

**Strengthening Country Procurement Systems:
Results and Opportunities**



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LIST OF ABBREVIATIONS

AAA	Accra Agenda for Action
ADB	Asian Development Bank
ANSA	Affiliated Network for Social Accountability
APPI	Asia Pacific Procurement Partnership Initiative
ARTF	Afghanistan Reconstruction Trust Fund
AusAID	Australian Agency for International Development
Bappenas	National Development Planning Agency
BLI	Baseline indicators
CARICOM	Caribbean Community and Common Market
CDPP	Capacity Development for Public Procurement
CFAA	Country Financial Accountability Assessment
CGR	Controller General
COMESA	Common Market for Eastern and Southern Africa
COMPRASNET	Portal de Compras do Governo Federal
CPAR	Country Procurement Assessment Review
CPB	Central Procurement Board
CPI	Compliance and performance indicators
CPPP	Commonwealth Procurement Network
DFID	Department for International Development
DGCP	Public Procurement General Directorate
DMC	Development Member Country
DMC	Development member country
DPL	Development Policy Lending
ECA	Europe and Central Asia Region
e-GP	E-Government Procurement
GACAPII	Second Governance and Anti-Corruption Action Plan
GATT	Government Agreement on Trade and Tariffs
GDP	Gross Domestic Product
GIZ	German Agency for International Cooperation
GNI	Gross National Income
GPA	Government Procurement Agreement
GPRS	Ghana Poverty Reduction Strategy
GSGDA	Ghana Shared Growth and Development Agenda
HLF	High Level Forum
HOP	Heads of Procurement
ICB	International Competitive Bidding
IDB	Inter-American Development Bank
IIPR	Implementation and Procurement Reform
IMF	International Monetary Fund
IPC	Internal Procurement Committees
IPPMT	Procurement Performance Measurement Tool
KISM	Kenya Institute of Supplies Management
LCR	Latin America and Caribbean Region
LPSE	E-Procurement Service Units
MAPS	Methodology for Assessment of Procurement Systems
MCA	Millennium Challenge Account
MCC	Millennium Challenge Corporation

MDB	Multilateral Development Bank
MNA	Middle East and North Africa Region
MOF	Ministry of Finance
MOFE	Ministry of Finance and Economy
MTSP	Medium Term Strategic Plan
NCB	National Competitive Bidding
NPPA	National Public Procurement Authority
NPPO	National Public Procurement Office
NTB	National Tender Board
ODPP	Malawi Office of the Director of Public Procurement
OECD	Organisation for Economic Co-operation and Development
OECD/DAC	Organisation for Economic Co-operation and Development/Development Assistance Committee
OECS	Organisation of East Caribbean States
PA	Procurement Agent
PCCB	Prevention and Combating of Corruption Bureau
PE	Procuring Entities
PEFA	Public Expenditure Financial Accountability
PEPFMR	Public Expenditure, Procurement and Financial Management Review
PFM	Public Financial Management
PMIS	Procurement Management Information System
PPA	Public Procurement Act (Ghana, Mauritius, Tanzania)
PPAA	Public Procurement Appeals Authority
PPAD	Public Procurement and Disposal Act
PPCD	Procurement Policy and Coordination Department
PPDA	Public Procurement Disposal of Public Assets Authority
PPL	Public Procurement Law
PPLM	2006 Procurement Law (Mongolia)
PPME	Public Procurement Model of Excellence
PPMS	Procurement Performance Measurement System
PPO	Public Procurement Office
PPOA	Public Procurement Oversight Authority
PPR	Public Procurement Regulations 2008
PPRA	Public Procurement Regulatory Authority
PPU	Procurement Policy Unit (Afghanistan)
RMC	Regional Member Country
RPPA	Rwanda Public Procurement Agenda
SADC	South African Development Community
SME	Small- and Medium-sized Enterprises
SPP	Sustainable Public Procurement
SPU	Special Procurement Unit
TA	Technical Assistance
UCS	Use of Country Procurement Systems
UEMOA	Union Economique et Monetaire Oest Africaine
UNCITRAL	United Nations Commission on International Trade Laws
US	United States
USD	United States dollar
WAEMU	West African Economic and Monetary Union
WTO	World Trade Organization

