

Procurement Capacity Development and its integration in a broader Public Administration Reform: New thinking, lessons learned from innovative programmes and their potential for the strengthening of public procurement systems.

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A Shift in Paradigm:

Procurement Reform efforts in developing countries have often been driven by donor organisations in an attempt to mitigate risks associated with implementing the activities they fund. They typically have been focused on a “package” consisting of:

- legal reform including the drafting of regulations and procedures
- reform of procurement institutional frameworks including creation of a public procurement regulatory authority
- training of public procurement officials in the new law and procedures.

Many, if not most countries in Africa now have a fairly robust legal and regulatory framework, an established public procurement authority, and have trained hundreds, if not thousands of officials. Yet in recent years there has emerged widespread consensus that such reform programmes have not achieved the desired outcomes in terms of improved performance of public procurement systems.

This conclusion is in line with more general developments in the aid and development environment, where question marks are being raised at the results and outcomes that have been achieved through development cooperation over the years. While development cooperation can facilitate and support local change processes, if it is not carefully managed it can end up undermining ownership and capacity. As an example, the UN system’s evaluation of the international response to the 2004 tsunami in Asia found that this response had often sidelined existing national and local capacities and had in some cases even depleted them. This reflects the broader challenges of aid dynamics. Each side of the development ‘partnership’ brings its own ideological and political preconceptions to the table. And, although stated objectives are often more or less shared, they are based on misperceptions, vested interests and power differences that hamper a balanced relationship.

National ownership is grounded in priorities that are nationally determined, with leadership on national strategies, development decisions and choices.¹

As a result we are seeing a shift in paradigm from a donor driven, inputs-based technical assistance approach towards a nationally owned, outcome based capacity development approach.² Today there is a strong focus on improving aid practices so that they are more supportive of capacity development. This is motivated by the Paris Declaration on Aid Effectiveness (High Level Forum, 2005) and the Accra Agenda for Action (2008). Efforts are made to harmonize and align external support, and to identify roles, approaches and delivery systems through which external partners can contribute to capacity development processes that are driven from the inside. The role of external partners is being increasingly re-cast as facilitators rather than interveners.³

What is Capacity Development?

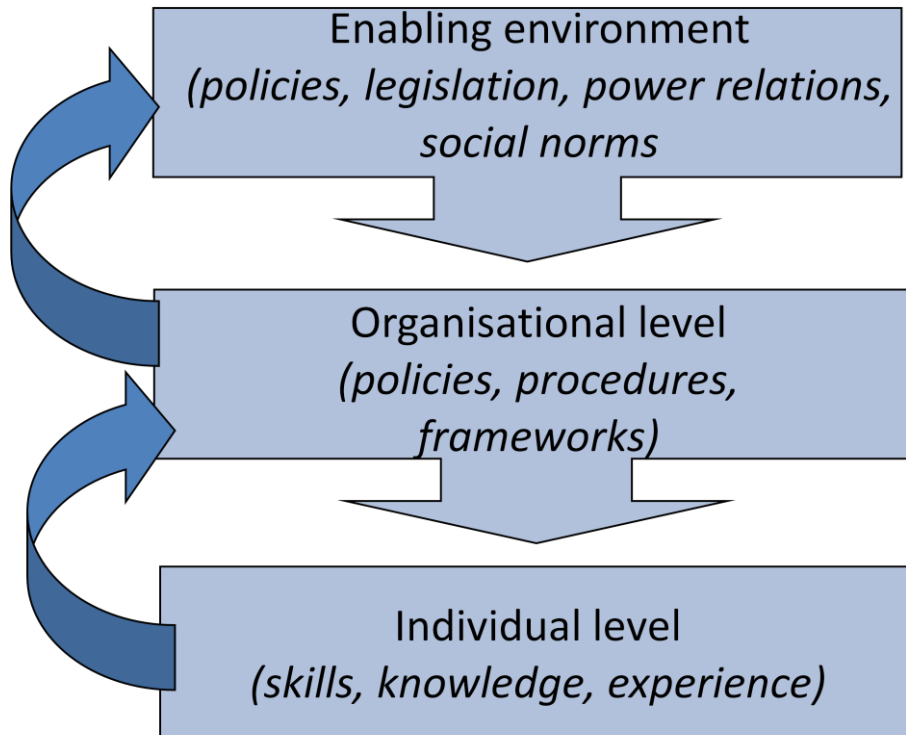
The UNDP Definition of Capacity Development is “The process through which individuals, organizations and societies obtain, strengthen and maintain the capabilities to set and achieve their own development objectives over time.”

