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Standards and Principles Project

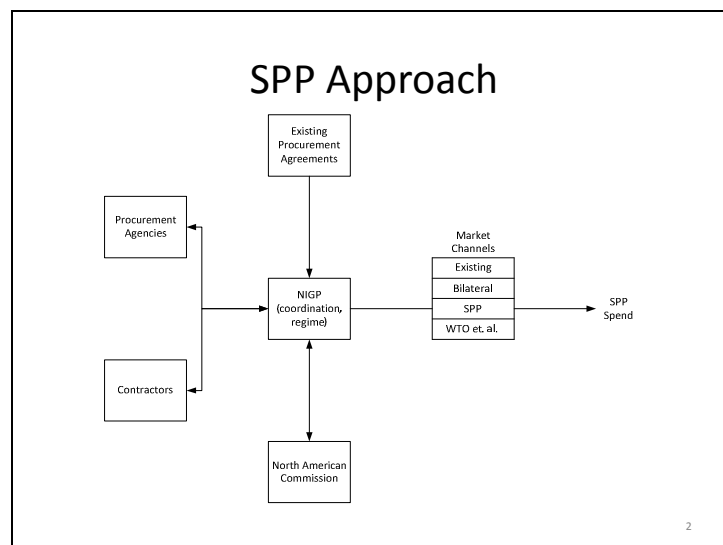
SPP

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This short presentation on the Standards and Principles Project – SPP – covers the approach taken to project development, the potential benefits and measures of success, the assessment of countries for inclusion in the project and the selection of the lead country, issues associated with implementation, and closes with lessons learned by the two principals.

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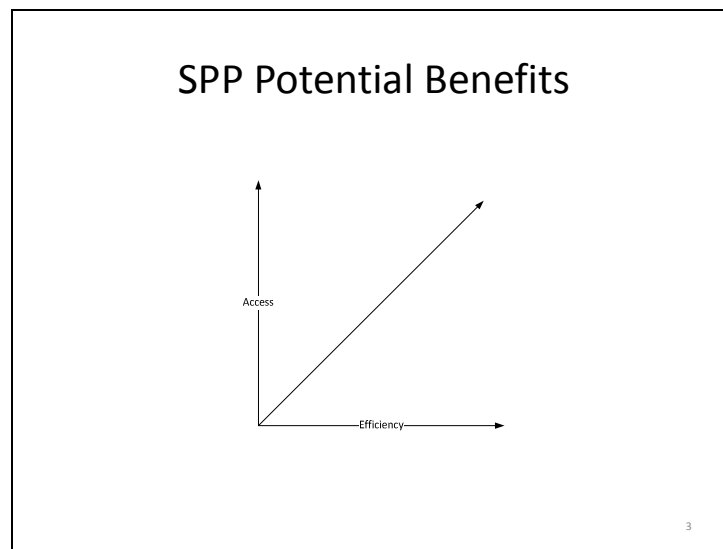


SPP is led by the United States National Institute of Governmental Purchasing – NIGP. The project seeks to establish a set of standards and principles that will guide global governmental procurement. The NIGP serves a coordination role for several groups of principals interested in

this market. In addition to the NIGP there are procurement agencies and contractors. The North American Commission is a multidisciplinary, multinational group established by the NIGP to support the project. The NIGP also takes into consideration existing procurement agreements such as the *The Plurilateral Agreement on Government Procurement (GPA)* implemented under the auspices of the World Trade Organization, and the *Agreement between the Government of Canada and The Government of the United States of America on Government Procurement*.

Global government procurement is estimated at 10-30% of global GDP or \$7-21 trillion per year. This procurement is through a number of market channels shown to the right on this slide.

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The potential benefits of SPP center on:

First, improving the efficiency of the procurement process such that a better return on available funding is achieved.

Second, improving contractor access to procurement opportunities.

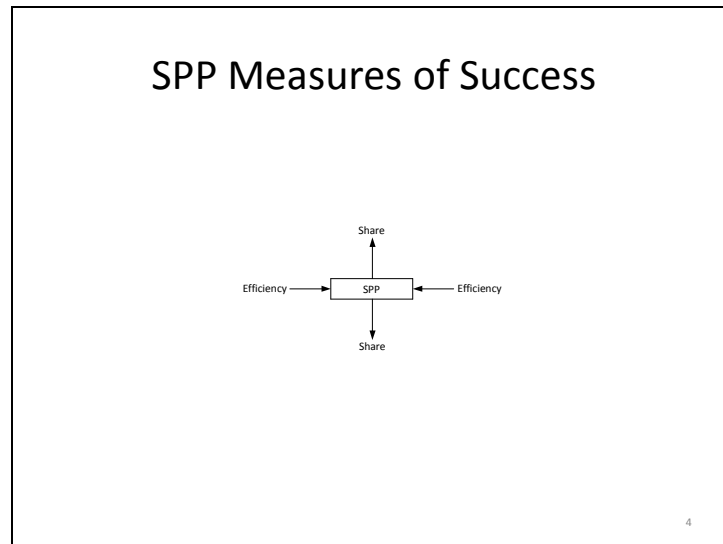
Third, decreasing the corruption in the procurement process.