CHAPTER 1: INTRODUCTION AND BACKGROUND

Introduction

The international focus on developing better performing public procurement systems began in a relatively quiet manner driven primarily by the international trade agenda that sought to open cross country trade, much of which was linked to government spending. As a result, agreements like the GATT (Government Agreement on Trade and Tariffs) started including coverage of government or public procurement systems. The growth in cross country trade agreements or unions has continued to drive an interest in developing fair, open and transparent public procurement systems that would open the government financed marketplace, consistently estimated as equal to 15% of global gross domestic product (GDP). In a report issued by the Organisation for Economic Co-operation and Development (OECD) in 2001¹, the world total government procurement was estimated to be USD 5 550 billion which at the time was equal to 82.3% of world merchandise and commercial services exports. When there is a global contraction such as the economic crisis of the past several years, the importance of the government financed market place increases.

As the public procurement market place is one of increasing importance on a global scale, much time and effort has been invested to develop principles and guidelines as to what constitutes a good procurement system. However, it is important to maintain a national perspective as well as this is where the real importance of procurement can be understood as a critical governance system that is integral to the delivery of goods, works and services by the government to its citizens. Procurement is at the core of the compact between political and administrative leadership in the country and the public that is served by that leadership. The procurement system in a country also provides the key delivery system for goods, works and services financed by the global donor community. As aid flows to recipient countries have increased, so too has the interest in seeing that funds are used for intended purposes and the goods, works and services are delivered efficiently and effectively.

Background

The OECD/Development Assistance Committee (OECD/DAC) has long had an interest in procurement with the donor countries represented on the Development Assistance Committee engaging in discussions concerning "tied aid" and how such practices may impact on effective aid delivery; and achieving aid quality and effectiveness by reinforcing partner country responsibility for procurement. Other organisations were also increasingly focusing on strengthening procurement including the World Bank through its Country Procurement Assessment Reviews (CPARs) and follow up development work; the World Trade Organization (WTO) with its work on the Agreement on Government Procurement (GPA); and the Heads of Procurement (HOP) of the multilateral development banks work to harmonise policies and standardise procurement documents. In 2003 a unique partnership between the OECD/DAC and the World Bank led to the creation of the Procurement Roundtable, a partnership that quickly grew to include all interested bilateral donor organisations, all multilateral development banks, United Nations organisations and importantly,

¹ The Size of Government Procurement Markets: Offprint from OECD Journal on Budgeting Vol. 1, No. 4

representatives from the client countries served by these organisations. The focus of the Procurement Roundtable was "strengthening procurement capacities in developing countries".

At the same time as the work of the Procurement Roundtable was initiated, plans were underway for convening a second global development forum in Paris that would bring together the key government and institutional representatives interested in increasing aid effectiveness and setting targets and objectives that would contribute to the millennium development goals of reducing poverty and creating a global partnership that would work towards achieving key targets. The Roundtable membership agreed to prepare a publication for consideration at the now named High Level Forum (HLF II) as to how procurement work might contribute to the development effectiveness agenda. "Volume 3 of the DAC Guidelines and Reference Series on Harmonising Donor Practices for Effective Aid Delivery" was the resulting procurement contribution, more commonly referred to as Volume 3: Strengthening Procurement Capacities in Developing Countries.

Volume 3 contained three themes: Mainstreaming, Capacity Development and Benchmarking, Monitoring and Evaluation. It also contained a section on the "way forward" which set the stage for much of the procurement work undertaken by the Roundtable and its subsequent organisations, which include the Joint Venture on Procurement and current Task Force on Procurement, operating under the chapeau of the Working Party on Aid Effectiveness (WP-EFF) and the Global Country Systems Cluster. The Procurement Group which grew to include more than 30 partner countries has produced a range of publications, products and tools in addition to hosting annual workshops that bring participants together to share country experience, discuss issues of common interest and introduce new tools that support the development of capacity and improved procurement systems. A brief recap of some of the products of the Procurement Group include the Volume 3 publication; the Johannesburg and Arusha Declarations that committed the donors and partner countries to continue their partnership in working towards strengthening procurement systems and working towards achieving the targets of the Paris Declaration and Accra Agenda for Action (AAA); the benchmarking tool for assessment of national procurement systems²; and the Compendium of Country Examples: Volume I on sharing experiences from applying the benchmarking tool. Additional products are under development that will address political economy and stakeholder analysis and how it relates to procurement reform; engaging civil society; building capacity of the private sector as a partner in procurement; a comprehensive look at procurement performance measurement and monitoring and guidance for using assessment tools and development of procurement systems in small, fragile or post conflict states. All of these products have resulted from the combined contribution of donor organisations and partner countries who contributed resources, time and leadership to the continued core objective of strengthening procurement capacity.

