



Scoping Procurement Harmonization Framework for Aviation in the Pacific

Consultant's Report



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Abbreviations

AAMAC	Autorités Africaines et Malgache de l'Aviation Civile
ADB	Asian Development Bank
ASECNA	Agency for Security of Air Navigation in Africa and Madagascar
ASPA	Association of South Pacific Airlines
CoE	Center of Excellence
CROP	Council of Regional Organisations of the Pacific
DFAT	Department of Foreign Affairs and Trade, Government of Australia
MDB	Multilateral development bank
MFAT	Ministry of Foreign Affairs and Trade, Government of New Zealand
MRO	maintenance, repair and overhaul
NPC	Network Procurement Coordinator
PAIP	Pacific Aviation Investment Program (World Bank funded)
PASO	Pacific Aviation Safety Office
PIC	Pacific Island country (PRIF member)
PPC	Partnership Procurement Coordinator
PRIF	Pacific Regional Infrastructure Facility
RAMM	Regional Aviation Minister's Meeting
RHM	Regional Hub Manager
RPU	Regional Procurement Unit
RPC	Regional Procurement Committee
RSSOO	Regional Safety and Security Oversight Organization



Executive Summary

Background

The coronavirus disease (COVID-19) pandemic has severely impacted the economies of the Pacific Island countries (PICs), notably the aviation industry.

The international development community has recognized that the resurgence of the aviation industry is crucial to post-COVID-19 economic recovery in the Pacific. At the second Regional Aviation Ministers Meeting, Ministers acknowledged that the recovery and sustainable development of the aviation sector will require long-term cooperation between governments, airlines, international development partners, and regional organizations. The Ministers agreed on the necessity in the longer term to establish a wider aviation-focused regional organization to address aviation issues and opportunities.

This report focuses on the development of harmonized procurement framework as part of broader regional cooperation. Recognizing that this is a long-term objective, the framework proposes a phased approach whereby the alternative regional collaboration arrangements on procurement can be initiated in a relatively short time frame.

Key Findings

Analysis of needs and opportunities

PICs and development partners alike have expressed broad support for the establishment of a regional aviation hub, in particular to conduct procurement activities on behalf of PICs. That said, some PICs have expressed their preference for a gradual approach, starting by building on the current collaboration initiatives. Development partners, on the other hand, have also expressed some reservations or concerns about expanding the Pacific Aviation Safety Office's (PASO) role into providing services because of the perceived conflict of interest.

PIC procurement systems were reviewed to assess their readiness to operate within a regional framework and agreement. The review covered the regulatory environment, institutional arrangements, procurement procedures, and practices.

PIC procurement laws and regulations, while not uniform, mostly align with best practices and procurement principles of development partners that have often helped establish country procurement systems through technical assistance programs.

Most PICs make provisions for the use of development partner procurement regulations in foreign-financed projects or technical assistance.

Therefore, from a regulatory perspective, it can be concluded there is readiness in PICs to join regional procurement arrangements and initiatives and operate under a framework that may be acceptable to development partners.

Procurement objectives and models

The goal of regionally led procurement system under a harmonized framework is to maximize the contribution of procurement to sustainable economic development in line with a regional strategy.

The framework has four objectives: i) aligning procurement business objectives with institutional requirements; ii) supporting operational requirements; iii) managing procurement efficiently and effectively; and iv) delivering value. The guiding principles for each of these objectives are outlined in table below.

<p style="text-align: center;">OBJECTIVE A Align Procurement with Business Objectives</p> <ul style="list-style-type: none"> • <i>Understand business objectives</i> to support PIC long-term objectives. • <i>Foster a collaborative approach</i> ensuring that procurement decisions are in line with the expectations of all stakeholders. • <i>Comprehensive procurement policies</i>. • <i>Emphasis on sustainability and social responsibility</i>. • <i>Sound governance principles</i> to foster a culture of responsible and ethical procurement. 	<p style="text-align: center;">OBJECTIVE B Support Operational Requirements</p> <ul style="list-style-type: none"> • <i>Alignment with strategic goals</i> to help drive operational efficiency, cost savings, and other objectives. • <i>Flexibility and scalability</i> to adapt to changes in the regulatory environment and market dynamics. • <i>Integration and interoperability</i> to enhance data flow and reduce manual data entry. • <i>Change management and communication</i> to manage a smooth transition to the new system.
<p style="text-align: center;">OBJECTIVE C Efficient and Effective Management of Procurement Processes</p> <ul style="list-style-type: none"> • <i>Streamlined processes</i> for efficient procurement that is easier to manage and to monitor. • <i>Standardization and simplification</i>. • <i>Strategic planning</i> to support long-term objectives. • <i>Technology adoption</i> to improve data accuracy and gain better insights. • <i>Training and development</i> to foster best practices and keep abreast of emerging trends, and new regulations. 	<p style="text-align: center;">OBJECTIVE D Procurement Delivers Value</p> <ul style="list-style-type: none"> • <i>Competitive bidding and negotiation</i> should be the norm to elicit best value from procurement. • <i>Cost-benefit analysis</i> to ensure the highest value is achieved. • <i>Long-term partnerships</i> to secure favorable terms, competitive and stable pricing, consistent quality. • <i>Performance-based contracting</i> to align supplier incentives with value-oriented goals.

Several possible procurement management models were examined including i) a centralized model; ii) a decentralized model; iii) a hybrid model, and iv) a collaborative (network) model.

Options for procurement management on a regional basis

The study has recognized that regionally led procurement centralized under a regional hub would provide the best opportunities to achieve the desired economies of scale. Regionally led procurement also allows for more efficient management. Centralized procurement is appealing to development partners who see it as a more effective way to channel multi-donor funding under a well-established governance framework.

To ensure better outcomes for regional procurement activities, it is proposed to establish a dedicated and adequately resourced regional procurement unit (RPU) as a part of the regional hub.

The report provides the general framework under which the RPU would operate, the institutional arrangements, and the proposed regulatory framework that will govern a regionally led procurement system.

The report also recommends the categories that are most suitable for regionally led procurement.

Recommendations

Recommendation 1 – Establishment of a Regional Procurement Unit

A regionally led procurement approach will be operationalized through the establishment of an RPU to i) consolidate needs; ii) identify strategic categories; and iii) manage processes following an agency model based on standard procedures.

Recommendation 2 – Regional Procurement Unit to focus on strategic categories

The RPU should focus on the strategic procurement categories, which, to various degrees, require specialized skills, are contracted internationally, and are of higher value, with a better prospect of achieving economies of scale. Repetitive common items, e.g., spare parts, could also be considered to be jointly procured and contracted under framework agreements.

Recommendation 3 – Regulatory framework

The procurement system under the RPU should be governed by a strong regulatory framework that is aligned with institutional and development partner requirements. This will achieve efficiency, meet highest governance requirements, and facilitate collaboration and oversight.

Recommendation 4 – Resources for the Regional Procurement Unit

The RPU must be adequately supported, including with financial resources in addition to salaries to hire consultants for technical advisory or studies, coordination meetings, missions, etc.

Such staffing can be justified by the significant gains that will be achieved by the pooled procurement, improved procurement timelines, and the support provided by the RPU.

Under the RPU arrangement, aside from the Head of the Procurement Unit, at least four professionals (procurement specialists), one assistant, and three to four analysts to support the teams would seem appropriate.

Recommendation 5 – Phased implementation of a regional hub

It is recommended that implementation of regionally led procurement through a regional hub follows a phased approach. As a first step, PIC should establish a collaboration agreement coordinated by a regional body (e.g., the Pacific Aviation Safety Office or the Association of South Pacific Airlines) whereby PIC entities wishing to collaborate on procurement will set up a network allowing them to benefit from synergies. Such a system would rely on the strength one or several PICs with experience in procuring particular categories and who may benefit from others joining. This could evolve into a partnership agreement under the leadership one or more major regional industry players (airport and airline) as a transitional phase toward the establishment of the regional hub and RPU. The difference between current collaboration initiatives and the proposed collaboration and partnership arrangements is that a regional body would provide coordination among PICs under formal agreements.



I. Purpose of the Framework

1.1 Regional context

The coronavirus disease (COVID-19) pandemic has severely impacted the economies of the Pacific Island countries (PICs), notably the aviation industry. This has added to the many other challenges faced by PICs in infrastructure planning, financing, and management. PICs are remote and have small populations, which prevents economies of scale in infrastructure delivery. Given their narrow economic base, PICs must rely heavily on development aid. PIC countries also face frequent natural disasters, adding a burden on already very limited resources. Policy, institutional, and capacity issues also negatively affect performance and investment sustainability.

The international development community has emphasized that the aviation industry is crucial to post-COVID-19 economic recovery in the Pacific. At the second Regional Aviation Ministers Meeting (RAMM2),¹ Ministers recognized that the recovery and sustainable development of the aviation sector will require long-term cooperation between governments, airlines, international development partners, and regional organizations. The Ministers agreed on the necessity in the longer term to establish a wider aviation-focused regional organization to address aviation issues and opportunities. Regional cooperation and engagement were one of the seven priorities of the regional aviation strategy² endorsed by RAMM2.

Development partners have also recognized that regional coordination and oversight in implementation of various donors' support can be more cost-effective and result in better provision of technical advice, capacity building, common procurement platforms, and coordinated asset management services.

1.2 Objectives of the assignment

This technical assistance (TA) tests the concept of a Pacific aviation technical support services hub by trialing regional and harmonized approaches to aviation project implementation and maintenance. The TA aims to harmonize donor and country procurement processes to expand and incorporate more countries and more financiers as the project goes along. The TA will also look at the applicability of harmonized processes in projects initiated by other development partners such as Australia's Department of Foreign Affairs and Trade (DFAT) and New Zealand's Ministry of Foreign Affairs and Trade (MFAT).

This report focuses on the development of a harmonized regional framework for procurement operations. While, ultimately, it is a hub arrangement that would maximize the synergies expected from the harmonized framework, it is also recognized that operationalization of the hub concept may be a longer-term objective. Therefore, the proposed framework will also look at alternative collaborative arrangements in the current environment in which procurement is essentially uncoordinated.

¹ 2nd Regional Aviation Minister Meeting, Virtual meeting, June 2022.

² PASO, 2022. Pacific Regional Aviation Strategy.



II. Analysis of Procurement Environment and Opportunities

2.1 Key takeaways from stakeholders' consultations

Stakeholder consultations were conducted to facilitate the decision-making process toward the adoption of a harmonized framework by development partners and PICs and test stakeholders' appetite for a regional hub concept.

The stakeholder consultations focused on the development partners of PRIF and relevant organizations and entities in the PICs.

PRIF partners	PIC
Asian Development Bank	PASO
Australia DFAT	ASPA
New Zealand MFAT	Airports
World Bank	

ASPA = Association of South Pacific Airlines, DFAT = Department of Foreign Affairs and Trade, MFAT = Ministry of Foreign Affairs and Trade, PASO = Pacific Aviation Safety Office, PIC = Pacific Island country, PRIF = Pacific Region Infrastructure Facility. Source: Author.

The stakeholder consultations were conducted using key informant interviews, workshops, and desk reviews of existing documentation to determine i) the role of stakeholders in the procurement process; ii) the support expected from the TA; iii) stakeholder opinions and inputs on the set-up of a harmonized framework; and iv) how do stakeholders view their role in such a framework. The key findings are substantially drawn from L&B's report³ as some consultations were jointly conducted.

2.1.1 Development partners

World Bank

The World Bank supports the concept of the regional hub and expressed interest in exploring role of a technical hub for, e.g., monitoring contract performance. It is also interested in a comparative study of what works elsewhere in terms of regional procurement. Further, it also accommodates lessons learned in the implementation of the Pacific Islands Aviation Investment Program (PAIP) vis-à-vis the design of the hub. Multistate arrangements under the Technical and Fiduciary Support Unit were complex and challenging and there have been complaints of unequal treatment by some PICs.

Australia's Department of Foreign Affairs and Trade

While DFAT supports the concept of a hub, difficulties are foreseen in achieving a consensus. Such a hub would require a strong institutional backbone. DFAT recommends that the hub operate on a private sector model for efficiency and sustainability. It is also recommended that the scope of services include project management.

Plans for PASO to become an enhanced Regional Safety and Security Oversight Organisation (RSSOO) are supported. However, DFAT has expressed some concern about a potential conflict of interest between PASO's regulatory role and providing services under its regulatory oversight. That would require that a separation of functions be implemented in the operational model of PASO as a hub.

³ PRIF. 2023. *Scoping Study Aviation Regional Hub/Body*. Sydney: PRIF.

New Zealand, Ministry of Foreign Affairs and Trade

MFAT believes that the proposed hub should be supported. However, the hub should focus only on the strategic areas of service delivery rather than attempt to be all-encompassing.

The institutional arrangements should provide for multiple donors' participation with the hub sponsored by a major development partner and others providing additional resources (e.g., New Zealand, which has limited funding capacity). MFAT has suggested that the Pacific Regional Infrastructure Facility (PRIF) could play such a role similar to that of World Bank with the PAIP.

Centralizing procurement is seen as a suitable model to foster efficiency. MFAT has mentioned New Zealand's own experience of centralized procurement of aviation security equipment as a model.

As with DFAT, MFAT expressed that PASO would not be a suitable choice as a regional service hub due to potential conflict of interest between regulatory and service delivery functions. MFAT recommends that a separate entity be set up, while acknowledging that there may not be an appetite for a new Council of Regional Organisations of the Pacific (CROP) agency.

2.1.2 Pacific Island country organizations

Pacific Aviation Safety Office

PASO reasserted its position that it is the sole technical organization for the representation of Pacific aviation citing the memorandum of understanding with the Pacific Community and other CROP agencies to this effect. PASO points out that the proposal to expand its role as an enhanced RSSOO means that it would undertake many of the regional hub functions. Therefore, PASO did not see the need to consult other CROP agencies.

Association of South Pacific Airlines

The Association of South Pacific Airlines (ASPA) emphasizes leveraging the post-COVID-19 recovery momentum to reorganize the aviation business.

ASPA recommends a gradual approach to implementing a regional hub approach whereby an initial collaboration framework should be limited to three or four of the airlines that have shown a degree of interest or commitment for a better collaborative framework (e.g., Solomon Airlines, Nauru Airlines, Air Kiribati, Air Vanuatu). Others can join at a later stage as the collaboration gains in maturity.

