalities,
- Help transform the local governments into genuine service providers for their citizens,
- Initiate improvements in municipal management, and
- Promote new standards in municipal functioning.

The campaign included the hanging of posters and the setting up of information tables (with accompanying information) in municipal buildings.

Over a period of one month, citizens had a chance to evaluate the work of their local civil servants after visiting a municipal office. Questionnaires were placed next to each counter. The questions focused on their willingness, the efficien-

cy and success of the services provided, whether the clerk served anybody out of turn, as well as a space on the questionnaire for additional remarks. Respondents were asked to grade the civil servants on a scale from one to five before depositing the questionnaire in a box on their way out of the municipal building. In this manner, the best civil servant was selected and awarded a diploma. A picture of this civil servant was framed and hung in the city hall.

Since a lack of good information and communication between civil servants and citizens was perceived as a significant problem for municipal services, charts were placed at the entrances of the three municipal buildings in order to provide citizens with basic information. Each chart contained basic information on the services provided: name, floor, areas of responsibility and working hours. In this way, it was possible to find the appropriate counter of the office at a glance.

3. Developing budgeting and public procurement software

Tailor-made budgeting software was created and distributed to the participating municipalities. The software includes the new budget system rules and approved forms to be upgraded on a regular basis in the subsequent two years. Moreover, TIS, in co-operation with the software firm INKO, defined the groundwork for the joint municipal Internet network for public procurement, that is, the basis for the municipal e-procurement to be regulated by the new public procurement law.

4. Preparing A Guide to Municipal Administration for New Belgrade

A Guide to Municipal Administration was prepared, published and distributed to each household in New Belgrade (80,000 copies). The guide is aimed at residents of New Belgrade and provides detailed information on the documents needed for various services provided by the municipality. This way citizens could inform themselves in this manner rather than visiting the municipal offices simply for information purposes. The municipality estimates that it receives more than 3,000 office visits per day.

5. Conducting opinion polls on the quality of municipal administration services

Public opinion polls were undertaken by the independent marketing agency Strategic Marketing in the three pilot municipalities at the beginning and end of the programme in order to evaluate the effects of the activities. In each of the municipalities, three types of respondents were interviewed: a) citizens, b) employees of companies and organisations, and c) civil servants. The comparative analyses of the opinion poll results indicated the following:

- The greatest problems identified by the public relating to the work of the local authorities were: large crowds, long waiting times, and complicated procedures.
- The percentage of respondents who made positive comments concerning the work of municipal civil servants doubled between November 2000 and June 2001.
- The majority of respondents (64 per cent of those interviewed) indicated that they were interested in the programme 'Towards More Transparent Budgeting and Public Procurement in Municipalities in Serbia' and expected positive results from it (69 per cent).
- An overwhelming majority (82 per cent of the respondents) supported the programme 'Citizens Select the Best Municipal Civil Servant', while 70 per cent expected positive results from it (in Ćukarica, 94 per cent expected improvements as a result of the campaign, while 100 per cent of respondents supported the action).

V Results

The local authorities, who were eager to participate in its the second phase, found the programme 'Towards More Transparent Budgeting and Public Procurement in Serbian Municipalities' to be a useful and significant initiative. Moreover, an additional 26 municipalities expressed a strong interest in joining the programme, which meant that a total of 29 municipalities were included in its second phase.

Furthermore, citizens from all three municipalities provided very positive feedback on the programme: 69 per cent of the citizens polled indicated that they believed the programme led to improvements in the work of the municipal administration (elsewhere the numbers were 70 per cent in Kikinda, 54 per cent in Niš, and 84 per cent in Ćukarica).

Similar responses were given when the citizens were asked about the campaign 'Citizens Select the Best Municipal Civil Servant': 70 per cent of those polled said the results were positive, whereas the numbers in other areas were: 71 per cent in Kikinda, 45 per cent in Niš, and 94 per cent in Ćukarica.

According to the polls, the campaign helped local administrations improve communication with citizens and be more accountable to their constituencies. Moreover, the project inspired the local municipal authorities to initiate their own activities. The newly established municipality New Belgrade proved to be the most successful municipality in this initiative.

During the final conference, the best municipalities, as determined by the polling results, were presented with awards. Kikinda was commended for the most positive, overall transformation. Ćukarica was also recognised for its implementation of the campaign ‘Citizens Select the Best Civil Servant’, and New Belgrade was commended for the programmes that it initiated. The awards provided a strong stimulus to the winners to continue improving their services to the public and created a very competitive atmosphere among the 29 municipalities participating in the second phase of the programme.

VI Future Recommendations

Political will is one of the crucial prerequisites for the success of the overall programme. Our experience clearly demonstrates that in municipalities in which mayors were heavily involved (e.g. Kikinda), the results were much better than those municipalities in which support from the top was more passive (e.g. Niš).

We also recommend the following:

- Selecting a local co-ordinator to co-ordinate programme activities in the municipality is vitally important for the success of the programme.
- Involving the media from the very beginning of the programme because their support can prove to be crucial especially when local administrations begin to resist reform activities.
- Initiating public campaigns aimed at explaining the benefits of the programme to citizens.
- Providing a stimulus for local authorities and civil society organisations to provide their own initiatives with regard to programme activities.
- Creating a competitive atmosphere among participating municipalities by giving an award to the most successful one. The same principle should be applied to civil servants (for example, the experiences from the campaign ‘Citizens Select the Best Civil Servant’ demonstrated the positive results from such an undertaking).
- Conducting public opinion polls on the quality of the local administration services - one at the beginning and one at the end of the programme - will provide a reliable basis for evaluation. Moreover, these polls will help to identify the strong and weak points of the programme.