The benchmarking tool mentioned above remains an active assessment tool even as it has undergone some changes. The original Methodology for Assessment of National Procurement Systems included two related tools, the first a qualitative benchmarking tool that looks at 54 sub-indicators that are grouped under four organisational pillars: Pillar I covers legal/regulatory features; Pillar II covers organisational features; Pillar III covers operations and market features; and Pillar IV covers control and integrity features. The second part of the original document covered compliance

² *Methodology for Assessment of National Procurement Systems*, OECD publication of July 2006 included the benchmarking tool and compliance/performance indicators. It was modified in 2008 to become the Methodology for Assessment of Procurement Systems (MAPS) to separate the more widely used benchmarking tool into a standalone document and give it a recognizable "brand" name.

and performance indicators (CPIs) that were related to the indicators included in the benchmarking tool to help determine if a system was "performing" as designed and complying with its stated requirements. The CPIs were always presented as a complementary, but non-mandatory element of the methodology. In this way, a given country could selectively use (or not) any of the CPIs. Through several rounds of testing, usage and discussion, it has become clear that the CPIs will need refinement in order to provide a more focused methodology for performance monitoring. Many countries chose not to use the CPIs in the context of a country assessment and this publication has not covered their use. The upcoming HLF4 planned for Busan, Korea at the end of 2011 is currently seen as the final such event to be convened to evaluate the progress of donor organisations and partner countries to meeting the targets set under the Paris Declaration and the goals that were reaffirmed and strengthened as part of the AAA issued following HLF 3. For ease, the procurement related targets of the Paris Declaration and the AAA are summarised below:

1. Paris Declaration: Indicator 2 covers reliable country systems and states "Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform program in place to achieve these." The related Target 2b for procurement states "One-third of partner countries move up at least one measure on the four point scale used to assess performance for this indicator."
2. Paris Declaration: Indicator 5 covers use of country procurement systems and states "Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform program in place to achieve these." The related Target 5b states 100% of donors use partner country systems with a country score of A and 90% for a country score of B; and that aid flows not using country systems be reduced by two-thirds for a country score of A and by one-third for a score of B.
3. Accra Agenda for Action: The AAA noted that progress was being made but not enough and stressed that actions were needed to accelerate progress. The commitments to strengthening country ownership and strengthen and use developing country systems to the maximum extent possible were key to procurement work. The AAA committed donors to use country systems as the first option for aid programs and if they do not do so, donors must transparently state the rationale.

Accordingly, this publication is the Task Force on Procurement's contribution in the area of procurement and as such, it presents the case and country evidence that strengthening of procurement systems has taken place at an accelerated pace since the initial work of the Procurement Roundtable began in 2003. It documents progress by presenting a number of representative country profiles that look broadly at procurement reform in countries large and small that are geographically disbursed. In addition to this Introductory Chapter 1, Chapter 2 covers an analysis of responses received from partner countries to a Task Force survey completed by countries, which sets the broad stage for the more country specific results that are covered in the Country Profiles in Chapter 3. Chapter 4 looks specifically at Capacity Development as an element of strengthening of systems and covers additional country cases. Chapter 5 provides perspective on procurement performance measurement by government both at the central and at the implementing entity level. Chapter 6 examines an important area under both the Paris Declaration and Accra Agenda for Action by looking at donor practices and performance. Finally, to bring all the

information together, the final Chapter 7 summarises key messages and provides some thoughts as to new work and continuing requirements.

