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Promoting Local IT Sector Development through Public Procurement

An UNCTAD-BMZ/GIZ Study

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Benefits of IT Sector Promotion





BMZ/GIZ Approach to IT Sector Promotion

Integrated approach for IT sector promotion in developing and emerging countries, which is based on 3 pillars.

- Systemic competitiveness
- The cyclical model
- Modular structure.

Collaboration is a central cross-cutting element, which is crucial for the successful implementation of IT Sector promotion projects.



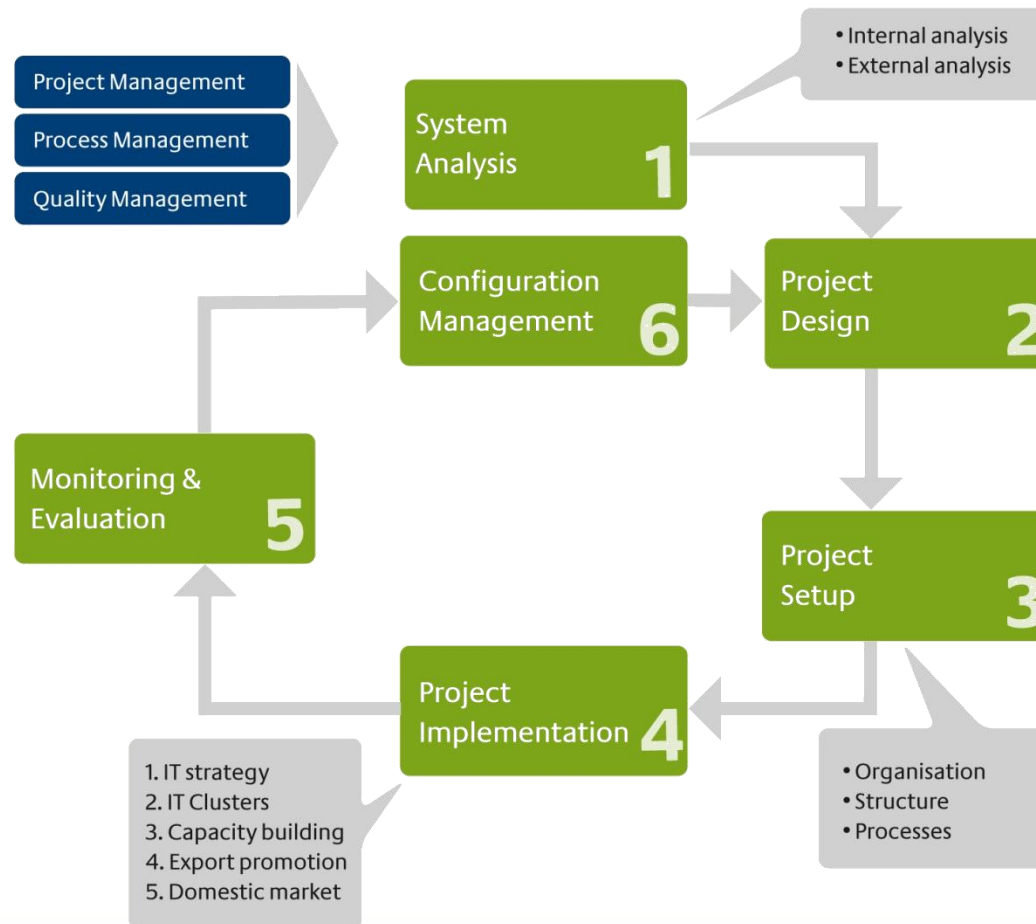


Systemic Competitiveness

	Actors	Factors
Macro-level	<ul style="list-style-type: none"> • Ministry of Economy • ICT Ministry • Ministry of Transport & Communications • Ministry of Education & Science • ICT Agency • Agency for SMEs • Export Promotion Agency • Investment Promotion Agency 	<ul style="list-style-type: none"> • ICT Strategy • Institutions • Investment • Support programmes • ICT infrastructure • Intellectual property (IP) • Education system • Domestic market framework
Meso-level	<ul style="list-style-type: none"> • IT associations • IT clusters • Chambers of commerce • Universities • Research institutes • Secondary education institutes • Financial sector institutes 	<ul style="list-style-type: none"> • Organisation level • Education and human resources • Research & development (R&D) • Capital & financing • Linkages & networks
Micro-level	<ul style="list-style-type: none"> • Large-scale IT companies • Small and medium-sized IT enterprises (SMEs) 	<ul style="list-style-type: none"> • Number of companies • Average size of companies • Structure • Wages • Company capabilities • Image & branding