The collaborative framework should avoid revisiting models that have already been tried. ASPA mentions that various previous attempts at collaboration were generally unsuccessful, with the notable exception of insurance procurement through a framework agreement, which is still ongoing.

ASPA expresses that airlines generally do not support PASO taking on an expanded role outside safety regulatory oversight.

Airports

Airports view the creation of a hub favorably, especially in the context of post-COVID-19 recovery efforts, where there is still a big catch up on infrastructure. A new master plan is in place and there is an appetite to do things better and more efficiently. Priority areas are training (particularly air traffic control training), operations and maintenance contracting, and airport rescue firefighting service procurement and training.

A key role is seen for the hub in the coordination of development assistance from multiple sources. The PAIP model, despite some challenges, was considered a good model to build upon.

Some airports, however, expressed concerns about PASO's capacity to deliver on the hub concept and expressed openness to the option of a separate incorporated entity. A multi-airport alliance similar to the ASPA should be considered to serve as a regional hub, with a major airport (e.g., Fiji Airports) taking a leading role.

Sensitivities associated with getting a formal regional entity, however, are acknowledged due to the perception that Fiji might dominate due to its scale of operation. It was suggested that in the first instance a “club” or “working group” should be set up to exchange knowledge and share and implement ideas for collaboration and align training needs and procurement strategies and timetables. It is anticipated that the success of collaboration at this small scale could set the stage for an expansion to a broader and more permanent support mechanism.

2.2 Review of procurement systems in Pacific Island countries

A review of the procurement systems was undertaken to i) assess the degree of harmonization of procurement practices in PICs; ii) identify gaps that could hinder the implementation of the hub arrangement and specific programs (e.g., RAMM); and iii) assess risks associated with current procurement practices and develop mitigating measures.

A major source of aviation funding is from development partners, i.e., multilateral development banks (MDBs) or bilateral donors. Generally, programs funded by development partners require beneficiaries to follow their procurement regulations, which can be challenging. MDBs generally have harmonized regulations and practices. Bilateral development partners, on the other hand, would each have their own procurement procedures.

The objective of the review is to understand the procurement practices in the PICs and the specific provisions applicable to donor funding. This will highlight commonalities between the systems and identify the differences that will need to be addressed in the context of a harmonized framework.

The review relies on existing country procurement assessments and/or project procurement assessments carried out as part of appraisals for project financing by MDBs or bilateral donors as follows:

- Country and Sector/Agency Procurement Risk Assessment, Asian Development Bank (ADB)
- Enhancing Procurement Practice and Local Content in Pacific Infrastructure (Report)⁴
- Country procurement assessment reports, World Bank
- Project specific procurement assessment reports as part of project appraisal reports from donors or self-assessment reports from PICs
- Country laws and regulations

2.2.1 Applicable procurement systems

Self-funded projects

These are projects funded by the countries’ own resources with no external financial assistance. In this situation, the procurement is conducted by the government entities under their own national laws and regulations.

Procurement within countries is typically implemented using a decentralized system, whereby line ministries, state-owned enterprises, or government agencies will carry out their own procurement under the oversight of the Ministry of Finance. The Ministry will also support and advise procuring entities. A few countries, e.g., Samoa, use a hybrid system whereby procurement above a certain threshold or common to several end-users is carried out by a central unit, with the remainder within the remit of the decentralized entities. For example, the Ministry of Infrastructure (or equivalent) typically will be responsible for infrastructure-related goods, services, or works within the overall national procurement framework overseen by the Ministry of Finance.

Funding by development partners

Applicable procurement systems. Funding by development partners is through either a grant or loan to the country. Funding can be bilateral, that is, from country to country, or multilateral (through

⁴ Enhancing Procurement Practice and Local Content in Pacific Infrastructure, Report, PRIF. 2022.

multilateral financing institution, e.g., ADB, World Bank). Generally, unless otherwise stipulated in the financing agreement, procurement is conducted by the country following development partner procurement regulations, which are based on standard processes, templates, and model bidding documents and contracts.

Typically, a project implementation unit with procurement expertise (or similar arrangement) will be established for infrastructure projects with multiple components. In exceptional situations, procurement may be conducted directly by the development partner, using their own procurement systems (e.g., ADB's technical assistance projects).

Use of country systems. Some development partner procurement systems make an allowance for the use of country procurement systems where such systems have been assessed to be compatible.

Co-financing. There can also be co-financing arrangements whereby two or more partners agree to finance a project under either a joint or parallel funding arrangements. Under a joint co-financing arrangement, the development partners jointly fund same components of the project. Procurement under this arrangement would generally be undertaken following the system of one of the development partners. If so agreed by the development partners, procurement may follow the country procurement system. Under parallel co-financing, where only one development partner is funding a component of the project, the development partner may require that its procurement regulations be followed.

2.2.2 Procurement systems in Pacific Island countries

The desk review was carried out for the PASO member countries and Fiji (observer status), which, while not a member, is available as a partner in joint procurement initiatives. The reviews are summarized in **Appendix A**.

Regulatory framework

Relatively comprehensive regulations exist in all countries, with the exceptions of Nauru⁵ and Niue.⁶ Therefore, subsequent findings apply to the other countries reviewed.

Broadly speaking, the procurement laws and regulations of each of the 11 countries reviewed are similar. While not uniform, most regulations align with best practices in procurement and follow principles that are generally aligned with those of development partners. The following key principles are generally found in all regulations:

- Open and fair competition
- Non-discriminatory (wide participation by eligible parties)
- Transparency and accountability
- Integrity
- Value for money

Many of the laws and/or regulations make provisions for the use of development partner procurement systems in the case of foreign-financed projects or technical assistance.

Institutional arrangements

Countries follow different models for procurement management including centralized, decentralized and hybrid models with approvals required from a higher authority (e.g., procurement committee, tender board, or council of ministers), generally a statutory body.

For countries using the hybrid model, the categories that are centrally managed vs. those managed by government or statutory entities are normally subject to a preset threshold. Tonga regulations also stipulate that common goods are procured centrally.

⁵ In Nauru, there are no national procurement regulations. Nauru currently uses a system of procurement agents, and this is understood to be a temporary "stop-gap" measure.

⁶ Niue's procurement regulations are under development.

Procurement procedures

Some regulations mandate government ministries or entities to prepare annual procurement plans and submit them to the relevant authority. Advance notice of upcoming opportunities is important to foster a more open competition. Unfortunately, few countries are putting this into practice as no annual procurement plans could be found during this study (except that of the Fiji Procurement Office).

For works, goods, and non-consulting services, the prevailing procurement method is competitive bidding carried out either through an open competitive bidding or restricted bidding (e.g., request for quotation procedure). Direct sourcing is allowed either for very low value procurement or in exceptional circumstances that require justification and approval by a higher authority. Provisions are made for the participation of international bidders often subject to a threshold and domestic preference schemes.

Consultants are generally selected through a request for proposal procedure with evaluation criteria based on a combination of technical merit and price.

Some countries have implemented an e-procurement platform used either to publish opportunities or to support the procurement process. Procuring entities use either their own system or may rely on an external electronic procurement website for advertising, tender management (clarifications, etc.) and bid receipt (e.g., Fiji, and more recently, Samoa). In some cases, the procurement entity's website is used only for advertising bidding opportunities. Use of full electronic procurement, such as Tenderlink⁷ and the Pacific Islands Forum Secretariat Tender platform⁸ enable wider access to the bidding documents, usually free of charge.

Most regulations specifically allow for debriefing of unsuccessful bidders. This is considered good practice provided that no information pertaining to the bids of other bidders is disclosed (apart from price, technical scores, or other information that is required to be disclosed).

Complaints-handling mechanism

Complaint-handling mechanisms are key to ensuring transparency and integrity of the procurement process. Most regulations have provisions for complaint handling, albeit to various degrees of detail, independence, and breadth of applicability. Some depend on a judicial process, which essentially makes the system ineffective because of the high costs and time required considering that the complaints are often over small-value procurement.

III. Procurement Objectives and Models for Regional Procurement

3.1 Procurement objectives

The overarching goal of this framework is to maximize the contribution of procurement to sustainable economic development in line with the Pacific regional aviation strategy. The framework's cross-cutting priority is to uphold the highest standards of governance, transparency, and integrity in the conduct of procurement. The harmonized framework will provide a platform to conduct or coordinate procurement activities on a regional level with the aim to achieve economies of scale.

The framework will meet its goal by achieving four objectives:

- i. aligning business objectives and institutional requirements;

⁷ Illion TenderLink. <https://illion.tenderlink.com/>.

⁸ Pacific Islands Forum. Tenders and Procurement. <https://www.forumsec.org/pacific-islands-forum-tenders-and-procurement/>.

- ii. supporting operational requirements;
- iii. managing procurement efficiently and effectively; and
- iv. delivering value.

The harmonized Procurement Framework is illustrated in **Figure 3.1**.

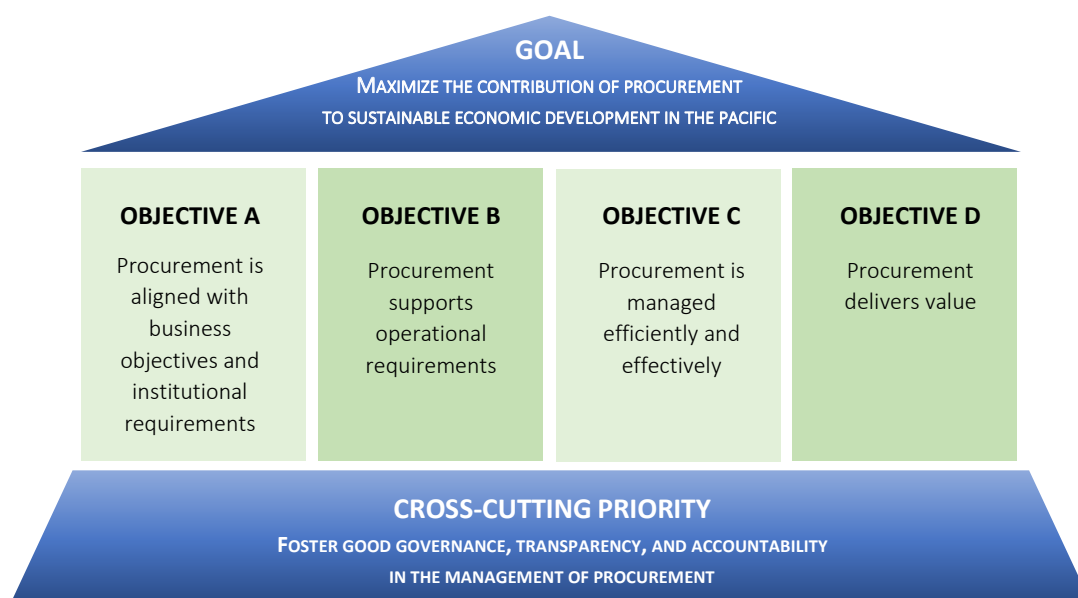
Key guiding principles for each of the objectives are developed below.

Objective A – Aligning procurement with business objectives and institutional requirements

The PICs will be compelled to align their procurement practices with the strategic objectives set out in the Minister’s Conference aiming to leverage a regional approach to achieve economies of scale.

Aligning procurement with business strategies is a critical aspect of ensuring that it meets the organization’s objectives. When procurement is closely integrated with the overall business strategy, it optimizes supply chains, manages costs more effectively, and drives innovation.

Figure 3. 1: Harmonized Procurement Framework (Goal, objectives, and cross-cutting priority)



Source: The author

Aligning procurement with institutional requirements involves the broader governance framework established by the organization. These include regulations, policies, procedures, and ethical standards that guide the organization’s procurement operations and decision-making. It is an ongoing process that requires adaptability and flexibility and entails regular review and adjustment of procurement strategies to remain aligned with the changing needs of the business and the evolving market landscape.

Below are key guiding principles for aligning procurement with a business strategy:

- **Understand business objectives.** Procurement system needs to be based on a deep understanding of the overall goals, market positioning, and growth strategy of PICs. Such understanding is necessary to provide the context for procurement decisions that support the PIC’s long-term objectives.
- **Procurement policies.** Procurement should be based on comprehensive policies that outline the procedures, guidelines, and principles at hub level. These policies should reflect the PIC’s values, other policies and regulations while ensuring compliance with development partners’ regulations and requirements.

- **Sound governance principles.** Hub procurement should incorporate high standards of transparency, accountability, fairness, compliance, integrity, ethics, and risk management and ethical practices. Such principles extend to both procuring entities and vendors. Aligning procurement with institutional governance requirements fosters a culture of responsible and ethical procurement.
- **Collaborative approach.** Procurement should foster a collaborative approach among the various entities in the PICs that are stakeholders in the procurement process be it airports, airlines, or government procurement departments. This collaboration ensures that the procurement decisions made are in line with the expectations of all stakeholders.
- **Sustainability and social responsibility.** Hub procurement will mainstream sustainability and social responsibility criteria into procurement decisions, in line with government and development partners' requirements and ensure that vendors comply with the requirements.

Objective B – Procurement supports operational requirements

Below are key guiding principles to consider for a procurement system that supports operational requirements:

- **Alignment with strategic goals:** Ensure that the procurement system's design and functionality is aligned with the overall strategic goals of the organization. This alignment will help drive the system's focus on supporting operational efficiency, cost savings, and other strategic objectives.
- **Flexibility and scalability:** The procurement system's design has the flexibility to accommodate changing operational needs and to scale accordingly. The system should be flexible enough to adapt to changes in the regulatory environment and market dynamics.
- **Integration and Interoperability:** Ensure that the procurement system can integrate seamlessly with existing systems, such as enterprise resource planning (ERP), accounting, and inventory management software. This integration enhances data flow and reduces manual data entry.
- **Change management and communication:** Procurement under the hub concept will be a major paradigm shift from current practices in PICs. A well-structured change management plan needs to be developed to manage a smooth transition to the new system.