This definition emphasises the viewpoint that capacity resides not only within individuals, but also at the level of organisations (or institutions) and within the enabling environment (sometimes called the societal level.) The enabling environment is the term used to describe the broader system within which individuals and organizations function and one that facilitates or hampers their existence and performance. This level of capacity is not easy to grasp tangibly, but it is central to the understanding of capacity issues. They determine the ‘rules of the game’ for interaction between and among organizations. Capacities at the level of the enabling environment include policies, legislation, power relations and social norms, all of which govern the mandates, priorities, modes of operation and civic engagement across different parts of society. As shown in this Figure, the three levels of capacity are mutually interactive and each level influences the other through complex co-dependency relationships.

¹ UNDP Practice Note: Procurement Capacity Development (2008)

² 3rd International Public Procurement Conference Proceedings (2008). “Procurement Capacity Development: From Theory to Practice”. Authors: Kirsten R. Ejlskov Jensen and Marie Louise Refsgaard

³ UNDP Practice Note: Capacity Development (2008)



This definition also sees capacity development as a long-term effort that needs to be embedded in broader, endogenous change processes that are owned by those involved, that are context-specific and that are as much about changing values and mindsets through incentives, as they are about acquiring new skills and knowledge.⁴

Looking at public procurement reform through this lens highlights that the traditional approach of legal and institutional reform plus training has typically failed to address this “enabling environment” – how to change “the rules of the game”, to change the power relations, values and mindsets. Some of the challenges thrown up by thinking in terms of a “capacity development approach” are:

- How do we change the power relationship between countries and their development partners, so that developing procurement capacity is nationally owned and lead?
- How do development partners develop their **own** capacity to work in this different way, where they play a facilitative/supportive role, but at the same time satisfy their own requirements to manage risk?
- How do you go about changing the “rules of the game” of how procurement is conducted?
How do you changing power relations, values and mindsets and behaviour?

⁴ UNDP Practice Note: Capacity Development (2008)

- If capacity development is a long-term process, how do we reconcile this with the need for public procurement to deliver outcomes today and tomorrow – to ensure medical supplies are available in hospitals and that children have schools to go to and schoolbooks to learn from?

No-one has the answers to all these questions, and as this way of thinking is fairly new then it is early days to draw conclusions, but there are examples of new and innovative approaches that show potential.

A Systematic Approach

Moving from a donor driven, inputs-based technical assistance approach towards a nationally owned, outcome based approach brings with it the implication of being more systematic in developing procurement capacity. In Malawi, the Office of the Director of Public Procurement (ODPP) applied a 4 step model when preparing their Procurement Capacity Development Strategy:⁵

- Step 1: Capacity Assessment
- Step 2: Formulate Capacity Development Responses
- Step 3: Implement Capacity Development Responses
- Step 4: Evaluate Capacity Development

Some of the key lessons that can be highlighted from the Malawi exercise are:

- While assessment exercises often have informed procurement reform programmes in the past, these have typically been donor lead risk assessments. While there may be overlap between a risk assessment and a capacity assessment for the purposes of developing capacity, there are some key differences:

	Risk Assessment	Capacity Assessment
Objective	Assess risk related to donor activities	Assess capacity in order to develop capacity
Scope	Donor projects and programmes	Institutions/organisations (regardless of course of funds)
Input to	Risk mitigation measures (action plan)	Capacity Development Responses

⁵ Procurement Capacity Assessment Final Report: Office of the Director of Public Procurement, Malawi (2007).

Desired level of capacity	Set by donor	Set by government
Conducted by	Donor or its agent (though may be in collaboration with government)	Government (w. support)
Responses/priorities	Defined by donor	Defined by government

Malawi used the OECD-DAC Methodology for Assessment as the indicators for the assessment, the results of which can be, as here, used as input to a capacity assessment or by donors as input to their risk assessment activities.

- To be able to formulate capacity development strategies, the ODPP focused not only on what the capacity gaps were, but also why they were there – that is, the **root causes** underlying the gaps. This was done by exploring possible reasons for identified weaknesses among all relevant stakeholder groups, and by confronting stakeholders with contrasting explanations in order to uncover as many contributing factors as possible. Often capacity gaps appeared to have several root causes, which pointed to a need for multi-pronged responses.⁶
- The ODPP negotiated with their development partners to adjust their support to procurement reform around this one capacity development strategy. As is the case in many countries, they previously were receiving support under a number of different “projects” which made it difficult to set priorities and coordinate initiatives.
- Recognising that capacity development can be a long-term process, the ODPP nevertheless also built in some short-term “quick-wins” designed to make some meaningful improvements quickly and also building momentum for change.
- The Capacity Development Strategy prepared by the ODPP includes both output and outcome indicators so that they can measure whether the desired improvements actually result from the strategy.