Secondary potential benefits that may accrue to the countries subscribing to SPP include:

First, the economic well-being of a country increases as contractors secure an increasing number of opportunities.

Second, securing these opportunities has the potential of increasing the knowledge, skills, and experience of the population thereby resulting in a positive impact on society.

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Success of SPP is measured in terms of increasing the share of procurement flowing through the SPP channel and the efficiency with which the process works. Metrics include:

First, the share of total procurement occurring under the SPP regime.

Second, the efficiency of SPP procurement compared to the efficiency of total procurement.

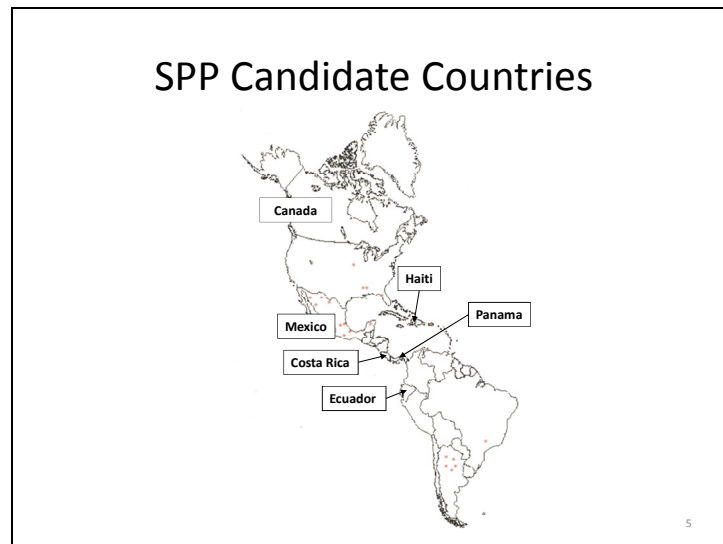
Third, SPP Procurement Cycle Time compared to Total Procurement Cycle Time.

Fourth, number of contractors responding to a procurement request.

Fifth, number of repeat uses by contractors.

Sixth, the number of procurement agencies using SPP exclusively.

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Six countries in Western Hemisphere were evaluated with the intention of determining which would be the country most likely to be a success in the implementation of SPP. The assessment factors and the associated weights given each are:

First, Political with a weight of .60.

Second, Socio-Economic with a weight of .20.

Third, Existing Procurement Structure with a weight of .15.

Fourth, Cultural with a weight of .05.

Each of these factors are further decomposed into specific considerations. For example, Political comprises:

- Democratic government
- Separation of powers as demonstrated by established governmental framework
- Relative stability as demonstrated by at least 15-20 years of established governmental system and Constitution
- Established elections

If the country demonstrated, say, democratic government it is given one point.

Points are accumulated for each factor in each country, the weights applied, and the total developed. The results of this assessment are shown in the next slide.

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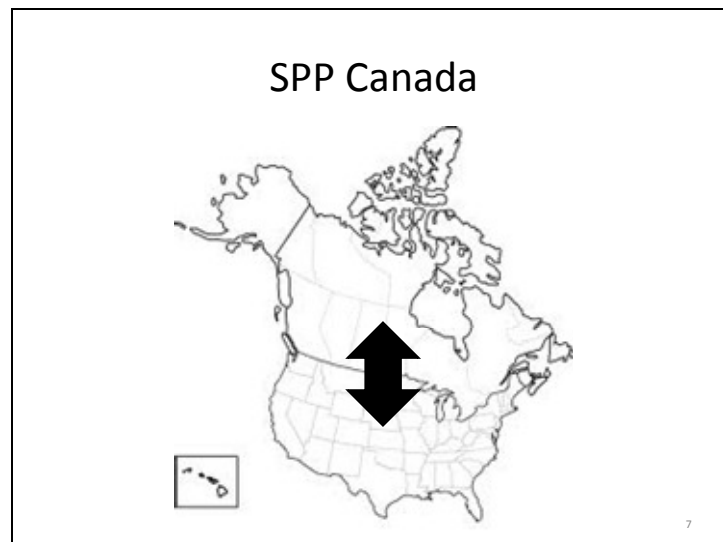
SPP Country Assessment Summary

Country	Score
Canada	3.7
Costa Rica	3.7
United States	3.7
Panama	3.5
Mexico	2.9
Ecuador	2.6
Haiti	1.7

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The US is included for comparative purposes. The closer the score of a country is to the US score, the greater the likelihood that SPP will be effective. Three countries – the US, Canada and Costa Rica – have the same score.

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Consideration of Canada and Costa Rica at the next level of detail leads to the conclusion that Canada is the country to be selected for the development of SPP beyond US borders. The following conclusions from the country report on Canada are pertinent.