Objective C – Procurement is managed efficiently and effectively

Below are key guiding principles for an efficient and effective management of procurement processes:

- **Streamlined processes:** Design efficient procurement processes that reduce unnecessary bureaucracy and foster efficiency. To the extent feasible, routine tasks are automated to dedicate resources to more strategic activities. Streamlined processes will result in a system that is more efficient to manage and easier to monitor, ultimately reducing transactions costs and time.
- **Standardization and simplification:** Standardization of procedures and requirements whenever feasible aims to reduce complexity resulting in a system that is more efficient to manage and monitor.
- **Strategic planning:** Understand the organization's needs, and forecast demand with the aim to develop procurement strategies that support long-term objectives.
- **Technology adoption:** Leverage technology solutions such as e-procurement systems, data analytics, and supplier management platforms to streamline processes, improve data accuracy, and gain insights.
- **Training and development:** Invest in training and professional development for procurement staff. Keep them updated on industry best practices, emerging trends, and new regulations.

- **Performance measurement:** Establish key performance indicators to measure the effectiveness of the procurement function. Regularly assess performance against these metrics and make necessary adjustments.

Objective D - Procurement delivers value

Below are key guiding principles that will enable procurement to deliver value:

- **Competitive bidding and negotiation:** Competitive and transparent bidding process should be the norm. Non-competitive methods should be used only in exceptional cases where a cost benefit analysis demonstrate benefits or not undertaking a competitive process, situation of emergency, or other justifiable reasons or constraints. Negotiation with vendors is preferred to seek the most favorable terms and pricing while maintaining fairness and transparency.
- **Cost-benefit analysis:** Conduct thorough cost-benefit analyses to evaluate the overall value proposition of procurement decisions. Assess the potential benefits against the associated costs to ensure that the chosen option provides the highest value.
- **Total cost consideration:** Factor in all costs associated with a purchase, including acquisition, operating, maintenance, and disposal costs. Look beyond the initial price to consider the total cost of ownership over the lifecycle of the purchased goods or services.
- **Value engineering and innovation:** Collaborate with suppliers to identify opportunities for cost optimization. Encourage suppliers to propose innovative solutions that improve quality and reduce costs.
- **Long-term partnerships:** Establish long-term contracts when appropriate to secure favorable terms and stable pricing. Long-term partnerships enable strategic partnerships with reliable vendors resulting in consistent quality and competitive pricing.
- **Performance-based contracting:** Establish contracts that tie supplier compensation to performance and outcomes. Align supplier incentives with the achievement of value-oriented goals.

3.2 Procurement management models

The harmonized framework will provide a platform to conduct or coordinate procurement activities on a regional level with the aim to achieve economies of scale. Areas of possible harmonization include: i) procurement procedures; ii) procurement methods; ii) tools (customized bidding documents, training materials, etc.); and iii) standardization of specifications and statement of work/services.

A procurement management model refers to the systematic approach or framework that an organization follows to acquire goods, services, or resources from external suppliers or vendors. It outlines the steps and processes involved in sourcing, purchasing, and managing these external resources to meet the organization's needs and objectives.

There are several procurement models, each designed to suit different organizational needs and industry requirements. Procurement models considered under hub arrangements include:

- centralized procurement model
- decentralized procurement model
- hybrid procurement model
- network model

3.2.1 Centralized model

In the centralized model, procurement activities are consolidated within a single, central department, team, or entity. This approach can lead to better negotiation power with suppliers, standardized processes, and consistent purchasing decisions (see **Table 3.1**).

This central procurement department is responsible for managing all purchasing and sourcing processes on behalf of the entire organization, regardless of individual departments or divisions. Key features of the centralized procurement model are outlined below:

- **Centralized control:** All procurement decisions are made by the central procurement department, ensuring a standardized and consistent approach to purchasing.
- **Economies of scale:** Consolidating purchasing power allows for bulk buying, which can lead to cost savings through volume discounts and better negotiation leverage with suppliers.
- **Supplier relationship management:** The centralized model enables the organization to build strong, strategic relationships with suppliers, as interactions and negotiations are more streamlined.
- **Standardized processes:** Centralized procurement fosters standardization of processes, procedures, and policies for procurement activities, resulting in increased efficiency and reduced errors.
- **Risk management:** By centralizing procurement, vendor risks related to supplier performance and quality control compliance are better managed.
- **Data and analytics:** With all procurement data centralized, organizations can analyze spending patterns, identify cost-saving opportunities, and make informed decisions based on comprehensive data.

Table 3. 1: Centralized Procurement Model (Benefits vs. Challenges)

Benefits	Challenges
<ul style="list-style-type: none"> • Cost savings: The centralized model can lead to significant cost savings by enabling pooled purchasing, maximizing leverage during negotiations with suppliers and reducing duplication. • Consistency: Centralized procurement helps maintain consistency in supplier selection, contract terms, and purchasing practices, leading to better control and governance. • Efficiency: Standardized processes, optimized workflows and reduced duplication contribute to increased procurement efficiency and reduced administrative overhead. • Compliance and governance: The centralized model facilitates better control over procurement-related policies, regulations, and compliance with internal and external guidelines. • Reduced off-contract spending: Unauthorized or off-contract purchasing can be minimized when all procurement activities go through the central department. • Strategic focus: The central team can focus on strategic supplier relationships, innovation, and long-term value generation rather than just transactional tasks. 	<ul style="list-style-type: none"> • Lack of local expertise: In certain cases, local departments may have specific needs that the central procurement team might not fully understand or address effectively. • Delayed decision-making: Centralized processes can sometimes lead to longer decision-making, which might not be suitable for urgent or time-sensitive purchases. • Resistance to change: Local departments might resist giving up control over their purchasing decisions, leading to potential conflicts. • Communication challenges: Effective communication between the central procurement team and various departments is crucial to ensure that specific needs are met.

Source: The author

3.2.2 Decentralized model

In the decentralized procurement model, purchasing decisions and processes are distributed across various entities, units, or individuals within an organization. In this model, each user is responsible for procuring the goods and services they need directly, often in alignment with their specific priorities (see **Table 3.2**).

Key features of a decentralized procurement model include:

- **Autonomy:** Different user units have the autonomy to make their own purchasing decisions based on their unique requirements. This can lead to quicker decision-making and better responsiveness to specific needs.
- **Responsibility:** Each user unit takes ownership of its procurement activities, including vendor selection, negotiation, and contract management.
- **Flexibility:** Decentralized procurement allows for more flexibility in adapting to changes in demand and market conditions. Each department can adjust its procurement strategy based on real-time needs.

Table 3. 2: Decentralized Procurement Model (Benefits vs. Challenges)

Benefits	Challenges
<ul style="list-style-type: none"> • Faster decision making: Decentralized procurement eliminates the need for approval from a centralized procurement team, leading generally to quicker decision-making and faster procurement cycles. • Tailored solutions: Better opportunities to tailor their procurement strategies to meet their specific needs which in some cases can leading to more effective and efficient sourcing of goods and services. • Expertise utilization: Users can leverage their expertise to make informed purchasing decisions. This can result for some categories of procurement in better supplier selections, improved quality, and cost savings. • Reduced bottlenecks: Decentralized procurement may reduce the risk of bottlenecks that can occur when centralized procurement is inadequately resourced. • Increased accountability: With ownership over their own procurement activities, users are more accountable for their decisions and outcomes, which may result in better cost management and resource allocation. • Local compliance and regulations: When procurement needs to comply with local rules and regulations, a decentralized model may be more adapted. 	<ul style="list-style-type: none"> • Fragmented spend: Decentralized procurement can result in fragmented spending across the organization. This makes it challenging to leverage opportunities for pooled purchasing allowing to negotiate better terms and achieve volume discounts. • Limited supplier leverage: Decentralized procurement could limit the organization's bargaining power. • Difficulty in tracking spending: Tracking overall procurement spend becomes complex in a decentralized model. Decentralized procurement does not allow to track spend on regional level making it challenging to identify potential cost-saving opportunities. • Resource inefficiencies: Today many Pacific Island country entities may procure similar or overlapping goods and services independently, leading to duplication of efforts and potentially higher costs. A centralized procurement would offer opportunities to streamline these purchases. • Limited scope for sharing of best practices: Decentralization might limit the sharing of expertise and best practices that a centralized procurement through a hub would provide.

Source: The author

3.2.3 Hybrid model

A hybrid procurement model combines elements of both centralized and decentralized procurement strategies. It aims to leverage the advantages of both models while mitigating their respective disadvantages (see **Table 3.3**).

Key features of a hybrid procurement model include:

- **Centralizing strategic procurement:** The aim is to centralize strategic procurement functions that can achieve economies of scale or benefit from strategic negotiations. These functions might include sourcing for common goods and services with high spend and negotiating with key suppliers.
- **Decentralizing operational procurement:** PICs would retain control over their own procurement activities for goods and services that are specific to their needs or for services which by their nature are local. This allows them to quickly respond to their unique requirements and leverage their specialized knowledge.

- **Balanced control and efficiency:** The hybrid approach maintains a balance between central control and procuring entities autonomy, reducing the likelihood of bottlenecks in procurement processes.

Table 3. 3: Hybrid Procurement Model (Benefits vs. Challenges)

Benefits	Challenges
<ul style="list-style-type: none"> • Flexibility and responsiveness: The hybrid model allows PICs to maintain a degree of autonomy in their procurement activities. This flexibility enables quicker responses to unique departmental needs and changes in the market. By maintaining a balance between central control and PIC autonomy, the hybrid approach reduces the likelihood of bottlenecks in procurement processes. • Optimum resource utilization: By centralizing only the more strategic procurement functions, the organization can efficiently manage common procurement tasks, negotiate contracts, and leverage bulk purchasing power, resulting in cost savings. • Better strategic focus: The central procurement team can focus on strategic initiatives such as long-term vendor relationships, sourcing strategies, and leveraging technology to improve procurement operations. • Balanced decision-making: The hybrid approach ensures that both central and departmental perspectives are considered in procurement decisions, leading to more well-rounded choices. • Customized approaches: Different departments can adopt procurement processes that best suit their unique needs while still adhering to certain standardized practices. 	<ul style="list-style-type: none"> • Complexity: Managing a hybrid procurement model can be more complex than operating solely with a centralized or decentralized models. Balancing the responsibilities, processes, and decision-making structures between central and country level requires careful planning. • Role ambiguity: There might be ambiguity regarding the roles and responsibilities of the central procurement team and PIC users. Clear communication and well-defined roles are crucial to mitigate this challenge. • Communication: Effective communication between the central procurement team and departments is crucial. Without proper communication channels, misunderstandings and conflicts could arise. • Measurement and performance metrics: Establishing consistent performance metrics across both centralized and decentralized functions can be difficult. This challenge can impact the organization's ability to assess the success of the hybrid model. • Sustainability: The hybrid model's success might rely on maintaining a delicate balance between central and departmental operations. Changes in leadership, organizational priorities, or external factors could disrupt this balance.

Source: The author

3.2.4 Network model

The network procurement model, also known as a collaborative procurement model, involves multiple units working together to achieve collective purchasing power, cost savings, and operational efficiencies. In this model, organizations form a network or consortium to pool their procurement resources, share best practices, and leverage their combined purchasing volumes when negotiating with suppliers and so achieve economies of scale (see **Table 3.4**).

Key features of the network procurement model include:

- **Collaboration:** Organizations collaborate within a network to share information, resources, and expertise. They work together to identify common needs and opportunities for cost savings.
- **Pooled purchasing power:** By combining the purchasing volumes of multiple organizations, the network gains increased leverage when negotiating with suppliers, potentially leading to volume discounts and better terms.
- **Sharing best practices:** Organizations within the network can share their procurement best practices, strategies, and experiences. This helps members learn from each other and improve their own procurement processes.
- **Risk management:** The network model spreads risks across multiple organizations, reducing the impact of supply chain disruptions or vendor-related issues for individual members.

- **Standardization:** While maintaining some level of autonomy, the network might implement standardized processes, tools, and contract terms to achieve consistency and efficiency.
- **Market intelligence:** Members can benefit from shared market intelligence and insights that can help inform procurement decisions and strategies.

Table 3. 4: Network Procurement Model (Benefits vs. Challenges)

Benefits	Challenges
<ol style="list-style-type: none"> 1. Flexibility and adaptability: The network model allows organizations to quickly adapt to changing market conditions and procurement needs through collaboration and shared insights. 2. Cost savings: Pooling procurement across multiple Pacific Island country entities allows for bulk buying, enabling participants to negotiate better prices, discounts, and more favorable contract terms from suppliers. This results in significant cost savings for all network members thanks to the collective purchasing power of the network. 3. Reduced transaction costs: Shared procurement processes and resources within the network reduce duplication of efforts and administrative overhead, leading to streamlined operations and lower costs. 4. Risk mitigation: A diversified network spread across various industries or sectors can help mitigate risks associated with supply chain disruptions, changing market conditions, and fluctuations in supplier performance. 5. Knowledge sharing: Members of the network can share best practices, lessons learned, and innovative approaches to procurement. This collective knowledge contributes to improved efficiency and effectiveness. A diverse network may include organizations with specialized expertise in certain areas, which can be shared among members for better decision-making and strategy development. 6. Standardization and consistency: While maintaining autonomy to some extent, network models rely on standardized procurement processes, tools, and contract terms, ensuring consistency. 7. Enhanced supplier diversity: Networks can actively promote supplier diversity by including a range of vendors, including small businesses in their collective procurement efforts. 	<ul style="list-style-type: none"> – Reconciling diverse priorities: Organizations within the network might have differing priorities, objectives, and cultures. Aligning these diverse interests can be a challenge and require effective communication and negotiation. – Decision-making complexity: The collaborative nature of the network procurement model can lead to more complex decision-making processes, especially when multiple entities need to agree on a course of action. – Trust and collaboration: Building and maintaining trust among network members is crucial. Collaboration requires open communication, shared decision-making, and a commitment to the collective benefit. In multi-country networks, differences in business practices or corporate culture can impact collaboration and effective communication. – Equity of contributions: A feeling of inequity in contributions to the collective effort could strain the collaboration. – Data security: Sharing relevant procurement information among network members requires efficient communication channels and secure data-sharing platforms to protect sensitive information and maintain confidentiality and thus trust of suppliers. – Dependency on key participants: If a few key members within the network exit or reduce their participation, it could impact the network's overall purchasing power and effectiveness. – Governance and leadership: Establishing effective governance structures, leadership roles, and decision-making mechanisms can be challenging, particularly in large and diverse networks

Source: The author

IV. Options for Procurement Management on a Regional Basis

4.1 Key considerations

The COVID-19 pandemic has caused huge disruptions to the aviation industry globally and the Pacific was no exception. While this highlighted the vulnerabilities of the industry, it stimulated new thinking

about approaches and strategies to support the recovery process. During this process, some consensus emerged that a regional approach to support the recovery would result in better outcomes.