Although the focus of this publication is on documenting progress and results, it is clear that there is more work to be done and that future work must be done more efficiently and effectively in recognition of the limited resources available. The participants of the Task Force on Procurement are increasingly aware that the role of well performing procurement systems will continue to grow and be recognised as a core contribution to improved governance and the fight against corruption. Procurement, along with improved public sector and financial management, good governance and the fight against corruption are all initiatives that must be undertaken at the individual country level. Countries that undertake this challenge and demonstrate progress must continue to be recognised through a growing trust between donors and the countries demonstrated through increased reliance on such systems.

CHAPTER 2: SURVEY RESULTS

Introduction

Paris Declaration Indicator 2b measures the improvement of procurement systems using overall Methodology for Assessment of Procurement Systems (MAPS) scores. However, due to the relatively small sample responding to Indicator 2b in the Monitoring Surveys and the wish to develop a more nuanced picture of the state of procurement reforms in developing countries, the OECD/DAC Task Force on Procurement decided to undertake a survey. The survey was conducted using an online tool and all partner countries invited to the OECD/DAC Task Force on Procurement Meeting in Cuzco, May 2011 were invited to complete the survey during the period February to May 2011. Thirty-four (34) countries completed the survey during this period as follows:

Africa	Latin America	
Burundi	Antigua and Barbuda	Grenada
Cameroon	Argentina	Honduras
Ethiopia	Belize	Jamaica
Ghana	Chile	Montserrat
Madagascar	Colombia	Nicaragua
Malawi	Costa Rica	St. Lucia
Mauritius	Ecuador	Trinidad and Tobago
Morocco	El Salvador	Uruguay
Niger		
Tanzania		
Zambia		
Asia and the Pacific	Europe and CIS	
Afghanistan	Albania	
Bhutan		
Malaysia		
Mongolia		
Philippines		
Vietnam		

The respondents range from large countries to small island states and represent a variety of levels of economic development, including fragile and conflict affected. The large representation from the Latin America region is a reflection of the fact that the 2nd meeting of the Task Force on Procurement was held in that region around the time that the survey responses were being gathered.

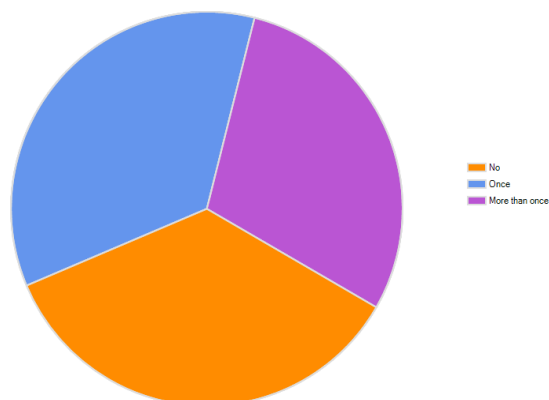
Methodology for Assessment of Procurement Systems (MAPS)

Around two thirds of the responding countries have conducted at least one assessment using MAPS and of those, the majority (10) has done so more than once. The countries that have not used the MAPS tool are mainly in the Latin American region and in particular the small countries of the Caribbean.

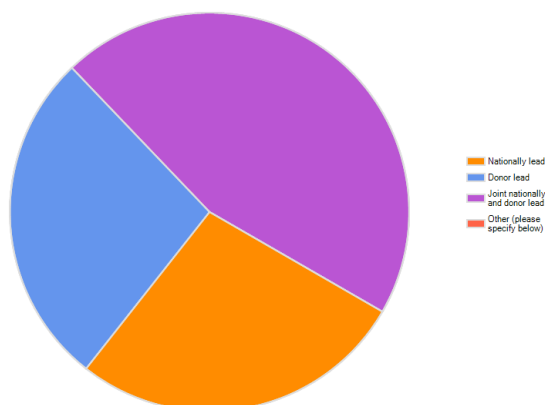
All the countries that conducted the survey more than once saw an improvement, with the biggest improvements in Pillar 1 (Legal and Regulatory Framework) and Pillar 2 Institutional Framework.

