

UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

**UNCTAD**



# **PROMOTING LOCAL IT SECTOR DEVELOPMENT**

THROUGH  
PUBLIC PROCUREMENT



UNITED NATIONS



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## PREFACE

The contribution that a dynamic local information technology (IT) industry makes to national economic development – as a productive sector in itself and, more importantly, as an enabler of productive use of information and communication technologies (ICTs) throughout the economy and society – has encouraged policy makers all over the world to put in place public policies and programmes that facilitate its development.

A wide range of instruments are available to policy makers in this context. Designing and implementing public procurement practices that help to increase the participation of local IT firms when the public sector acquires IT goods and services represents one such instrument. However, successful use of public procurement policies requires a clear vision of the overall policy objective and a good understanding of the local IT sector's strengths and weaknesses.

Until now, relatively little attention has been paid to the link between public procurement and local IT sector development in developing and emerging economies. This joint UNCTAD-BMZ study seeks to address this gap and to provide decision makers with an improved basis for understanding when and how public procurement can be leveraged for the development of a vibrant IT sector. The report builds on the analytical and practical experience of UNCTAD and German development cooperation in designing and implementing measures to promote ICT sector development and build local ICT capacities in developing and emerging economies.

The report identifies seven main strategies countries may consider in this context. Based on a review of the experience of Kenya, Senegal and Sri Lanka in this area, it distinguishes between elementary measures – such as establishing open and competitive procurement processes or regular public-industry dialogues that all countries should adopt – and more advanced measures that may be appropriate once a country reaches a certain threshold level of maturity in its public procurement practices and IT sector capabilities. Policy makers need to identify a balanced mix of strategies suitable to their specific context, encompassing complementary interventions at the macro, meso and micro levels.

The successful application of public procurement for the promotion of local IT sector development is complex but can be a powerful policy tool. Our expectation is that the findings and policy recommendations included in this report will help public procurement officials, promoters of the ICT sector, e-government programme managers, local IT/software associations and the donor community to identify more effective strategies in this field.



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The study was prepared by a team led by Torbjörn Fredriksson (UNCTAD), Bernd Friedrich (GIZ) and Pierre Lucante (GIZ), which included Johanna Diecker, Anja Kiefer, Marta Pérez Cusó (coordinator), and Thorsten Scherf.

Helani Galpaya provided inputs for chapters 1 and 2, conducted the case study on Sri Lanka and coordinated the inputs for the case studies of Kenya and Senegal. Lishan Adem prepared the case studies of Kenya and Senegal. The case study of Senegal draws largely on a previous study conducted for GIZ by Volker Brunsiek and Hannes Restel on interoperability of IT systems in the Senegalese public sector and the promotion of IT SMEs in Senegal.

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## LIST OF ABBREVIATIONS

ADB	Asian Development Bank
ADIE	State Agency for Informatics (Agence de Développement de l'Informatique de l'État – Senegal)
ARMP	Public Procurement Regulatory Authority (Autorité de Régulation des Marchés Publics – Senegal)
BMZ	Federal Ministry for Economic Cooperation and Development (Germany)
BPO	Business process outsourcing
CMMI	Capability maturity model integration
CMP	Public procurement code (Code des marchés publics – Senegal)
DCMP	Central Directorate of Public Procurement (Direction Centrale des Marchés Publics – Senegal)
EGDI	E-Government Development Index
ERP	Enterprise resource planning
FOSS	Free and open source software
FDI	Foreign direct investment
FITIS	Federation of Information Technology Industry Sri Lanka
GDP	Gross domestic product
GIC	Government Information Centre (Sri Lanka)
GIZ	Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ) GmbH
HR	Human resources
HRM	Human resources management
ICT	Information and communication technology
ICTA	ICT Agency (Sri Lanka)
ID	Identification document
IFMIS	Integrated Financial Management Information System
ISIC	International Standard Industrial Classification
ISO	International Organization for Standardization

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