The operationalization of a regional approach is envisaged through a regional aviation hub/body. The needs and opportunities for an aviation hub and possible options for institutional arrangements were examined under the hub scoping report⁹ already cited. In the past, the Pacific airlines have sought greater collaboration to achieve economies of scale. It is felt that such efforts need to be revived and strengthened. Airports, on the other hand, have identified opportunities to reduce cost and improve efficiency by pooling their procurement of capital equipment and procuring maintenance services on a regional basis.

The study has identified several possible options for regional procurement management, with the following emerging as the most suitable:

- Regional hub arrangement
- Partnership arrangement
- Collaboration arrangement

This section will explore the procurement systems suitable for the preferred options for regionally led procurement. While ultimately, it is a hub arrangement that would enable to fully benefit from the synergies expected from the harmonized framework, it is also recognized that operationalization of the hub concept is a longer-term objective. Therefore, the proposed framework will also look at alternative collaborative arrangements under partnership or collaboration concepts seeking to take advantage of possible synergies.

Today, airlines and airports operate as their own entities. However, airlines have long recognized the need for collaboration. There have been attempts at such collaboration in areas such as pooling of spare parts, common fuel purchasing agreements, and the development of integrated Pacific fares. However, aside from insurance initiatives, these have not been sustained due to i) informality of the arrangements; and ii) the overdependence on the sustained efforts of a few individuals.

On the airport side, there have been experiences managing a pooled procurement under the World Bank's PAIP project.

The report also discusses the Agency for Air Navigation Safety in Africa and Madagascar (ASECNA) model, which provides regional aviation services to 17 African countries with similar challenges to PICs as an illustration of a successful regional approach to aviation services including procurement services.

4.2 Procurement arrangements under a regional hub

4.2.1 Regional hub options

PASO with an expanded mandate

CROP is an interorganizational consultative process with the “*mandate to improve cooperation, coordination and collaboration among the various intergovernmental regional organisations*”.¹⁰ CROP is governed by a charter and comprises the heads of the intergovernmental regional organizations in the Pacific.

PASO was formed under the Pacific Island Civil Aviation Safety and Security Treaty signed by 10 member states. It is member of CROP acting as an RSSOO. Under the Treaty, PASO's mandate is to assist in regulatory oversight in the following areas:

⁹ PRIF. 2023. *Scoping Study Aviation Regional Hub/Body*. Sydney: PRIF.

¹⁰ [Council of Regional Organizations in the Pacific](#)

- airworthiness
- flight operations
- airports
- security
- personnel licensing

PASO is currently financed by user fees, member state subscriptions, and donor grants and loans. While self-funding has been the aim of PASO, it still relies heavily on donor funding to offset revenue shortfalls.

As stated in its corporate plan, PASO is recognized in the CROP as the “*primary vehicle for pursuing and delivering collaboration in aviation as part of the Pacific’s regional architecture*”.¹¹

Proposals have emerged to expand PASO’s mandate to become an enhanced RSSOO. In line with the Pacific Aviation Regional Strategy, it is intended to expand PASO’s role into a regional aviation organization to serve as a center of excellence focused on providing business services in addition to its regulatory and oversight role in the following areas:

- Deliver regulatory services and aviation advice.
- Serve as a knowledge sharing platform to support members to establish national policies, strategies, and plans.
- Identify members’ aviation training and development need and develop training programs, with the objective to position PASO as an accredited International Civil Aviation Organization training provider.
- Identify investment needs and opportunities and develop possible investment programs and plans.
- Undertake procurement in accordance with donors’ requirements or PASO-developed policy and guidelines.

Under the current review of Pacific Islands Civil Aviation Safety and Security Treaty (PICASST), an even broader role is contemplated for PASO which will cover many of the technical services outside current PASO’s current mandate.

PASO is considered the logical choice for a hub considering that i) it is an already established regional body and a CROP member; ii) it is already delivering services envisaged under the regional hub such as technical assistance, training, improving safety infrastructure; and iii) International Civil Aviation Organization guidance on RSSOOs supports the expanded role of PASO as a regional hub under the “enhanced RSSOO” concept.

However, designating PASO as a regional services hub presents some challenges:

- Potential conflict of interest between its oversight role and providing user-paid services, which are normally under its oversight.
- Sustainability and capacity of PASO in its current setting to handle an expanded role beyond its current primary role of aviation safety and security oversight.
- Success rests on willingness of member countries to devolve services to a regional body.

Incorporated service provider

An alternative to CROP-based hub arrangement is an incorporated service provider with shareholders being airlines/airports or possibly PIC governments with direct shareholding. The entity would be incorporated in one of the member countries and governed by commercial laws of the country of incorporation.

Such an entity could deliver the entire scope of hub services and may use external service providers. The hub function itself could be devolved to a managing agent.

The advantages of the incorporated entity include the following:

¹¹ PASO Corporate Plan 2023–2027, <https://paso.aero/publications/>.

- The body can be established within a short time frame as compared to a treaty-based organization.
- Membership is flexible both in terms of timing and quality of members (PIC governments, state-owned enterprises, or private sector entities).
- An incorporated entity is more suited for commercially orientated members such as airports and airlines.

The challenges include:

- complexity in setting up an entity under a national legal system meant to operate regionally;
- political sensitivity in the choice of PIC where entity would be incorporated; and
- ability of donors to directly finance a non-sovereign entity.

4.2.2 Operationalizing procurement under a regional hub

Which procurement model?

A regional hub provides the opportunity to fully implement a centralized procurement model whereby, in its purest form, all procurement activities are conducted by a central procurement department/unit hosted by the regional hub. The main benefits of a centralized procurement as detailed in **Section 3** are i) significant cost savings accruing from pooled procurement and lower transactions costs; ii) efficiency and consistency; iii) better governance; and iv) capacity building.

In the context of the PICs, which rely heavily on donor funding, a centrally managed or supervised procurement function is appealing as it would constitute the most effective way to channel MDBs or bilateral funding for regional initiatives.

However, a centralized procurement in its purest form (that is where all procurement is managed centrally) presents many challenges in the PIC context:

- Centralized processes can lead to longer decision-making, which might not be suitable for urgent or time-sensitive purchases.
- Lack of expertise of local markets may hinder ability of central procurement team to fully understand or address effectively specific local needs. Some procurement is by essence local (e.g., janitorial services).
- Inadequately resourced central procurement unit may constitute a bottleneck for procurement.

In practice, a fully centralized procurement model may not be suited to the PIC context and a hybrid model is preferred. It combines the advantages of both a centralized and a decentralized model while mitigating many of their respective disadvantages.

Addressing the challenges

a) Clarity of objectives

In the hybrid model, a determination will be made as to which spend categories will follow a centralized procurement path vs. decentralized or semi-decentralized based on i) aggregated spend value; and ii) whether procurement is for a common category or a specific category. It will also be necessary to define clear processes and workflows.

b) Assessing current procurement systems and needs in PICs

Understanding the current procurement systems and practices in PICs will help build a centrally managed procurement system that is responsive to their needs. The assessment should consider:

- *Spend profile*: It is necessary to have a sense of spend in various categories across PICs to gain an understanding of which categories are common and are amenable to being centralized. A comparative spend analysis will also help determine the larger spend categories with the potential for most savings.

- *Quality of data:* In the hybrid system, where a degree of standardization is required, data will be checked to see whether it follows a standard taxonomy and is correctly categorized.
- *Current information technology capabilities:* Current systems need to be assessed to determine whether they can be leveraged to avoid duplication or to identify the information technology capabilities that need to be built.
- *Current procurement practices:* PIC procurement uses various systems at different levels of maturity.

c) Determination of the hub-managed functions

The following procurement functions may be handled at hub level:

- *Market intelligence:* The hub will be responsible for spend data collection and procurement data analytics, which are critical for data-based decision making.
- *Category management:* The hub will be responsible for the management of procurement for all strategic categories, which typically are the largest spend for common goods and services.
- *Strategic sourcing:* Centralizing strategic sourcing will be key to achieving the objective cost savings through both technical (standardization) and commercial levers (pooling).
- *Supplier relationship management:* The hub will manage the relationship with suppliers of strategic categories.

General framework for regional procurement management

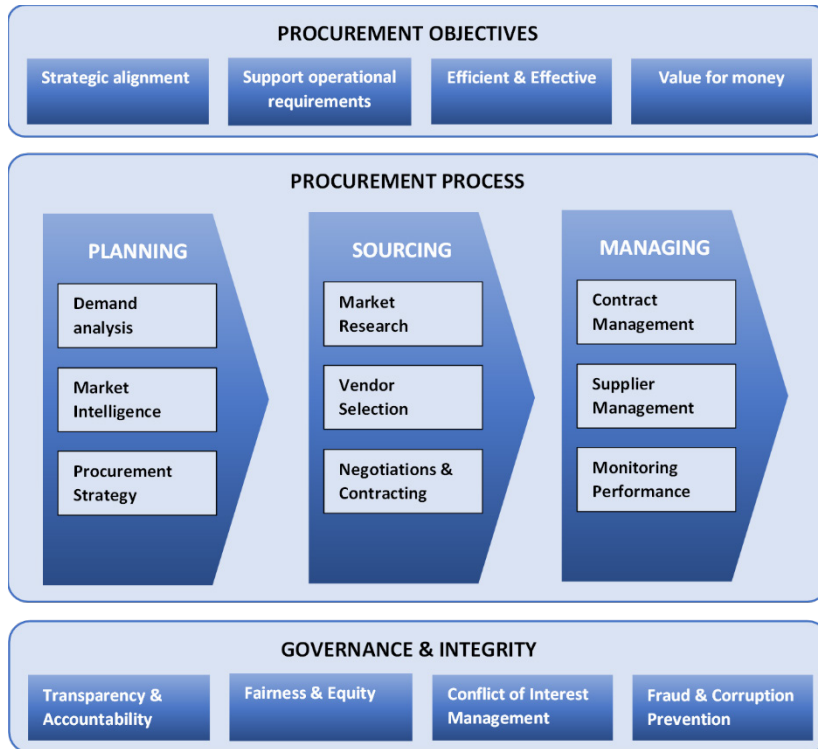
Figure 4.1 provides an overview of the key processes that will be followed under a regionally led procurement system to meet the objectives that were set out, as well as highest governance standards.

To ensure that regional procurement activities are effective, it is proposed to set up a dedicated and adequately resourced regional procurement unit (RPU) to be part of the regional hub. The RPU will be responsible for all procurement operations under categories devolved to the regional hub. The RPU will be involved in the entire procurement cycle under the following processes:

- strategic procurement planning
- sourcing of suppliers
- managing the contract and suppliers



Figure 4. 1: Procurement Management Framework for the Regional Hub



Source: The author

4.2.3 Proposed institutional arrangements

The institutional arrangements set out the role and responsibilities of client countries and the regional hub in regional procurement.

Roles and responsibilities in procurement

Overview

“Client country” designates those countries that use the procurement services of the regional hub either under pooled procurement or for a specific procurement.

The RPU will operate on a procurement agency model involving the following:

- The RPU undertakes procurement for strategic categories devolved to the hub on behalf of client countries, make recommendations for award of the contract and leads contract negotiations.
- The client country that owns the budget and, therefore, carries fiduciary responsibility will approve the award recommendation of the regional hub, support contract negotiations, and sign the contract.

Procurement oversight is ensured by the regional hub manager (RHM) and the regional procurement committee (RPC).

The RPU will be organized in three teams: Category Management, Contract Management, and a Center of Excellence. The unit is managed by the head of the unit. **Figure 4.2** shows the proposed organizational structure of the procurement function in line with hub arrangements proposed in the scoping study. Roles and responsibilities of the regional hub manager, the RPC, and the RPU teams are detailed below.

Regional hub manager

The RHM is the highest authority for procurement oversight. The RHM may delegate such responsibility to the head of the RPU (subject to a threshold) or to any other delegate. Procurement above a set threshold will be subject to the review of the RPC.

The RHM will not, however, sign contracts on behalf of client countries. Such responsibility rests with the client country as the owner of the budget with fiduciary responsibility for the execution of the contract. The RHM will endorse a contract recommended for award (subject to RPC's review as the case may be) to the client country for their own review, approval of award, and signature.

Regional procurement committee

The RPC is a statutory body of five to seven members drawn from the member countries on a rotational basis and from the legal department of the regional hub, as well as a representative from other bodies such as ASPA. The RPC is mandated to review all procurement above a threshold set by the Board and to report any procurement issues. Contracts below the threshold may be referred to RPC's review at the RHM's or Board's discretion.

The RPC dually reports to the RHM and to the Board.

Regional procurement unit

The RPU will be responsible for planning, sourcing, and managing procurement on a regional basis on behalf of client countries for the strategic procurement categories devolved to the hub. To this effect, the RPU is divided into three teams:

- category management
- contract management team
- center of excellence

Roles and responsibilities of RPU teams are detailed in **Appendix B**.

Client country

At the beginning of every fiscal year, the client country will share its procurement needs to the regional hub that will consolidate the needs into a regional strategic procurement plan.