Forty-five percent (45%) reported that the MAPS assessment was jointly nationally and donor led. Of the remainder, half were

Has your country conducted an assessment using the OECD-DAC Methodology for Assessment of Procurement Systems (MAPS)?



Who lead the MAPS assessment exercise?

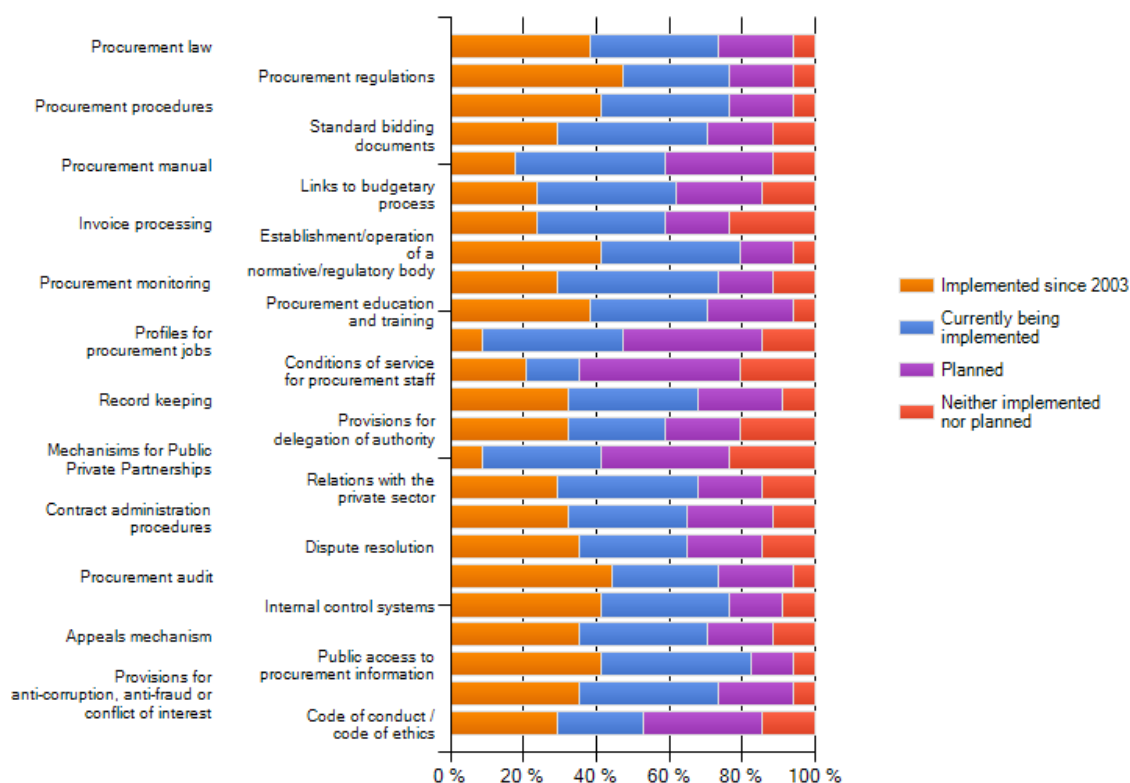


nationally led and half donor led. Those that were donor led were either in Africa, where the World Bank was the lead donor and the assessment was conducted as part of the Use of Country Systems pilot, or in Latin America with the Inter-American Development Bank (IDB) as the lead donor.

Procurement reforms

Respondents were asked to report on which areas procurement reforms had been undertaken since 2003, are currently in progress or are planned. The results are illustrated in the following chart.

In which of the following areas have reform initiatives been implemented since 2003, are in process or are planned?



Perhaps not surprisingly those areas where reforms are furthest ahead are those often termed “first generation reforms” and relate to the procurement law, regulations, procedures and standard bidding documents; establishment of a normative and regulatory body; procurement education and training; procurement audit, internal control systems, public access to information, and provisions for anti-corruption, anti-fraud or conflict of interest.