Core Issues

Empirical evidence and firsthand experience shows that the bulk of the change in capacity happens in four domains which can also be thought of as the drivers of changes in capacity. Since these four

⁶ Procurement Capacity Assessment and Strategy Formulation in Malawi: A Case Study (2008), OECD/DAC Working Party on Aid Effectiveness Joint Venture for Procurement

core issues mutually reinforce each other, capacity development responses are found to be more effective if they combine actions across the four issues.⁷ These four core issues are:

- Institutional arrangements, which includes the policies, practices and systems that allow for effective functioning of an organization or group. These may include “hard” rules such as laws or the terms of a contract, or “soft” rules like codes of conduct, generally accepted values or incentives.
- Leadership, which is the ability to influence, inspire and motivate others to achieve or even go beyond their goals. It is also the ability to anticipate and respond to change. Leadership is not necessarily synonymous with a position of authority; it can be informal and be held at many levels.
- Knowledge, or literally what people know, underpins their capacities and hence capacity development. Seen from the perspective of the three levels of capacity, knowledge has traditionally been fostered at the individual level, mostly through education. But it can also be created and shared within an organization, such as through on-the-job training or even outside a formal organizational setting through general life experience and support through an enabling environment of effective educational systems and policies.
- Accountability which exists when rights holders are able to make duty bearers deliver on their obligations. From a capacity development perspective the focus is on the interface between public service providers and their clients or service providers and oversight bodies. More specifically it is about the willingness and abilities of public institutions to put in place systems and mechanisms to engage citizen groups, capture and utilise their feedback, as well as the capacities of the latter to make use of such platforms.⁸

There are numerous examples of innovative approaches to developing procurement capacity within the region within these “core issues”. It is beyond the scope of this paper to include an exhaustive inventory – and during this Forum I expect the participants themselves will share ideas and experiences. However below are a few examples of initiatives that go beyond the traditional approach to procurement reform and contribute to developing procurement capacity. It should be added that none of these initiatives stand alone, but all form the part of integrated capacity development strategies.

Institutional Arrangements:

⁷ UNDP Practice Note: Capacity Development (2008)

⁸ Capacity Development: A UNDP Primer (2009)

- A number of countries in the region are implementing Performance Management systems for public procurement. The challenge for implementing these systems is to find a balance between monitoring compliance, which is important, and applying the ideas of results based management, where setting targets and measuring performance can be used as an incentive for organisations and individuals to strive to do a good job and increase value for money.

Leadership:

- Ownership of the procurement reform process was a key concern for the Government of Swaziland. When the donor community proved slow to react the Government decided to fund the reform process on its own, acquiring needed external input and expertise from the commercial sector. A high ranking official was appointed 'champion' of the procurement reform programme and would be in charge of driving the process forward at the Government level. This leadership model is considered a crucial factor for the success of the programme.

Knowledge:

- The emergence of informal and formal networks among public procurement officials within the region (and across regions) is a good example of how to leverage knowledge for capacity development. These networks facilitate the exchange of experiences and ideas which can be adapted and applied locally.

Accountability:

- The Zambia National Tender Board (ZNTB) broadcasted a series of 13 radio programmes on public procurement called Tender Talk aimed at increasing awareness and knowledge about the public procurement system with the general public. During the live broadcasts, listeners could phone in and ask questions or voice their opinions relating to public procurement. During the programmes, the general public raised issues relating to how procurement influenced their daily lives, for example by raising questions about contracting related to construction of a local roads.

Integration with other reform initiatives

Many countries in the region have undertaken assessment exercises using the OECD-DAC Methodology for Assessment of National Procurement Systems, but one of the biggest challenges to using the results as input to implementing capacity development is the issue of how to integrate

with other reform initiatives taking place in the country. While many countries have found it as a useful tool to shift the dialogue with development partners around supporting one integrated procurement capacity development strategy, the challenge remains of how to integrate this more widely with other areas of public administration reform.

Capacity issues relating to public procurement usually are influenced by a number of other areas both inside and outside government. Examples include:

- Public financial management (PFM)
- Audit
- Anti-corruption
- Civil Service reform including salaries and conditions of service for procurement officials
- Training and education institutions
- Private sector
- Civil society.

Since assessments relating to public procurement are usually owned and lead by the public procurement authority, many of these authorities have found it a challenge to figure out how to deal with capacity gaps that relate to these or other areas and are therefore outside the direct influence of the procurement authority.

Experience so far would advocate the importance of having a wide stakeholder engagement prior to embarking on a procurement capacity assessment and throughout the process, but nevertheless it remains a challenge to ensure full integration into other initiatives taking place in such a wide range of areas.

This is clearly an area where experience and lessons learned need to be further shared in order to identify good practice.

In conclusion

New thinking in terms of development effectiveness is increasingly influencing and changing approaches to procurement capacity development. However, it is early days to develop definitive conclusions about what does and does not work in practice. But the emergence of formal and informal networks and resource centres (such as www.unpcdc.org) are providing powerful

opportunities for the sharing of experiences and lessons that can be adapted and applied in different settings.