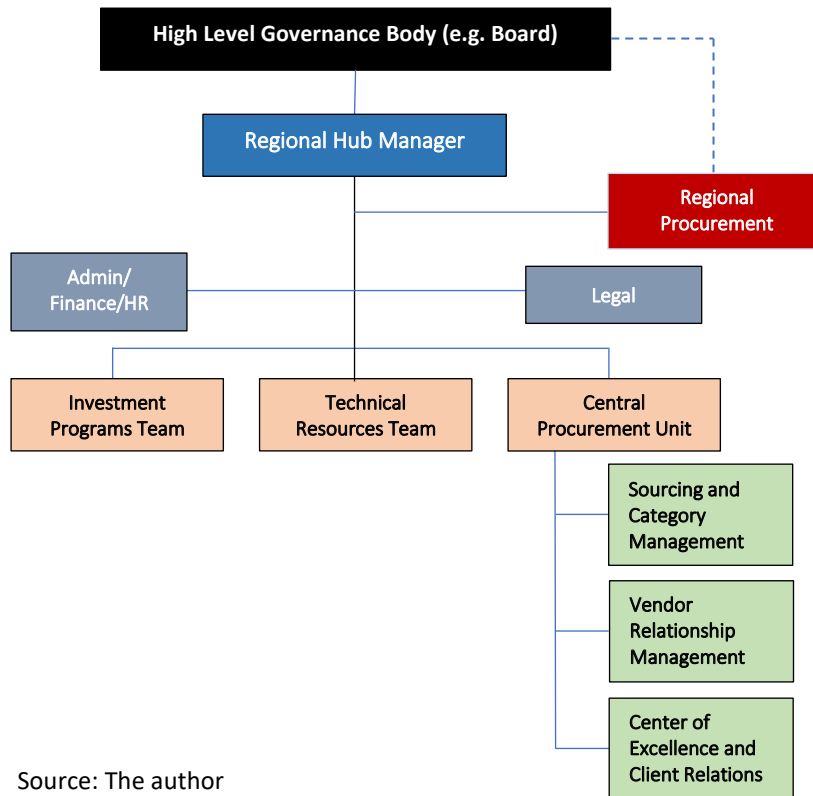
The client country in charge of the budget carries the fiduciary responsibility for the execution of the contract. As such, the client country will be responsible for final approval and signature of contracts for the component of a pooled procurement and any specific procurement conducted on its behalf by the regional hub.

The client country will at the regional hub's request provide experts to participate in bid evaluation committee and recommend representatives to be part of the RPC.

The client country will negotiate contracts.



Figure 4. 2: Organizational Structure of Procurement within the Hub



4.2.4 Proposed regulatory framework

The regulatory framework sets out the policies, regulations, guidelines that govern the procurement activities under the regional hub. The regulations are designed to ensure transparency, fairness, and accountability of the procurement process. The key instruments of the regulatory framework are summarized below. **Table 4.1** provides detailed requirement for each of the instruments.

Procurement policy

The procurement policy is a formal document that frames the objectives and principles governing the hub and ensures that processes are conducted transparently, efficiently, ethically, and in compliance with applicable agreements. The procurement policy will standardize procedures, minimize risks, control costs, and align procurement practices with the hub’s strategic goals.

Procurement regulations

Procurement regulations that are derived from the procurement policy are designed to provide more detailed instructions on how to implement the policy in a consistent, efficient, and compliant manner. It serves as a practical guide for procurement professionals, as well as those with decision-making authority.

Procurement manual

The procurement manual details step-by-step procedures for procurement professionals and staff involved in procurement activities. The procurement manual will be derived from the policy and regulations to ensure consistent, efficient, and compliant operations.

Standard bidding documents and forms

It is recommended to develop standard bidding documents for both the procuring entity and the prospective bidders. Use of standard bidding documents will help ensure a consistent application of the regulations and facilitate decision making.

It is also recommended to develop forms and checklists that will streamline and facilitate the approval process and data collection for procurement.

Table 4. 1: Regulatory Framework

Instrument	Purpose	Requirements
Procurement Policy	Frame the objectives and principles governing procurement activities	<ol style="list-style-type: none"> 1. Purpose 2. Core principles 3. Eligibility 4. Governance 5. Non-compliance 6. Complaints handling 7. Procurement strategy and planning 8. E-procurement
Procurement regulations	Detailed instructions on implementation of policy	<p>In addition to providing detailed instructions on the above, the regulations will define the following requirements:</p> <ol style="list-style-type: none"> 9. Roles and responsibilities in procurement including approval thresholds 10. Applicable procurement methods 11. Advertising and posting 12. Bid evaluation 13. Reporting 14. Record keeping
Procurement manual	Detailed, step-by-step procedures for conducting procurement operations	<p>The manual will detail the following procedures, among others:</p> <ol style="list-style-type: none"> 15. Procurement plan preparation and approvals 16. Advertising and posting 17. Bidding document preparation, approval, and issuance 18. Establishment of evaluation committee 19. Evaluation procedures 20. Award procedures 21. Contract management 22. Record keeping 23. Debriefing 24. Handling complaints 25. Publication

Source: The author

4.2.5 Strategic categories for regional procurement

Ground-handling services

Ground-handling services refer to operations carried out at airports to facilitate the safe and efficient turnaround of aircraft between flights. These services encompass a wide range of activities, including servicing, passenger assistance, turnaround maintenance, and ramp operations.

Currently, most PIC airlines provide their own ground-handling services in their home base, while serving as a monopoly supplier of such services to foreign airlines serving that destination. Fiji, Tonga, Vanuatu, and Samoa are the exceptions where such services are entrusted to foreign third-party entities either government-owned, privately owned, or joint ventures.

At airports away from their home base, PIC airlines usually engage locally established ground handlers. Within the PICs, this is mostly the resident national airline often operating as a monopoly supplier, while in the major metropolitan airports, airlines generally rely on independent ground handlers that serve multiple airlines.

Opportunities exist for collaboration on procurement in the following areas:

- Joint procurement of ground support equipment (baggage trolleys, tugs, consumables)

- Joint procurement of training
- Joint procurement of third-party ground-handling services at ports outside participating PICs
- Hub members contracting each other's services where available

Under a collaborative procurement arrangement, it is recommended that airlines adopt International Air Transport Association's *Ground Operations Manual* as a standard.¹² The manual standardizes performance-based requirements for ground-handling processes and procedures. Operating with an established standard reduces complexity and risk for ground service providers working with multiple airlines and airports that will help drive down costs, reduce the risk of aircraft damages, and simplify training requirements. Use of standard procedures would also increase efficiency for ground-handling personnel.

Aircraft maintenance repair and overhaul

Maintenance, repair, and overhaul (MRO) refers to the comprehensive range of activities and services that are necessary to keep an aircraft in safe and operational conditions.¹³ MRO of the larger aircraft types (i.e., jets and large turboprop aircraft) is governed by complex regulatory requirements and is subject to regulator-approved maintenance programs.

MRO programs set checks at various intervals, consisting of line maintenance and four different types of higher-level maintenance named A, B, C, and D from the lighter to the heaviest.

Line maintenance comprises routine inspections, fluid replenishment, and running repairs, all conducted in between flights as a ground-handling function. This is typically delivered by an airline's maintenance department at its home base. At remote airports, the services may be contracted out to a local independent maintenance service provider, or the maintenance department of the resident airline.

A, B, C, and D checks that are more complex are defined as follows:

- A checks: performed every 400–600 flight hours, or every 200–300 flights
- B checks: approximately every 6–8 months, often combined with A checks
- C checks: a major service carried out approximately every 2 years
- D checks: major overhaul at a frequency of around 6 years

A and B checks are categorized as light maintenance. PIC airlines, with the exceptions of Papua New Guinea, Fiji-based airlines, and Air Rarotonga, generally do not have sufficient in-country facilities for servicing larger aircrafts. Therefore, A and B checks are usually contracted to an overseas MRO service provider.

C and D checks are categorized as heavy maintenance. Given the complexity and high cost of heavy maintenance, C and D checks are sourced from the broader international market to larger MRO service providers.

MRO services are seen as most amenable to a regional procurement. Because of the amount and complexity, MRO is often beyond the capacity of PIC airlines to individually procure and negotiate favorable terms.

Many major MRO service providers also operate spare parts pools serving many airlines. Being part of such a pool would enable PIC airlines to benefit from significant economies of scale for purchase of spare parts, minimizing financial and operational risks and reducing the need to operate a large spare parts inventory.

¹² <https://www.iata.org/en/publications/store/iata-ground-operations-manual/>

¹³ Definition of different MRO-level checks: <https://www.naa.edu/types-of-aviation-maintenance-checks/>

Insurance

Airlines that operate internationally may need insurance coverage that complies with international regulations and treaties, such as the Montreal Convention,¹⁴ which governs liability for passenger and cargo claims in international air travel.

Airline insurance is a complex and highly specialized coverage area whereby needs can vary widely depending on the specific airline and its operations. Insurance is generally subscribed through brokers and airlines will typically work closely with specialists to tailor coverage to their unique needs and ensure compliance with legal requirements.

As reported in the hub scoping report, ASPA has already successfully put in place a regional framework for procurement of airline insurance. This has been achieved by procuring a single broker through which each member airline can negotiate directly to secure their own insurance agreements but in accordance with a framework agreement.

There may be room to enhance the process by periodically organizing a competitive process among brokers whereby the bidding brokers would be required to submit actual insurance quotations. If properly managed, this process could achieve significant savings.

Capital equipment and infrastructure

PIC airports have undergone extensive physical upgrades (equipment and infrastructure) delivered in recent years with the assistance of development partners, e.g., PAIP. However, upgrading of assets is an ongoing process, particularly considering short life span of equipment such as air traffic control systems, other electronic equipment, fire tenders and high-value mechanical and electrical plants. Procurement will also include works for the upgrade/extension of airport infrastructure.

Furthermore, the delivery of engineered projects requires the support of consulting firms for the design, supervision of installation/construction, support for capital procurement, contract administration, and technical advice.

There is strong justification for a hub functionality to assist in the standardization of equipment specifications and to use pooled purchasing power to obtain the best possible outcome.

Collaborative procurement can take the following forms:

- pooled procurement of high value equipment
- hub support of procurement of infrastructure projects
- hub support for procurement of consulting services required for project formulation and implementation

On the basis on the consolidated investment plans that will be collated by the hub, a joint procurement of the equipment will be organized including:

- procurement planning
- preparing bidding documents
- calling bids
- evaluations
- support for negotiations

Alternatively, the hub could organize a procurement process to select one or a few suppliers based of framework agreements, which PICs can piggy-back to sign separate contracts at the time of their convenience.

Technical advisory

Airports, airlines, and aviation authorities alike may require specialized consulting and advisory services to help clients navigate the complex and highly regulated aviation sector, improve operations, make strategic decisions, ensure compliance with safety and regulatory requirements, and support the management of specific projects or programs.

¹⁴ Montreal Convention, 1999. <https://www.iata.org/en/programs/passenger/mc99/>

Areas where aviation advisory services are commonly offered include safety and compliance, airport development and operations, aviation finance and economics, air traffic management, regulatory and policy guidance, technology, and digital transformation.

Such services may be used for the regional hub’s centrally led initiatives or at request of PIC countries for specific needs such as for special projects (e.g., airport development). In the latter case, the hub may offer its expertise to support the efficient procurement of such services by the PIC.

4.2.6 Resources for the Regional Procurement Unit

For the RPU to fulfill its mandate and achieve expected results, it needs to be allocated adequate human and financial resources.

Human resources

A staffing of nine, including five professionals and four support staff, is proposed. The breakdown for work stream is provided in **Table 4.2** below.

The professionals should be seasoned procurement professionals with a strong track record in public procurement and contract management. The head of RPU should allocate 25% of their time for critical Center of Excellence activities.

Support staff will consist of one assistant reporting to the head of RPU but serving the entire unit and three in a pool that will serve the three teams.

Table 4. 2: Proposed Staffing for Regional Procurement Unit

Team	Professionals	Support Staff
Head of RPU	1	1
Center of Excellence (CoE)	1	
Category Management (CaM)	2	3
Contract Management (CoM)	1	
Total	5	4

Source: The author

Financial resources

In addition to the salaries for RPU staff, adequate financial resources must be allocated to enable unit to i) cover the cost procurement operations (advertisement, bidding, evaluation); ii) undertake missions as necessary; iii) hire consultancy services to support the unit; etc.

In addition, a budget should be set aside in the initial phase of operation of the RPU to prepare policies, regulations, manuals, and standard bidding documents for which the support of a consultant may be necessary.

4.2.7 Case Study – Agency for Air Navigation Safety in Africa and Madagascar: An example of regional management of aviation services

ASECNA is an international public organization established by a treaty originally signed in 1959. It was subsequently amended then replaced by another treaty signed in 2010. ASECNA is composed of 18 member states, 17 African States and France (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Ivory Coast, Equatorial Guinea, France, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Niger, Senegal, and Togo).

The main mission of ASECNA is to provide air navigation services, including aeronautical information services and aeronautical meteorology services within a single airspace of more than 16 million square kilometers, corresponding to the airspace under the jurisdiction of its member states and to oceanic airspace in the central Atlantic Ocean, Gulf of Guinea, and Indian Ocean entrusted by the international community.

In addition to providing air navigation services, ASECNA provides services in the following areas to its member countries:

- airport rescue firefighting service
- flight calibration services
- airport management services
- training
- engineering and technical assistance

ASECNA is responsible for the procurement of all services, equipment, and works required for the performance of its air navigation and fire safety services at all airports under its responsibility. ASECNA carries out procurement of behalf of member countries at their request under specific agreements.

ASECNA has harmonized standards and used pooled procurement for all its 17 member countries characterized by i) common, consistent and harmonized working methods; and ii) identical equipment and working tools. This has enabled ASECNA to:

- i. implement a pooled procurement model for all its member countries, which resulted in economies of scale and efficiency; and
- ii. achieve an optimized training program.

Appendix C provides a more detailed description of ASECNA's procurement system.

4.3 Alternative procurement arrangements

While, ultimately, a hub arrangement would best enable the synergies expected from the harmonized framework, it is also recognized that operationalization of the hub concept it is a longer-term objective.

Therefore, the proposed framework is also designed to operate in the currently decentralized environment whereby synergies can still be achieved through the opportunities for coordinated procurement (coordinated procurement plans, joint biddings, etc.) under two possible alternative arrangements, i.e., a partnership or collaboration, as described below.

4.3.1 The partnership arrangement model

This model explores the possibility of a regional airline partnership whereby the lead partner might be a major airline with the capacity to provide services envisaged under the hub. Such a partnership would be particularly beneficial if the airlines share common fleet type.

The model is transferable to airports whereby PICs may establish a partnership agreement. This would allow one or more partners to provide services envisaged under the regional hub including procurement, maintenance, assets management, training, etc. By servicing a certain number of airports on a commercial basis, such a model could achieve efficiency and economies of scale.