Conditions of service for procurement staff and profiles for procurement jobs are among the areas where least has been done with 64.7% and 52.9%, respectively, having neither implemented or started reforms in these areas. This is somewhat surprising since these issues are often mentioned as being critical. Another surprising finding is that only 58.8% have implemented or are in process of implementing reforms relating to a procurement manual, although this is a comparatively low cost initiative that can have wide-reaching impact in terms of capacity. Other areas where less attention has been given so far are: invoice processing, provisions for delegation of authority, mechanisms for Public Private Partnerships, and contract administration procedures. Interestingly these are all areas that lie outside of traditional ideas of what falls within the responsibility of the procurement function.

Respondents were asked to explain the factors that kick-started the reform process in their country. Most explained that there was not one single factor, but rather a combination of several issues (although in Honduras, after Hurricane Mitch hit, the Government introduced the

procurement reform to control the vast amount of aid flowing into the country). The most common factors include:

- Internal pressure for reforms due to issues of corruption or inefficiency.
- Donor pressure, or donor assessments that reveal weaknesses in the system.
- Multilateral agreements including regional economic and trade agreements and the Paris Declaration.

When asked to report on the incentives that provided the motivation to continue the reform process, by far the majority mentioned the increased efficiency that reforms had brought to public procurement. Other incentives cited included the continuing fight against corruption, public expectations, regional integration, and to satisfy the demands of donors.

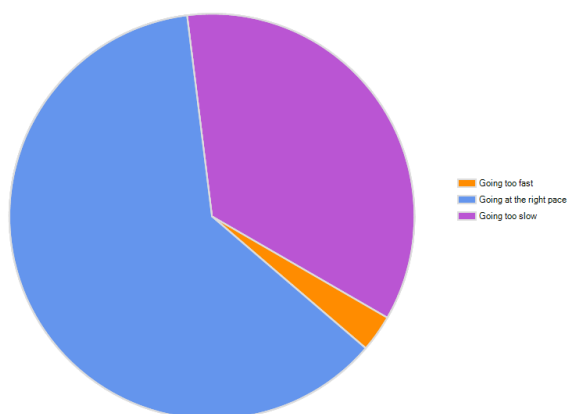
Fifty-six percent (56%) reported that their reforms had been prioritised jointly with donors, with the remaining 44% having been nationally prioritised.

Perhaps surprisingly, 32% of the countries have financed their reforms without any donor support. Less surprising is that of these, all but three countries are from the Latin America Region. In 38% of the countries, reforms have been financed jointly by one or more donors with reforms being fully donor financed in 29% of the countries.

Worryingly, seven countries report that more than one donor is involved in supporting their procurement reforms but that no donor coordination mechanism exists. Three of these countries are in Africa and four in Latin America.

Respondents were asked their opinion about the pace of reforms in their country. Nearly 62% believe that the reforms are going at the right pace, while 35.3% believe they are going too slow. One country reported that the reforms were going too fast! The majority of those who believe they are going too slow cite issues relating to the political, governance and economic environment as being the reason. Otherwise the lack of capacity and lack of funds are given as reasons.

The pace of the procurement reform process in my country is:



When asked which reforms worked best and/or had the greatest impact, many mentioned the reform of the legal and regulatory framework including introduction of competitive procurement methods and standard bidding documents. The introduction of increased transparency, access to procurement information and other electronic government procurement (e-GP) initiatives were also mentioned by many of the respondents. The establishment of a

procurement oversight body was also considered as having had impact by many (although the respondents generally work for these bodies which may influence their response). Some respondents mentioned training. A couple of countries mentioned the high impact of the introduction of a pre-approval mechanism for high value contracts. One country mentioned that institutionalising the role

of civil society organisations in monitoring had a big impact, while another country highlighted the creation of a community of procurement reform champions as a successful approach.

Respondents were asked to explain which major procurement related issues remained to be addressed in their country (in free text). One interesting response was “The attainment of value for money through ensuring that quality goods and services reach the people- this calls for integration of procurement reforms with the national development and poverty eradication strategies.” Other responses are summarised below:

Reform Issue	No. of countries responding
Introduction/further development of e-GP	12
Legal Reforms	7
Training	7
Recruitment/professionalisation/career paths for procurement officials	4
Appeals and complaints mechanisms	4
Centralisation versus decentralisation issues	3
Improved integration of procurement reforms with wider governance reforms	3
Strengthening of oversight authority	3
Management Information System/Record management and monitoring	3
Procurement procedure revisions	2
Provisions for anti-corruption, anti-fraud or conflict of interest	2
Links to budgeting process	1
Mechanisms for Public Private Partnerships	1
Social and environmental sustainability solutions for public procurement	1
Procurement Audit	1

