

Building Purchasing Networks

Building networks in specialized business areas is an important basis for trade development. ITC has worked with Morocco and Uganda, among others, to set up specialized networks in purchasing, through the creation of national purchasing associations. These two articles highlight the experiences of these two countries in setting up and building the services of purchasing associations.

Setting Up a Purchasing Association: Morocco's Experience

by Abdessamad Saddouq

Morocco set up APAM (*Association des Professionnels des Achats et Approvisionnements au Maroc*), a national purchasing and supply management association, in 1998.

Establishing an association can be a rewarding and fascinating experience. Gathering a group of people around a common idea, and welding them into a viable entity that develops its own momentum, is a challenging project that requires a methodology, determination and persistence.

Building blocks for associations

- ▶ Know the regulatory framework
- ▶ Set up an initial core group/steering committee
- ▶ Disseminate information
- ▶ Organize preparatory meetings
- ▶ Develop statutes and other preparatory documents
- ▶ Constitute an assembly
- ▶ Define a budget and accounts
- ▶ Take regulatory steps

Source: "Establishing and Operating PSMA's", ITC International Purchasing and Supply Management Guide No. 27, 1996.

Building ownership

Setting up an association is a collective effort. A project involving only one person is bound to fail, since the very essence of an association is that of a collective experience. Founders need to be both methodical and persistent in order to create a solid association, bearing in mind that individuals will have varying degrees of availability and motivation.

Concentrate especially on two steps:

- ▶ **Understand your legal boundaries.** Start by identifying and carefully reading legal texts relating to associations to help you determine exactly what is required to set up the association. This also helps you to understand the legal implications of using different sources and methods of funding.

Complement your research by contacting the authorities responsible for regulating the activities of associations, who should be able to provide necessary information.

- ▶ **Market the concept and gather feedback.**

Disseminate information about what you are doing to help you to recruit supporters and gather the funds or resources that the association may require. This step should also allow you to test the

Leads: Who can help you get started?

- ▶ Official bodies responsible for the registration of new associations (in Morocco there is a branch office in each district).
- ▶ Purchasing and supply management associations or similar support organizations. APAM has benefited from the advice and support of the Tunisian purchasing and supply management association (ATUGA – *Association Tunisienne de Gestion des Approvisionnements et des Achats*), the French association of supply managers and buyers (CDAF – *Compagnie des Dirigeants d'Approvisionnement et Acheteurs de France*) and ITC.

'product' on the target audience, gather feedback, and adapt the project accordingly. Most importantly, it builds ownership with key clients.

Manage it like a company

Manage an independent association like a company rather than a club:

- ▶ Over time, an association will need to be self-financing if it is to remain independent and continue to function well. It will only survive and develop if it is managed efficiently and objectively.
- ▶ A purchasing and supply management association is more than a forum to exchange ideas and ideals; members gain value from sharing pragmatic experiences.

Advantages and disadvantages of different types of assistance to SMEs

Method for implementing policy	Associated goals	Potential effects	
		Advantages	Disadvantages
Technical assistance			
Goal-setting and advocacy	Increasing awareness	Less interventionist	May be ineffective
Advice and marketing assistance	Promoting SMEs	Rewards SME efficiency	Interest groups may become adverse to reform
Cooperatives	Supporting SMEs	Optional use by SMEs	Information problems can affect setting goals
Community participation in donor-financed procurement			Conflicting public policies
			Costly to government
Training			
	Human capital development	Relatively cheap	One size fits all
Transfer skills to SMEs	Improve performance of SME managers	Develops new skills	Administrative costs
Improve productivity of groups	Improve performance of government administrators		May not be enough
			Need for local focus
			Potential for abuse
Financial assistance and subsidies			
Financing	Alleviates significant SME constraints affecting working capital	Direct SME assistance	Inefficient subsidies
Bond/guarantee reform and assistance		Some policies efficient	Must ensure WTO compliance
Prompt payment reform			Protectionist marketplace
Subcontracting programmes			
Voluntary or mandatory partnering with local firms	Increase level of SME participation in public and private markets	Sustains demand on SMEs	Costs and inefficiency
		Similar to set-asides	Protectionist marketplace
		De-links some political interplay	Hard to dismantle
Price preferences			
Allow premium price to be paid for local items	Targeted assistance in procurements	Direct SME assistance	Very likely inefficient
			May reward inefficient SMEs
			Protectionist marketplace
			Hard to dismantle
Set-asides			
Limit competition to SMEs or allow single source	Reserve procurement for SMEs	Clear potential SME gains	Unclear if effective
		Controlled competition for SMEs	See above on subcontracting