Procurement transactions would be led by the entity with most experience in the procurement of a particular category. Based on lessons learned from the failures of previous attempts at collaboration, such a partnership would be framed under the auspices of a regional body (PASO, ASPA, etc.) which delineates the responsibilities of the PIC entities entrusted with the responsibility to carry out the procurement, including the financing arrangements.

The most suitable arrangement for the partnership model is an enhanced decentralized model, which differs from the decentralized model in that selected procurement activities would be coordinated

for the benefit of all the partners. It will allow pooling to a degree of procurement activities to optimize transactions while maintaining the flexibility of a decentralized arrangement.

It is proposed that the concept already in place among airlines can be improved through the following measures:

- i. developing a formal legal (partnership) agreement that would define scope, responsibilities, resources required, financing arrangements, and governance structure;
- ii. dedicating human and financial resources by participants; and
- iii. formalizing regular meetings to coordinate work programs.

For the partnership model to operate effectively, procurement activities should be centrally coordinated under a partnership procurement coordinator (PPC) as a resource provided by the regional body. APSA which already has experience coordinating procurement activities would be the natural choice for airlines. For airports that do not have a similar alliance, PASO, which already coordinates procurement activities, could host the coordination function. It is recommended that a full-time staff from the regional entity be dedicated to the task.

The PPC will have a similar role to the Center of Excellence (CoE), as envisaged in the RPU, albeit with a reduced scope. The PPC will be tasked to coordinate the pooled procurement activities for selected strategic procurement categories that would have been identified. PPC would provide the following services:

- **Market intelligence:** PPC will collect and analyze procurement data from PIC clients to track performance and support data-driven decisions that will result in improved outcomes.
- **Client relations and strategic procurement planning:** PPC will liaise with client PIC entities to gather their procurement needs, identify opportunities for partnerships, and propose a procurement strategy.
- **Expertise and knowledge sharing:** PPC will typically be procurement professionals who have advanced expertise in procurement strategies, processes, and technologies. They serve as a knowledge hub within the organization, sharing best practices, and providing guidance to procurement teams across PICs.
- **Drive standardization:** Standardization is key to achieving consistency, compliance, and efficiency, and reducing risks in procurement transactions. PPC will drive the standardization of processes and specifications to facilitate collaborative procurement scoped under the partnership.
- **Provide advice to PICs:** PPC will provide advice and guidance.
- **Capacity building:** PPC may offer or coordinate training and development programs for PIC clients on procurement, contract management, and supplier relations management. This will ensure that the procurement team stays updated on industry trends, regulations, and best practices and will foster consistency across PICs.

While PPC may support negotiations for pooled procurement activities, each PIC contracting entity will be responsible for i) signing the contract (specific terms may be negotiated by each PIC entities); ii) contract administration; iii) supplier relationship management; and iv) risk management and mitigation, for all of which PICs may seek advice from PPC.

For pooled procurement activities, PPC may facilitate the hiring of a procurement agent under a framework agreement. The advantages for PICs are:

- **Flexibility and scalability:** Use of procurement agents would enable PPU to mobilize resources quickly without having to maintain dedicated staff for procurement transactions. Procurement agents can adapt evolving needs and scale their services accordingly.
- **Expertise and specialization:** Procurement agents will bring their extensive knowledge of best practices, sourcing, negotiation, and supplier relationships. Their understand of market dynamics will support better decision making and sounder strategies.

- **Access to a network of suppliers:** Procurement agents often have an extensive network of suppliers and can quickly identify potential vendors that meet clients' specific needs. This can help identify new suppliers, diversify the supplier base, or expand into new markets.

The PPC position should be filled by a seasoned procurement professional on a full-time basis. Depending on the extent of the activities, an analyst may assist.

4.3.2 The collaboration model

Under the collaboration model, PIC entities wishing to collaborate on procurement on a regional basis will set up a network allowing them to benefit from synergies. Procurement transactions would be led by the entity with the most experience in procurement of a particular category who can also benefit from others joining and achieving leverage in negotiations.

The advantage of the hub function delivered through a collaboration agreement is its simplicity. It could serve as a first step toward a more integrated model. The main disadvantage of the model is that it is highly dependent on the commitment of participants for its success. It offers less scope for achieving potential of economies of scale than more elaborate models discussed previously.

Given the difference in operating models between airlines and airports, it is preferable to pursue the options of separate collaboration agreements. A formal collaboration agreement among airlines could be set up under the auspices of ASPA as a continuation of such collaboration in the past.

There is no similar industry body for Pacific airports. It is desirable that airports establish such a body to foster collaboration. In the meantime, the network could operate under the auspices of ASPA.

The network will be coordinated by a network procurement coordinator (NPC) as a resource provided by PASO or ASPA for airlines that already coordinate procurement activities. The NPC's role will be similar to PPC's, albeit with a reduced scope. NPC would provide the following services:

- **Market intelligence:** NPC will collect and analyze procurement data from PIC clients to track performance and support data-driven decisions that will result in improved procurement outcomes.
- **Client relations and strategic procurement planning:** NPC will liaise with client PIC entities to:
 - gather clients' procurement needs, identify opportunities for collaboration and propose a procurement strategy; and
 - support signature of collaboration agreements and help resolve differences.
- **Provide platform for information and knowledge sharing:** NPC will organize meetings and forums where PICs can share experiences.

The NPC function may be discharged on a part-time basis by expanding the role of an existing position within the regional body ideally with procurement knowledge.

PICs will agree which one among them will conduct procurement while keeping the others informed at every step of the project. Concerned PICs should ideally be involved in the evaluation process.

Each PIC contracting entity will be responsible for i) signing the contract (specific terms may be negotiated by each PIC entities); ii) contract administration; iii) supplier relationship management; and iv) risk management and mitigation, for all of which PICs can seek advice from NPC.

V. Conclusion and Recommendations

5.1 Conclusion

This report has presented a harmonized framework for conducting procurement on a regional basis to enable PIC countries to benefit from economies of scale by pooling procurement or through a collaborative procurement approach. The proposed arrangements are aligned with the options presented in the regional hub study.

An RPU to be part of the regional hub is contemplated as the most suitable vehicle on a regional basis. The report has presented the case of ASECNA as an illustration of the successful implementation of a regional approach to the provision of aviation services including procurement. ASECNA's system could serve as a model for the implementation of a regional procurement body.

While ultimately the objective is to set up an RPU, it is also recognized that this a long-term objective considering the complexities and political sensitivities. Therefore, the report presented alternative arrangements that would enable to setup a collaborative procurement platform coordinated by a regional body (PASO or ASPA) as a first step of a gradual approach toward achieving a full-fledged regional hub.

5.2 Recommendations

5.2.1 Institutional arrangements for regional hub procurement

Recommendation 1 – Establishment of a regional procurement unit

The study has recognized that a regionally led procurement under a regional hub would provide the best opportunities to pool procurement and achieve the desired economies of scale through a more strategic approach. Regionally led centralized procurement will also provide opportunities for cost savings through a more efficient system (standardized processes and specifications). Centralized procurement is appealing to development partners as it would provide a more effective way of channeling their funding under a well-established and solid governance framework.

It is recommended that regional procurement be operationalized through an RPU whose roles will encompass i) consolidating the procurement needs on a regional level; ii) identifying in close consultation with PICs the strategic categories to be procured on a regional level; iii) managing the procurement process for strategic categories following a procurement agency model based on established processes and standard procedures.

Recommendation 2 – Regional procurement unit to focus on strategic categories

Aviation operates under an extensive number of categories of services and equipment. Many such categories would have low values and cater to specific needs of the PICs for which procurement is in essence local. Such categories would not be procured efficiently by an RPU due to lack of local knowledge and the unnecessary diversion of hub resources that could be better used for more strategic procurement activities.

It is accordingly recommended that RPU resources be focused on the strategic procurement categories identified in Section 4 (Ground handling, MRO, Insurance, Capital Equipment and Infrastructure, Technical advisory), which, to various degrees, require specialized skills, are contracted internationally, and are of higher value, with a better prospect of achieving economies of scale. Repetitive common items (e.g., spare parts) shared by several PICs could also be considered through framework agreements.

For the remaining non-strategic categories, which would be procured by PICs using their own resources, the RPU may provide support either through advice or in exceptional cases by managing the procurement process subject to a fee.

Recommendation 3 – Provide a strong regulatory framework

The procurement system of the regional hub will be aligned with institutional governance requirements and foster a responsible and ethical culture that minimizes legal and reputational risks.

Hub procurement will also mainstream sustainability and social responsibility criteria into procurement decisions, in line with government and development partners' requirements and ensure that vendors comply with the requirements.

It is recommended that the procurement system under the RPU be governed by a strong regulatory framework that is aligned with institutional governance and development partners' requirements. It will incorporate i) sound governance principles that uphold high standards of transparency, accountability, fairness, compliance, integrity, ethics, and risk management and ethical practices; and ii) principles for sustainable and socially responsible procurement.

5.2.2 Phased approach for the implementation of the hub

Recommendation 4 – Phased implementation of a regional hub

It was recognized that the operationalization of the hub concept is a longer-term objective due to its complexity and the desire by some stakeholders to proceed in an incremental manner. To address this, the hub scoping study has proposed alternative pathways to achieve a regional hub. It is suggested that a collaborative framework would be an appropriate first step to transition toward a full-fledged hub.

It is recommended that, as a first step, PICs seek to establish a procurement agreement following a model whereby entities wishing to collaborate on a regional basis will set up a network, allowing them to benefit from synergies. Procurement transactions would rely on the strength of one PIC with experience in procuring a particular category and which may benefit from other PICs joining. The model would operate under a network support system coordinated by a regional entity (e.g., ASPA, PASO) and would require the dedication of part-time resources of one person from the regional entity. The model could evolve over time toward a partnership type of arrangement.

5.2.3 Resources for regional procurement

Recommendation 5 – Adequate resources

For the regional approach of procurement to operate properly and achieve its intended objectives, it is recommended that dedicated resources be provided to support the procurement function.

Under collaboration and partnership arrangements, it is recommended to dedicate staff to support the procurements activities as follows:

- Part-time staff to coordinate procurement activities under the collaboration arrangement
- A full-time staff to coordinate the procurement activities under the partnership arrangement

It is recommended that the RPU be staffed with nine staff (five professionals, including the head of the unit, one assistant, and three analysts).



Appendix A

Review of Pacific Island Country Procurement Systems¹⁵

Country	Laws, Regulations, and Guidelines	Key Features
Cook Islands	<ul style="list-style-type: none"> Ministry of Finance and Economic Management Act 1995–96. Purchase and Sale of Goods and Services Policy (Procurement Policy). Procurement Portal, Government of the Cook Islands. 	<p>Institutional arrangements</p> <ul style="list-style-type: none"> Procurement is managed by the Ministry of Finance and Economic Management (MFEM), Major Project and Procurement Support division. State-owned enterprises (SOEs) may adapt the policy due to the structure and the commercial nature of their businesses, but are expected to comply with the policy unless otherwise authorized by the Financial Secretary or gazetted under the MFEM Act. <p>Oversight</p> <ul style="list-style-type: none"> Procurement oversight is provided by several ministries and units, including the MFEM, the Development Coordination Division, the Treasury Division, Infrastructure Cook Islands, the Infrastructure Committee, the Public Expenditure Review Committee, and the Tender Committee. The Tender Committee consists of the Financial Secretary (or nominee), the Solicitor General (or nominee), and other technical advisors as required, provided that these advisors are not members of the Tender Committee but act in an advisory capacity only. The Head of Agency must endorse the evaluation recommendation prior to it being sent for Tender Committee review. <p>Procurement procedures</p> <ul style="list-style-type: none"> Requests for quotations (minimum three quotes) may be solicited for procurement values up to NZ\$60,000. For values of more than NZ\$30,000, specific Head of Agency and Tender Board approval is required. Open tendering is required for procurement above NZ\$60,000. The request for tender should be advertised by way of at least three different public media services, e.g., local newspapers, local television, ministry noticeboards, e-tender subscribers, website, or distribution of flyers, etc. Consideration for outer islands and overseas recipients should be taken into account and the appropriate media service should be chosen to cater for their needs. <p>Complaints handling</p> <ul style="list-style-type: none"> A complaints procedure is specified in the procurement policy.

¹⁵ The table draws substantial information from the PRIF report entitled “Enhancing Procurement Practice and Local Content in Pacific Infrastructure”.



Country	Laws, Regulations, and Guidelines	Key Features
Fiji	<ul style="list-style-type: none"> • Procurement Regulations 2010 (as amended in 2020). • Finance Instructions (2010) issued under the Financial Management Act 2004. • Guidelines include: Procurement Guidelines. The Procurement Policy Framework (August 2010). <ul style="list-style-type: none"> – Guide to the Tender and Evaluation Process (December 2010). – Guide to Overseas Procurement and Logistics – Determination of Performance Bonds policy – Advance payment policy (2013). Guide to Procurement Process (for purchases below F\$50,000). – Expression of Interest Guide. Overview of the Tender and Evaluation Process. • Procurement Competency Framework, Ministry of Economy. 	<p>Institutional arrangements</p> <ul style="list-style-type: none"> • Fiji has 25 SOEs that are empowered to make their own procurement regulations and/or operating procedures. However, relevant ministries that are covered include the Ministry of Health and Medical Services and the Ministry of Education. • The Fiji Procurement Office (FPO), under the Ministry of Finance, administers procurement valued above F\$50,000 (approximately \$25,000). <p>Procurement decisions</p> <ul style="list-style-type: none"> • The Government Tender Board is constituted with authority to approve all procurement of goods, services and works valued at F\$50,001 and more. • The functions of the Board are to consider tenders, indents or orders for the supply of goods, services or works and may 1) award tenders or approve indents; or 2) reject tenders and indents; or 3) ask for additional information from procuring agencies with regards to that particular procurement in order to make a decision. • The Board shall consist of a Chairperson and four other members appointed by Ministers. <p>Procurement procedures</p> <ul style="list-style-type: none"> • The FPO advertises tender opportunities on its website, which uses Tenderlink as the platform. • The FPO aggregates requirements for goods from various ministries, for greater leverage over suppliers. • Performance bonds required for selected contracts above F\$50,000. • Local bidders are required to demonstrate compliance and up-to-date payments with respect to taxation and provident fund contributions. The latter in particular strengthens Fiji's social protection and pension policies. • For contracts less than F\$50,000, the FPO and public sector procurement professionals may use lowest-price, simple-score, or weighted-attribute methodologies. Bid evaluation report templates, provided on the FPO website, are mandated to ensure a consistent approach to evaluation. • The FPO website provides a procurement competency framework and links to online training entities. <p>Complaints handling</p> <ul style="list-style-type: none"> • An aggrieved bidder may lodge a complaint and seek review of the procurement. • Process and procedures for complaints is laid out in the relevant acts.