Other issues

Sixty percent (60%) of countries report that donors do not use the national procurement system in their country. In cases where donors use the national system it is, for the most part, limited to contracts below certain thresholds and/or with additional safeguards such as prior and/or post-reviews.³

Sixty percent (60%) of respondents report that their country is involved in networks or south/south knowledge exchange activities, including bilateral exchanges and study tours between countries. A number of different networks are mentioned including the African Public Procurement Network, the East African Procurement Network, the Inter-American Network on Government Procurement, the Affiliated Network for Social Accountability (ANSA) Africa, Union Economique et Monetaire Oest Africaine (UEMOA), the Common Market for Eastern and Southern Africa (COMESA)

³ This perception contrasts with the results of the 2008 Paris Declaration Monitoring Survey which reported only three countries with no use of country procurement systems (and none of those three are respondents in this survey. There has not been an opportunity to explore this discrepancy further, but may relate to different perceptions of what constitutes “use of the national procurement system”.

Procurement Platform, the Asia Pacific Regional Procurement Forum, the Caribbean Public Procurement Network (CARICOM), the Commonwealth Procurement Network (CPPP), and the Southern African Development Community (SADC) Public Procurement Partnership network.

Conclusions

In summary, some of the key findings are:

- Use of the MAPS tool has become widespread in the few years since its introduction and repeated assessments can provide a good measure of progress.
- Generally speaking considerable progress has been made in procurement reform since 2003, with greatest progress in those areas often termed as “first generation” reforms.
- Political economy issues are often the drivers that kick start and provide incentives for continued reforms, but are also often the blockers when the pace of reform is slower than hoped.
- The survey results raise some issues of concern with regards to donor behavior, for example lack of donor coordination and the degree of use of country systems.

The next chapter presents a number of country profiles which examine the reform process in more detail.

CHAPTER 3: COUNTRY PROFILES ON ACHIEVING RESULTS IN DEVELOPMENT OF PROCUREMENT SYSTEMS

The Task Force on Procurement from its earliest iteration under the Procurement Roundtable has always been a partnership that brings together donors, international organisations and countries to create a global forum that enables the sharing of knowledge and the creation of new tools and capacities that can be applied in the area of public procurement. It is clear that the evidence of progress against the stated goals and objectives of the Paris Declaration, the AAA and the specific declarations of the Procurement Task Force that include the Johannesburg and Arusha Declarations can only be provided through the stories of individual countries. This section looks at twelve countries and through brief profiles of each, demonstrates the path of progress in modernisation of the public procurement system in the country. In addition, a brief profile on regional integration looks at two additional efforts that are contributing to strengthening procurement capacity and effectiveness for the participating member countries. Each path is different and the drivers for change in each country differ. However, it is clear from each profile presented that achieving the principles that underlie a well performing system have been important incentives in every country and provides the underlying framework for regional initiatives.

The following twelve profiles are presented in alphabetical order and are followed by the regional integration profiles. The profiles include a range of countries in different stages of the modernisation process. Each profile captures some key lessons which are contained at the end of the profile. The information contained in the profiles has been drawn from existing information sources and augmented by key counterparts in each country. The profiles document success and also identify some missteps along the way as this is the path most countries take. The profiles also provide a clear picture of the work remaining to achieve basic reforms and move to the next level of modernisation. The story of the countries is the story of the OECD/DAC's Procurement Task force work in the area of strengthening procurement capacities in partner countries.

The country profiles also substantiate and provide context for the results of the Survey presented in the previous chapter. Reforms generally follow a path, although it is not always a clear linear path in most countries as the access to information, technology, and the experiences and lessons from other countries has clearly enabled countries to set a strategy for modernisation that addresses many areas and seeks to achieve many objectives including being well integrated and sequenced with other efforts being undertaken in the public administration of the countries profiled. We see that most countries now understand that modernisation is a continuous effort that touches upon all seven stages⁴ that have been documented as "typical" for development of public procurement systems. These stages include: obtaining the goods and services required; establishing rules and regulations that define compliance and seek to deter fraud and corruption; improving efficiency; increasing accountability; achieving "value for money" which moves beyond the lowest price; supporting other government policy objectives and finally delivery of government policy objectives.