The Cyclical Model





Modular Structure





IT Sector Promotion Tools

32 tools are available in BMZ/GIZ's toolbox for IT sector promotion.
Examples:

- **IT strategy development** (IT Industry Capability Model, IT Company Survey)
- **Promotion of Clusters and Networks** (Job Profile for IT Cluster Manager, IT Industry Barometer)
- **Capacity Building and Training** (Training-of-Trainer Networks, Training on Software Process Improvement & Quality Management)
- **Export Promotion** (B2B Export Promotion Service, Export Branding Concept)
- **Domestic Market Development & Local Innovation** (IT Needs Assessment, IT Product Profile).



German Government Initiatives



ict@innovation



Croatian ICT Cluster Initiative



Palestinian IT Association of Companies
اتحاد شركات أنظمة المعلومات الفلسطينية





Why focus on public procurement?

- Public sector is a large buyer of IT services in low-income countries
- IT associations view public procurement as key market
- Growing deployment of e-government services

Public sector procurement can provide significant opportunities for local IT companies

BUT

IT SMEs do not get a big share of public tenders in their countries

New UNCTAD-BMZ Study

- ❑ Review of existing literature
- ❑ Country case studies
 - Kenya
 - Senegal
 - Sri Lanka
- ❑ Concrete policy recommendations

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Barriers to local IT sector participation in public procurement

- ❑ Technical complexity of IT procurement
 - ❑ Lack of IT standards and interoperability frameworks
 - ❑ Inadequate procurement frameworks and weak procurement capacities
 - ❑ Requirements of previous experience
 - ❑ Limited access to/awareness of tender notices
 - ❑ Lack of communication within Government between procurement units and those promoting the IT sector
 - ❑ Risk aversion of procurement units
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7 Strategies

1. Put key conditions in place:
 - Shared IT and public procurement policy
 - Critical mass of public IT projects
 - Understanding of local IT sector capabilities
 2. Strengthen the institutional framework
 3. Establish good public procurement practices
 4. Provide targeted preferential treatment to local bids, without jeopardizing quality
 5. Increase the options for SMEs to submit bids
 6. Adopt software design to facilitate local firm participation
 7. Raise awareness and build capacity among local IT firms and in relevant public authorities – *to bridge knowledge gaps*
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Findings from Kenya and Senegal

Kenya

- ❑ Little IT sector involvement in PP
- ❑ Public procurement not part of IT sector promotion strategy
- ❑ Planned e-gov deployments offer opportunity
- ❑ Information asymmetries
- ❑ Lack of coordination in government
- ❑ Lack of interaction with IT sector
- ❑ Lack of e-gov interoperability
- ❑ Capacity-building is needed



Senegal

- ❑ Critical mass of IT-related public procurement
- ❑ Most donor-funded projects awarded to international firms
- ❑ Mapping of IT sector conducted
- ❑ Some interaction with IT sector
- ❑ Need for more coordination
- ❑ Positive steps in terms of policies...
- ❑ ...but several barriers remain for local SMEs to participate



Examples of good practice

❑ ICT Agency (ICTA) of Sri Lanka

- Efforts to map local IT industry's capabilities
- Regular interaction with local IT associations
- ICTA tenders based on World Bank PP processes
- Strategies to increase local IT firm participation



❑ National Information Society Agency (NIA), Republic of Korea

- eGovFrame
- Open source – open ecosystem – open outputs
- Capacity-building to assist local SMEs



Conclusions

- ❑ There is great scope for enhancing the participation of local IT firms in public procurement of IT services
 - ❑ Encouraging local IT suppliers in the short term brings long-term benefits by expanding number of potential bidders
 - ❑ All relevant parts of government need to agree on a strategy that is in line with broader development plans
 - ❑ Each strategy needs to be tailored to the specific needs and capabilities of each country
 - ❑ Local IT associations need to take active part
 - ❑ Donors should consider impact on local IT sectors when financing IT and e-government projects in developing countries
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**The Study can be downloaded free of charge from
www.unctad.org**

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