First, the similarity of the political and legal environments suggests that the implementation of SPP will likely not encounter major political and legal hurdles. Indeed, the recent agreement on procurement between Canada and the US attests to this.

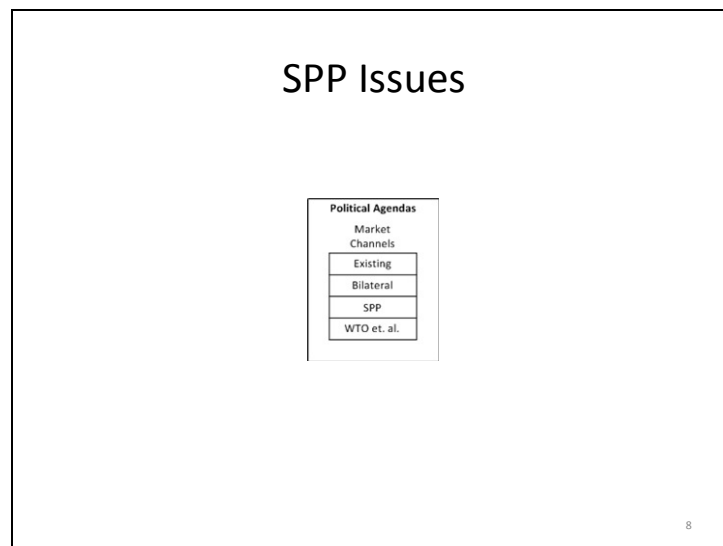
Second, there are likely to be few technology issues associated with the implementation of SPP.

Third, a cultural affinity exists between the two countries that is important for the success of SPP.

Fourth, the economic environments are generally congruent and the two countries are each other's largest trading partner.

In 2003 it was estimated that Canada infrastructure required an investment of \$125 billion to bring all infrastructure up to an acceptable level. It is also noted that Canada initiated the development of a national strategy for critical infrastructure protection in November 2004.

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Machiavelli reminds us:

There is nothing more difficult to take in hand, more perilous to conduct, or more uncertain in its success, than to take the lead in the introduction of a new order of things. Because the innovator has for enemies all those who have done well under the old conditions, and lukewarm defenders in those who may do well under the new.

There will be obstacles to be overcome as SPP goes forward.

There will be procurement agencies and contractors who are content with existing processes and agreements inasmuch as they believe these best meet their needs. SPP will need to understand the argument being advanced in each situation and present a case for movement to the new regime.

Inasmuch as SPP is derived from and attends to matters of a governmental nature, it is subject to the influence of geo-political agendas. Two examples come to mind.

First, the country report on Panama concluded that the strategic geo-political importance of Panama may warrant efforts be made to implement the SPP Regime that might otherwise not be taken.

Second, an article review pointed out, “But opposition politicians say the IMF's tight conditions give Colombo an excuse to move closer to China. ‘What do you need good governance for when investors are coming in anyway?’ says Harsha de Silva, an economist with the opposition United National party.”

In some cases these political agendas may confer an advantage to SPP, but in other cases they may represent hurdles that are significant.

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The following actions are recommended for moving SPP forward.

First, establish the SPP Regime and supporting institutional structures. This is well underway under the auspices of the NIGP and needs to continue.

Second, initial implementation in the US. US governmental procurement can benefit from SPP and set an example for other countries.

Third, implementation with Canada for the reasons previously discussed.


Fourth, other implementations as the opportunities present themselves.

In closing I would like to turn to the major lessons learned by the two principals associated with this project.

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Personal Learnings

- Candace Riddle
 - Facts and systematic reasoning about these facts
 - Working across boundaries
 - Support for current career
- James Drogan
 - Dealing with project risk and breakage
 - The plan does not emerge after the first pass
 - No guaranteed formula for creating a plan

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Candace Riddle reports:

- The most important lesson I learned was failure. We often prefer to bend data in a direction that supports our position. Learning that it was alright to determine a possible country as “too risky” and backing that decision with data was one of the best lessons learned during this assignment.
- Project Management 101: Learning to work across boundaries, often with varying time schedules between my partner and I was difficult. However, this project forced me to communicate better and manage time more efficiently.
- This was also a work project for me. Staying current through article reviews, and exploring other countries helped me to develop necessary skills to perform better research and communicate my findings in a more efficient manner to my co-workers.

James Drogan reports:

- The IP – internationalization plan -- results from a process. Process is subject to risk and breakage. Opportunities for both need to be imagined and mitigation provided before the process starts.
- The IP is never fully formed in the first pass through the process. There are always tradeoffs between the steps. Closure is achieved when pass n produces an output that is only marginally different than that produced in pass n-1.
- There is no formulaic approach that will guarantee an acceptable IP. The IP emerges from the process that is a complex interaction of variables such as knowledge, skills,

experience, attitudes, and behavior applied to a presumed business configuration, industry, market, and time.

Thank you very much for your attention.