contract documents, professional training, electronic procurement, improved management information systems and a more responsive means to hear complaints from suppliers. A process to encourage more subcontracting with local firms is also being implemented as part of the reforms.

Guinea Bissau: Donor rules and national procurement rules under review

ITC is helping the government harmonize donor rules and national procurement rules to create a responsive and effective procurement system. New regulations are

being formulated with national and international stakeholders. A new central procurement office will develop policies and training programmes; oversee selected contract award decisions; and install management information systems.

Maghreb Conference: Towards subregional harmonization

Following the Conference on Public Procurement Reform (Abidjan, December 1998), several Maghreb countries asked for assistance to harmonize their procurement policies at a subregional level. In February 2000, ITC helped organize a meeting of the

Maghreb countries (Morocco, Algeria, Tunisia, Mauritania and Libyan Arab Jamahiriya) and donor countries and institutions. The countries agreed to develop a means to harmonize public procurement rules and financing procedures, update national systems where needed, and develop training programmes. A follow-up meeting of the participating countries is to be held in Algiers shortly in order to begin implementation. ▀

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Making it last

During the first years of existence, many purchasing and supply management associations experience financial difficulties. Make it a priority to look for support and develop relationships with other national and international organizations. This provides a powerful leverage that helps the association, as with a living person, to open up to the outside world.

You can find useful contacts for partnerships at different levels:

- ▶ In the country: private companies; training institutes; professional associations.
- ▶ In the region: purchasing and supply management associations of the region.
- ▶ In the rest of the world: the International Federation of Purchasing and Materials Management; ITC; other na-

tional purchasing and supply management associations.

The value of events

Events are key to network building and information exchange. Thanks to its success in attracting private sponsors, APAM has been able to organize two conferences. The themes were:

- ▶ quality management in purchasing; and
- ▶ suppliers' evaluation.

It was also able to call on the expertise of known training institutions (namely Morocco's premier business school, the *Institut Supérieur de Commerce et d'Administration des Entreprises* — ISCAE) to organize these events. Each of these conferences attracted around 400 participants, with 80% of the costs being covered by sponsors.

When organizing conferences:

- ▶ select themes that are relevant and that correspond to the needs of the purchasing population (ideally through an initial survey); and
- ▶ prevent the conference from being flooded with advertising materials from private sponsors.

The development and success of a purchasing and supply management association depends first and foremost upon the energy expended by the individual supporters and members in strengthening it. Setting up an association also requires that most precious key element — time. In return, however, it will give those investing in it the satisfaction of seeing their ideas materialize. ▀

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Viewpoint from Uganda

International Trade Forum interviewed Peter Kimbowa, Executive Director of the Procurement and Logistics Management Association of Uganda.

Q. What were the biggest challenges you faced, and continue to face, in strengthening your organization?

A. We saw four major challenges:

- ▶ To strike a sustainable and rational balance between members' continued interest and enthusiasm, while they were reluctant to pay the full membership subscription.
- ▶ Lack of seed money to effectively implement all the start-up association activities.
- ▶ Unfair competition, especially in the area of training — by either donor agencies and/or NGOs (non-governmental organizations) providing zero-priced training events in the same field of study.
- ▶ Adequate board commitment.

Q. What are the solutions you have adopted thus far, and those you plan to implement?

A. To facilitate subscription payments, we requested employers of association members to pay directly to the association bank account.

To obtain seed money, we requested members to stagger payments.