Country	Laws, Regulations, and Guidelines	Key Features
Kiribati	<ul style="list-style-type: none"> Public Procurement Act 2019. Procurement (amendment) Act 2021. Procurement Regulations Manual for Public Procurement in the Republic of Kiribati Suite of Model bidding documents Training materials Not applicable to projects financed by international donors, where money and financial assets are not part of Kiribati public funds; plus other exceptions as specified in the guidelines. 	<p>Institutional Arrangements</p> <ul style="list-style-type: none"> A central procurement unit (CPU) is established within the Ministry responsible for Finance as the center for public procurement in Kiribati. It is responsible for providing operational advice and support to procuring entities in the execution of public procurement. Procuring entities are responsible for procurement operations with support and advice from the CPU. <p>Oversight</p> <ul style="list-style-type: none"> The Central Contract Award Board is the awarding authority for high-value contracts (greater than A\$50,000) or framework agreements. The Contract Award Committee is the awarding authority for contracts or framework agreements for medium-value contracts (A\$10,000 or more, and less than A\$50,000), <p>Procurement procedures</p> <ul style="list-style-type: none"> Annual procurement plans are to be prepared by procuring entities for each fiscal year. However, there is no evidence that the procurement plans are published. Competitive bidding (open bidding or limited bidding) is the standard, with single source selection allowed only in exceptions circumstances as set out in the regulations. The regulations allow use of framework contracts. <p>Complaints handling</p> <ul style="list-style-type: none"> The Procurement Complaints Board is the permanent authority responsible for appeals on medium- and high-value procurement and contract or framework agreement award decisions. Procedures for complaints are set out in detail in section 7.11 of the manual.

Country	Laws, Regulations, and Guidelines	Key Features
Nauru	<ul style="list-style-type: none"> Public Finance Act 1997 Public Finance Act Amendment 2019 Public Finance Regulations 2013 	<p>Institutional Arrangements</p> <ul style="list-style-type: none"> The website Department of Finance indicates that Treasury is responsible for government procurement arrangements. However, how that responsibility is exercised is unclear. Procurement Finance regulations of 2013 provide that “procurement operations of a public authority exceeding A\$3,000 must be conducted by [a] procurement agent on behalf of authority”. There are three authorized procurement agents: <ul style="list-style-type: none"> Brisbane Procurement (Nauru consulate in Brisbane) Eigigu Procurement Nauru Post Office In practice, in accordance with an internal circular, procurement is concentrated with the latter two. <p>Oversight</p> <ul style="list-style-type: none"> Existing documents are unclear about oversight mechanisms for procurement. <p>Procurement procedures</p> <ul style="list-style-type: none"> While the Regulation mentions the existence of a manual, no evidence of its existence was found. As such, procedures followed by procurement agents is unclear. However, regulations outline some principles including i) preference for single stage competitive tender; ii) requirement for technical specifications; iii) non-discrimination principle; iv) confidentiality; v) transparency in evaluation; vi) sound record keeping; and vii) debriefing of unsuccessful bidders. <p>Complaint handling</p> <ul style="list-style-type: none"> While the need is recognized in the regulations, the government does not have a formal complaints-handling mechanism. In a context where procurement is handled by a procurement agent, it is unclear where complaints should be addressed.

Country	Laws, Regulations, and Guidelines	Key Features
Niue	<ul style="list-style-type: none"> • Appropriations (Annual) Act 2005. • Niue Public Revenues Ordinance 1959. • Niue Treasury Instructions 2002 issued under the Niue Public Revenues Ordinance 1959. • Niue Treasury Instructions 2002 revised and updated, 1999 and 2002. Niue Treasury Rules 1961. • Public Service Regulations 2004. 	<p>Institutional Arrangements</p> <ul style="list-style-type: none"> • Various instructions and ordinances have been issued, but all are outdated and lack detail to regulate procurement. • There is no separate procurement legislation. • A draft Government of Niue Procurement Policy has been prepared, and finalization and adoption of this policy would assist in regularizing procurement arrangements. <p>Oversight</p> <ul style="list-style-type: none"> • A Tenders Board is in operation, with the Chamber of Commerce as secretariat. • Current regulations require that all capital expenditure is to be approved by the cabinet, while authorization for recurrent expenditure is delegated to heads of departments. <p>Procurement procedures</p> <ul style="list-style-type: none"> • There is no information available on the methods used for awarding contracts. • Established practice is that purchases of NZ\$10,000 and above are put to competitive tender, while three quotes need to be obtained for purchases below this amount. <p>Complaint handling</p> <ul style="list-style-type: none"> • There is no formal complaints-handling mechanism. Any complaints would have to be addressed to the Treasury, and the Financial Secretary is a member of the Tenders Board.

Country	Laws, Regulations, and Guidelines	Key Features
Papua New Guinea	<ul style="list-style-type: none"> National Procurement Act (NPA) 2018 The Public Finance Management Act (PFMA) as amended in 2018 	<p>Institutional arrangements</p> <ul style="list-style-type: none"> The Public Finance and Management Act establishes an Authority to Pre-Commit (APC) Committee. The committee formed by the Heads of Departments of Finance, Treasury (Chair) and National Planning and Monitoring oversees the strategic direction of procurement of all public and statutory bodies and regulates, enforces, and reports on the compliance of the NPA. APC also receives complaints and undertakes an administrative review were a person who is aggrieved by a decision of the Board or a public or statutory body with respect to a procurement. The NPA establishes the National Procurement Commission (NPC) and the Board of the NPC. The NPC is a statutory body with the primary responsibility to undertake timely, fair, competitive, transparent, non-discriminatory and value-for-money procurements for and on behalf of the state, including public and statutory bodies. <p>Procurement decisions</p> <ul style="list-style-type: none"> The Board approves all contract awards facilitated by the Commission. Contracts above K10 million are approved by the National Executive Council. <p>Procurement procedures</p> <ul style="list-style-type: none"> All public and statutory bodies must submit procurement plans to be approved by the APC. The default procurement method is competitive. All procurement from public and statutory bodies above K500,000 is undertaken by the NPC. This threshold may increase to K2.5 million or K5 million, respectively, for provincial and district committees using standard bidding documents approved the NPC. <p>Complaint handling</p> <ul style="list-style-type: none"> There is provision for complaints handling in the NPA. While PFMA mentions the review of complaints as one of APC's responsibilities, no procedure exists.
Samoa	<ul style="list-style-type: none"> Public Finance Management Act 2001. Ministry of Finance. Procurement, Operating Manual (April 2020). Treasury Instructions Section 6 Procurement and Contracting (June 2016). Tenders Board B4 Schedule Procurement Division website. Model documents and templates. 	<p>Institutional arrangements</p> <ul style="list-style-type: none"> The Ministry of Finance, through its Procurement Division, administers all government procurement processes including those of SOEs. The Procurement Division is effectively a secretariat for the Tenders Board. Procuring entities are responsible for the procurement of goods (and related services), works, consultancy services and general services in accordance with the Act and its Instructions. The Tenders Board of the Government of Samoa consists of the following members: (i) Minister of Finance (Chairman); (ii) Minister of Works, Transport and Infrastructure (Deputy Chairman); (iii) Chief Executive Officer, Ministry of Finance; (iv) Chief Executive Officer, Ministry of Works Transport and Infrastructure; and (v) the Attorney General. Schedule B4 tabulates procurement method and approval thresholds. Generally, cabinet approval is required for any procurement exceeding ST500,000 (approximately \$200,000). Procurement between ST50,000 and ST500,000 is

Country	Laws, Regulations, and Guidelines	Key Features
		<p>approved either by Tender Board or Board of Directors following established thresholds for works, goods and general services, and consulting services.</p> <ul style="list-style-type: none"> Boards of Directors may approve procurements in the range ST50,000 to ST150,000 and chief executive officers may approve procurements of up to ST50,000. <p>Procurement procedures</p> <ul style="list-style-type: none"> Annual procurement plans must be prepared by government entities and published by the Procurement Division. Market analysis prior to tendering is recommended. Primary method of procurement for works, goods and non-consulting services is competitive bidding through open competitive tenders using request for quotation (written or oral) depending on the applicable thresholds. Alternative procurement method may be approved by Tender Board. Procurement of Consulting services is through request for proposal. The Tenderlink E-Procurement platform has been used by the Procurement Division to advertise tenders and manage the procurement process. <p>Complaints handling</p> <ul style="list-style-type: none"> The treasury instructions include a comprehensive section on Procurement Independent Complaints and Review Procedure, which set out the mechanism for reviewing any grievance or complaint lodged by an actual bidder who was/is part of a procurement proceeding at issue.
Solomon Islands	<ul style="list-style-type: none"> Public Financial Management Act 2013, part 9. Interim Financial Instructions 2014, Chapter 7. Procurement and Contract Administration Manual 2013. Public Financial Management (Procurement) Regulations (2021). Standard bidding documents for the procurement of works, goods, and services and sample bid evaluation reports. The Solomon Islands Port Authority, the Solomon Island Water Authority (Solomon Water), and the Solomon Islands Electricity Authority (Solomon Power) have their own procurement procedures. 	<p>Institutional Arrangements</p> <ul style="list-style-type: none"> The Ministry of Finance and Treasury (MOFT) is responsible for procurement regulations through The Treasury Procurement Unit (TPU), in the MOFT and under the Accountant General. Procurement is conducted in the relevant ministries. Ministerial Tender Boards (MTB) and a Central Tender Board (CTB) under MOFT monitor procurement and approve awards. The CTB is responsible for compilation and maintenance of a list of individuals, companies, charitable trusts, and firms who are ineligible to tender for, or be awarded, procurement. The CTB compiles an annual report on its activities. <p>Oversight</p> <ul style="list-style-type: none"> MTB can approve the bidding documents and the contract awards up to a certain threshold. Beyond that threshold, CTB approval is required. The CTB awards procurement with value greater than SI\$500,000. The MTB awards tenders that have values of more than SI\$100,000 but less than SI\$500,000, but only if the TPU has approved the tender documents and the Accountant General has issued an Endorsement to Tender for the tenders. <p>Procurement procedures</p> <ul style="list-style-type: none"> Ministries are required to prepare annual procurement plans, but the regulation does not specify whether the plans are to be published. Competitive bidding is required for procurement values

Country	Laws, Regulations, and Guidelines	Key Features
		<p>exceeding SI\$100,000 (about \$12,000).</p> <ul style="list-style-type: none"> National competitive tendering must be used for the procurement of goods, services, or works with a tender value exceeding SI\$100,000 and less than SI\$5,000,000, subject to there being adequate capacity nationally. Otherwise, international competitive bidding will be used. Written requests for quotations are required for contracts with value exceeding SI\$10,000 but less than SI\$100,000. The relevant tender board for the procurement will appoint a tender evaluation committee. The government operates a tender portal (solomons.gov.sb), which appears to serve only for advertising opportunities. <p>Complaint handling</p> <ul style="list-style-type: none"> A grievance mechanism exists but lacks independence. The complaints mechanism is not well specified, but appears to provide for an initial hearing by the Ministerial Tenders Board which may be elevated to the CTB and thereafter to the ombudsman.
Tonga	<ul style="list-style-type: none"> Public Procurement Regulations (PPR) 2015. Public Procurement Regulations (Amendment) 2019 (mainly concerned with amending thresholds). 	<p>Institutional Arrangements</p> <ul style="list-style-type: none"> The Procurement Division is within the Ministry of Finance and National Planning. Its main responsibility is to ensure that all procurement governed by PPR 2019 has been carried out correctly. A CPU is established withing the Procurement Division with responsibility for conducting all Government procurement valued at T\$10,000 and above, as well as the procurement of common use items on behalf of all contracting entities. Contracting entities designate any agency or department of the government, including public enterprises and statutory bodies, as applicable. The contracting entities are responsible for i) determining the need (see section 4.2); ii) providing the funds; iii) providing technical details; iv) assisting with technical evaluation; v) issuing letters of award and notification to unsuccessful bidders; and vi) signing the contract. Procurement units are established within each contracting entity and are responsible for procurement under T\$10,000 or procurement that does not fall within the remit of CPU. The Government Procurement Committee (GPC), made up of senior government officials, reviews and approves high-value procurements. The Procurement Division serves as secretariat for the Committee. <p>Oversight</p> <ul style="list-style-type: none"> All contract awards valued at T\$100,000 or over must be reviewed and approved by the GPC. Procurement undertaken by contracting entities valued between T\$7,500 and T\$10,500 will be endorsed by the Procurement Division through the CPU. <p>Procurement procedures</p> <ul style="list-style-type: none"> Annual procurement plans are to be prepared by contracting entities. The Procurement Division is

Country	Laws, Regulations, and Guidelines	Key Features
		<p>responsible for publishing them.</p> <ul style="list-style-type: none"> • Open bidding is required above T\$100,000 (about \$44,000) for works and above T\$50,000 for goods. Requests for quotations may be used above T\$20,000 and below T\$50,000. • Contracts greater than T\$5 million for works and T\$150,000 for goods must be advertised internationally. • A post-award debrief in writing is allowed by the regulations. Complaints are dealt with in accordance with para. 73 of the regulations. <p>Complaints handling</p> <ul style="list-style-type: none"> • The procurement regulations include a comprehensive section on handling complaints by potential or actual bidders, which set out the mechanism for application and review of complaints.
Tuvalu	<ul style="list-style-type: none"> • Public Procurement Act (PPA) 2013 • Public Procurement Regulations 2014 Government of Tuvalu-MEFD • Public Procurement Manual • Model documents (standard bidding documents, requests for proposal, contracts), standard forms • Guidance documents 	<p>Institutional arrangements and oversight</p> <ul style="list-style-type: none"> • The CPU established under the PPA is responsible for managing government tenders. <p>Procurement decisions</p> <ul style="list-style-type: none"> • Approval of contract award by the PRC is required. A major procurement is any exceeding A\$5,000. <p>Procurement procedures</p> <ul style="list-style-type: none"> • The Procurement Officer of each ministry shall provide the annual procurement plan to the CPU, which shall publish all annual procurement plans for the forthcoming fiscal year. • Procurement is competitive either through “open shopping” (requests for quotations) for procurements above A\$25,000 and below A\$100,000 and open bidding for procurements of A\$100,000 and above. • Direct contracting is used for very low value procurement. <p>Complaints handling</p> <ul style="list-style-type: none"> • The Procurement Regulations include a comprehensive section on handling complaints by potential or actual bidders which set out the mechanism for application and review of complaints.