To address our competition, we developed partnerships at institutional and technical levels with other training providers with high visibility and international reputations.

To build board commitment, a new board is in place, and each board member is committed to promoting the association's training activities beginning with members' individual/organization's place of work.

Q. What advice do you have for purchasing professionals in developing countries who are setting up an organization?

A. First, build membership through continuous provision of training and specialist advisory services. Second, move beyond the initial spurt of volunteerism to phased commercialization of services.

And finally, keep in touch with all members all the time through, among other things, newsletters, meetings and seminars.

Developing Purchasing Association Services: Uganda's Experience

by Peter Kimbowa

The Procurement and Logistics Management Association (PALMA) was launched in January 1995, and now has over 200 members. Seeking to overcome key problems in the procurement chain in Uganda, it has concentrated on building competence among purchasing professionals in the public and private sector by providing training, consultancy and information services.

Challenges

PALMA seeks to address key problems such as high import costs (Uganda is a landlocked country some 1,200 kilometres from the nearest port); the low quality of imported goods; unreliable supply sources; long lead times; and inadequate handling and warehousing. It also tries to promote the professionalization of the procurement function within enterprises and other organizations in order to improve competitiveness.

Activities

Among our activities:

- ▶ The preparation of the *Buyer's Guide* — a handbook for Ugandan importers and exporters.
- ▶ Short-term training events for middle- and high-level purchasing and supply practitioners in both the public and private sectors.
- ▶ Preparation and dissemination of import management briefs to importers through the Uganda Importers, Exporters and Traders Association.

Growing through training

One of PALMA's key activities is to design a range of training activities. Since 1996

we have trained approximately 360 private and public sector practitioners on a variety of international purchasing matters. Training can come in a variety of forms:

- ▶ Training of trainers.
- ▶ Professional courses.
- ▶ Educational events in collaboration with academic institutions.
- ▶ In-house programmes in selected enterprises.

PALMA has developed special tools for assessing training needs and evaluating training events. The training events are supported by public procurement training manuals and by other tools such as ITC's 'Modular Learning System'.

To date, PALMA has organized three annual conferences. The latest, in March 2000, was on the subject of 'Corruption Risks in Procurement in Uganda Today'. It attracted 92 participants from the private and the public sectors, as well as students and Uganda policy-makers. This event was widely covered by the press, and resulted in a series of anti-corruption measures being taken.

PALMA's success is due to its team of instructors and consultants, all of whom are recognized specialists in their fields, as well as its strong network. PALMA's network includes partnerships with national purchasing and supply management associations, such as the National Board of Materials Management in Tanzania; academic bodies like the Uganda Management Institute; the Uganda Export Promotion Board and the United Nations Development Programme office in Kampala. These partnerships enable the exchange of materials and trainers, which are essential to the profitability and sustainability of PALMA.

PALMA relies on membership fees, volunteers and fund-raising to carry out its work. Until recently, PALMA did not possess sufficient training materials to generate revenue through its training programmes. However, the association recently acquired ITC's 'Modular Learning System', which it sees as a valuable revenue-generating tool that will ensure the continuation of its work.

Information and consultancy services

In addition to training, PALMA puts great emphasis on its information services and products. It collects and disseminates data regarding supply briefs, product specifications, import tariffs and trade-related information. It regularly publishes the *Purchasing News* bulletin, a collection of articles on PALMA's activities, analyses of supply markets, product briefs and highlights on public procurement.

PALMA has also set up a trade and economic information unit at its secretariat, comprising a technical library available to all PALMA members, prospective members and students.

Last but not least, PALMA has developed a range of consultancy services, which have among its clients the Government of Uganda.

The way forward

Thanks to its new training programmes and tools, PALMA plans to increase its profitability to enable it to recruit full-time personnel to manage the association and ensure its continued success. PALMA is working towards a training strategy to ensure continuous growth. It is defining a strategy to achieve and maintain continuous improvement schemes, build capacity and foster international recognition. This training strategy includes the future development of an internationally supported and recognized professional certification programme for its members. ■

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