Country	Laws, Regulations, and Guidelines	Key Features
Vanuatu	<ul style="list-style-type: none"> Government Contracts and Tenders Act No. 10 of 1998, and Regulations CAP 244, as amended by the Government Contracts and Tenders Act No. 11 of 2001 and Regulations CAP 245. Chapter 245 Government Contracts and Tenders Act 44 of 2019. Government Contracts and Tender Regulation Order No.96 of 2021, consolidation of the French and English texts of the laws of Vanuatu Act CAP 295. High-value and low-value procurement procedure and attendant standard bidding documents 	<p>Institutional arrangements and oversight</p> <ul style="list-style-type: none"> The Central Tenders Board (CTB), established under the Contracts and Tenders Act is responsible for the administration of High Value procurement. Council of ministers approves very high-value contracts. <p>Procurement decisions</p> <ul style="list-style-type: none"> The CTB may approve high-value contracts, but those exceeding Vt100 million must be approved by the Council of Ministers. <p>Procurement procedures</p> <ul style="list-style-type: none"> On or before 1 March of each year, a government agency intending to undertake procurements of goods or services, or execution of public works, during that year, must submit a procurement plan to the Board for that year. Open tender is required for high-value procurements, which are defined as those exceeding Vt10 million Limited bidding may apply in remote locations for reasons of practicality, with preference given to suppliers within Vanuatu. Advertising is via a website or newspaper approved by the Board, with a 30-day submission period. Bids may be submitted by e-mail or via an approved portal. Debriefing of bidders is allowed. <p>Complaint handling</p> <ul style="list-style-type: none"> The regulations provide a complaint-handling processes for high- and low-value procurements.

Appendix B

Roles and Responsibilities of the Regional Procurement Unit

Function	Description	Responsibilities
Category Management (CaM)	Chartered Institute of Procurement and Supply (CIPS) defines category management as “a strategic approach to procurement where organisations segment their spend into areas which contain similar or related products. It allows more focus on categories that have opportunities for consolidation and efficiencies.” ¹⁶	<ul style="list-style-type: none"> • Categorization: The first step is to define the categories of goods or services that Pacific Island countries (PICs) procure. Categories are typically defined based on similarities in terms of product or service type, supplier market, or strategic importance to the organization. This segmentation aims to determine the procurement strategies tailored to each category. Segmenting into categories also creates expertise, and market knowledge to deliver innovation. • Market analysis: Once categories are defined, procurement professionals conduct a comprehensive analysis of the supply market for each category. This involves assessing supplier capabilities, market trends, pricing dynamics and potential risks. • Strategic sourcing and contracting: Category management is responsible for sourcing and contracting suppliers based on the most suitable procurement strategy. This will include conducting a procurement process and negotiating with suppliers to obtain the most favorable contract conditions while ensuring that the products and services meet the requirements and are fit for purpose. The negotiation stage may rely on value engineering to seek cost reductions and better solutions. The process may also involve supplier consolidation and supplier development initiatives.
Contract Management (CoM)	The contract management team is responsible for creating, negotiating, executing, and overseeing contracts between parties to ensure that the terms and conditions of contract are adhered to. Contract management is crucial to minimize risks, optimize performance, and maintain compliance with legal and business requirements.	<ul style="list-style-type: none"> • Contract negotiations: Lead negotiation with suppliers to obtain the most favorable contract conditions while ensuring that the products and services meet the requirements and are fit for purpose. The negotiation stage may rely on value engineering to seek cost reductions and better solutions. The process may also involve supplier consolidation and supplier development initiatives. Client countries will be part of such negotiations. • Contract creation: This involves drafting the contract document that specifies the terms, conditions, obligations, rights, and responsibilities of each party involved. Once contract terms are agreed, client countries will be responsible for signing the contracts. • Support for contract administration: It involves the following tasks: <ul style="list-style-type: none"> – Amendments and changes. – Renewal and termination. – Dispute resolution. • Supplier relationship management: It aims at enabling a clear and consistent exchange of knowledge and information with suppliers and key stakeholders to build relationships and add value and avert problems in the execution of the contract. It involves a continuous evaluation of supplier performance based on key performance indicators to ensure that suppliers meet agreed-upon service levels or agree on corrective actions. This includes tracking key milestones, deadlines, and deliverables. • Risk management: Identifying and mitigating risks associated with contracts. This includes assessing potential legal, financial, operational, and reputational risks.

¹⁶ www.cips.org

Function	Description	Responsibilities
Center of Excellence (CoE)	<p>Center of Excellence's (CoE) role is to optimize procurement functions, promote best practices, and enhance the overall efficiency and effectiveness of procurement processes. The CoE serves both the RPU and the PIC entities conducting local procurement by providing guidance, training, and support.</p>	<ul style="list-style-type: none"> • <i>Market intelligence:</i> CoEs collect and analyze procurement data from CPU, PIC clients to track performance and support data-driven decisions that will result in improved procurement outcomes. • <i>Client relations and strategic procurement planning:</i> CoE will liaise with client PIC entities and Investment Program Teams to gather and consolidate clients' procurement needs. • <i>Expertise and knowledge sharing:</i> CoE staffing will typically consist of procurement professionals who have advanced expertise in procurement strategies, processes, and technologies. They serve as a knowledge hub within the organization, sharing best practices and providing guidance to RPU and procurement teams across PICs. • <i>Drive standardization and optimize processes:</i> Standardization is the key to achieving consistency, compliance, and efficiency and reducing risks in procurement transactions. CoE will be responsible for the preparation and maintenance of policies, guidelines, manuals, and various documents (including standard specifications and bidding documents). • <i>Efficiency and process improvement:</i> CoE will be tasked to setup procurement procedures and processes that will enable a smooth collaboration between RPU and its clients. CoE will perform a continuous evaluation of procurement processes and seek to streamline transactions, reduce cycle times, and eliminate bottlenecks, resulting in greater efficiency and cost savings. • <i>Innovation:</i> A CoE can focus on innovation within procurement by exploring new procurement technologies, processes, and strategies. They can evaluate emerging trends and technologies and recommend their adoption to stay competitive and efficient. • <i>Supplier management:</i> CoEs will establish performance metrics to be used for suppliers' performance evaluation. • <i>Risk management:</i> CoEs are well-suited to assess and manage risks associated with procurement. This includes supply chain risks, compliance risks, and vendor-related risks. By identifying and mitigating these risks. • <i>Provide advice and support to PICs:</i> For procurement that does not fall under the responsibility RPU, CoE will provide advice and guidance and, as needed, direct support for procurement transactions. Support for procurement transactions would be through the Category Management Team and could be subject to a fee. • <i>Capacity building:</i> CoEs may offer or coordinate training and development programs for procurement staff of CPU and PIC clients on procurement, contract management and supplier relations management. This will ensure that the procurement team stays updated on industry trends, regulations, and best practices and will foster consistency across PICs.

Appendix C

Case Study – Agency for Air Navigation Safety in Africa and Madagascar: An Example of Regional Management of Aviation Services

About ASECNA

The Agency for Air Navigation Safety in Africa and Madagascar (ASECNA) is an international public organization established by a treaty originally signed in 1959. It was subsequently amended then replaced by another treaty signed in 2010. ASECNA is composed of 18 member states, 17 African States and France (Benin, Burkina Faso, Cameroon, Central African Republic, Chad, Comoros, Congo, Ivory Coast, Equatorial Guinea, France, Gabon, Guinea-Bissau, Madagascar, Mali, Mauritania, Niger, Senegal, and Togo).

The main mandate of ASECNA is to provide air navigation services including aeronautical information services and aeronautical meteorology services within a single airspace of more than 16 million square kilometers, corresponding to the airspace under the jurisdiction of its member states and to oceanic airspace in the central Atlantic Ocean, Gulf of Guinea, and Indian Ocean entrusted by the international community. This is achieved from six air traffic service centers: Oceanic Dakar, Terrestrial Dakar, N'Djamena, Niamey, Brazzaville, and Antananarivo. ASECNA also provides air traffic services at 25 international airports and more than 100 regional and national airports and owns and manages all of the associated communication and navigation facilities.

Governance of ASECNA is through a Committee of the Ministers Responsible for Civil Aviation, a Board comprising representatives of member states (one per state). The Director General who chairs the Board is responsible for the day-to-day management of ASECNA. Regulatory oversight is normally through *Autorités Africaines et Malgache de l'Aviation Civile* (AAMAC) and Regional Safety and Security Oversight Organization and the national civil aviation authorities. It should be noted that not all ASECNA countries are part of AAMAC.

Services provided by ASECNA

Air navigation

The Agency is responsible for air navigation services including the design, implementation and management of facilities and services related to the transmission of technical messages and traffic aircraft guidance, control of air traffic, the flight information, forecasting and reporting in the field of meteorology for flight traffic, as well as approach and landing on airports. ASECNA owns the equipment.

ASECNA also provides air traffic services at 25 international airports and more than 100 regional and national airports. ASECNA owns and manages all the associated communication and navigation facilities.

Airport rescue firefighting service

ASECNA is responsible for fire safety services at 32 aerodromes of its member states, including firefighting and aircraft rescue services. Equipment is owned by ASECNA.

Flight calibration services

ASECNA owns a plane for in-flight calibration service for its own needs and for services to third parties.

Airport management services

ASECNA provides, under a specific contract, airport management services at the request of some of its Member States (Guinea-Bissau, Burkina Faso, Central African Republic, Chad, and Niger).

ASECNA, through its services subsidiary, is a shareholder in four airport management companies including Aéroport de Libreville (concession for International Airport of Libreville, Gabon); Société des Aéroports de Mauritanie (eight airports under concession), AERIA (concession for International Airport of Abidjan, Côte d'Ivoire), Aéroports du Cameroun (seven airports under concession). In a context where countries want to promote local airport handling services ASECNA is regarded as a partner.

Training

ASECNA operates three schools to train its staff and third parties (non-member countries): the African School of Meteorology and Civil Aviation in Niamey, Niger; the Regional School for Fire Safety School in Douala, Cameroon; and the Regional School of Air Navigation and Management in Dakar, Senegal.

Engineering and technical assistance

ASECNA provides engineering services to member countries and third parties alike covering engineering planning and design, support for procurement, project management. This allows member countries a quick access to quality engineering services at a reasonable cost.

In addition, it competes for technical assistance and cooperation projects, under contract, to any state wishing to use its services.

ASECNA offers assistance to non-member African states including technical training at its colleges, and technical support in the maintenance of airport and airways facilities, and flight calibration.

How is ASECNA financed?

ASECNA derives most of its funding from aeronautical fees from airspace users supplemented by fees for its diverse services from contracts with individual states, by contributions from member states, as well as loans and grants. While at the beginning subsidies were essential to the functioning of the agency, today ASECNA is considered financially autonomous. As an international organization, it enjoys tax-free status.

ASECNA's procurement system

ASECNA is responsible for the procurement of all services, equipment and works required for the performance of its air navigation services and fire safety services at all airports under its responsibility. ASECNA carries out procurement on behalf of member countries at their request under a specific agreement.

Regulatory framework

ASECNA's procurement system is governed by the procurement regulations as amended in 2014. It defines the procurement oversight systems, methods, integrity provisions, and complaint-handling mechanism.

The Regulations contains specific provisions guiding how pooled procurement should be conducted. The Regulations explicitly exclude the procurement of insurance services and fuel.

Responsibilities for procurement are as follows:

- **Director General** of ASECNA is the highest authority of oversight of procurement. The Director General signs contracts above a set threshold and subject to the review of the procurement committee (see below). The Director General may delegate approval and signature to a director, representatives, delegates, or head of structures (e.g., schools) and any other agent designated by him.
- **Procurement Committee.** The procurement committee is a statutory body comprising five members drawn from the member countries on a rotational basis. It is required to review all procurement above a threshold set by the Board or under subject to other requirements, as set out in the regulations.
- **Procurement Units** are responsible for managing the procurement process and submission award recommendations to the Director General or delegate. The more strategic procurement (large value, specialized, pooled) is the CPU's responsibility. Departments, country representations are responsible for procurement for specific needs below a threshold and non-strategic procurement in general.

Procurement planning

Procurement needs is prepared based on the Services and Capital Investment Plan that is established for Five-Year periods. The establishment of the Plan follows a procedure that consists of collecting the needs from users, discussing the needs in consultation workshops, and defining the projects and resources required for implementation. The process results in i) a services plan; ii) a capital investment plan; and iii) a training plan.

Procurement procedures

Subject to relevant thresholds or circumstances, procurement may be conducted under of the following procedures:

- competitive procedure
- negotiated procedure (single source)
- simplified procedure (request for quotation)
- emergency procedure

Most procurement is conducted through a competitive procedure following open competitive bidding, or restricted competitive bidding (with or without preselection of prequalification). ASECNA also authorized the use of competitive dialogue for projects with complex or unique requirements where innovative solutions are sought or for projects where specifications are not well defined at the outset and need to be developed in collaboration with potential bidders.

Contracting modalities

Aside from standard contracts, the regulations authorize the following contracting modalities:

- Partnership agreement
- Framework agreement
- Contracts with conditional tranches
- Performance-based contracting
- Purchase order

Integrity and anti-corruption

The regulations contain provisions regarding ethical conduct, conflict of interest, collusive and corrupt practices and unfair competitive practices applicable to procurement unit staff and bidders alike. There are also provisions regarding the splitting of the procurement splitting to avoid competition and/or review.

Complaints-handling mechanism

The main weakness of the regulation is the lack of a complaints-handling mechanism.



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