⁴ "Public Procurement: International Cases and Commentary" edited by Louise Knight, Christine Harland, Jan Telgen, Khi V. Thai, Guy Callender and Katy McKen (2007)

Afghanistan country profile

Country context

Afghanistan is a country under reconstruction, very much so since 2002 when many donors including the World Bank re-engaged with the country. Led by the Government with international support, the country's reconstruction effort has relied primarily on the energy and initiative of the Afghan people. The reconstruction effort has resulted in many solid achievements including the promulgation of a new Constitution, holding of presidential and parliamentary elections and demobilisation of the militias. Key reforms in the area of public financial management have made a major contribution to these and other successes in the country.⁵

Afghan leadership is seen as the key ingredient for progress. In the area of public financial management (PFM), donor support has helped the Government to manage finances and implement nationwide programs, but greater efforts are needed to fight corruption and improve governance. Recently, President Karzai enhanced the powers of the main anti-corruption body--the High Office of Oversight, providing officials with prosecutorial powers as attorneys and empowering the Office of Oversight to take real and visible action on corruption in the public sector.⁶

The Afghanistan Reconstruction Trust Fund (ARTF) that was begun in 2002 as a temporary way to finance wages, has now grown to be the main multi-donor funding mechanism in the country mobilising more than USD 4 billion in donor resources from 32 countries. The ARTF finances essential costs of government and key Afghan National Development Strategy Programs across the country. Key objectives of the ARTF include:

- Positioning the national budget as the key vehicle to align the reconstruction program with national development objectives;
- Promote transparency and accountability of reconstruction assistance;
- Reduce the burden on limited government capacity while promoting capacity-building;
- Enhancing donor co-ordination for financing and policy dialog.

The development of the public procurement system is closely linked to achieving the key objectives of the ARTF and with the current efforts to increase the fight against corruption and improve overall governance in the country. It has been an area of significant activity and many accomplishments and continues to be focus area for development.

A look at the current economic situation in Afghanistan shows a country where 80 percent of the population is living in rural areas, with the agriculture sector accounting for around one third of Afghanistan's economy (excluding the illicit drug sector). Real GDP is expected to grow by around 8.5 percent in 2010/11. In 2010/11, GDP per capita is expected to reach USD 609. The engine of growth will remain private consumption, fuelled by increasing donor funding, the security economy, and an estimated external budget of around USD4 billion. Together, these forces will drive the demand for goods and services and continue to put pressure on development of the procurement system. The

⁵ *Afghanistan: Managing Public Finances for Development* dated December 2005 and *Afghanistan Public Expenditure Review 2010* dated April 2010.

⁶ *The World Bank in Afghanistan, Quarterly Review* dated January 2011.

challenges of development are extreme in Afghanistan, yet the country continues to make progress in building the foundations and capacity needed for the future of the country.

Procurement development in Afghanistan

In 2001, the situation in Afghanistan was extremely weak with regard to its public financial management system. As a post conflict country, emerging from the many years of governance by the Taliban that followed the country's Soviet occupation, Afghanistan had few functioning institutions to fall back upon when establishing new leadership and governance structures. The story of development of the procurement system in the country cannot be separated from the massive development efforts that began in 2001 and that span every element of the public sector.

In 2005, a major public financial management review was initiated by a team made up of the World Bank, the United Kingdom Department of International Development (DFID), and the European Commission (EC). Much of what is covered in this profile relies on the PFM review which looked at progress in the country since the re-engagement of the donor community in 2002 and identified major areas where additional work was needed. The report was done as an integrated effort and included several volumes: (1) the main report; (2) PFM performance and procurement; (3) cross-cutting issues; (4) sector studies and (5) security sector expenditures⁷. In 2009/2010, an updated review of the systems and development progress was undertaken and this provides for a comparative basis for demonstrating progress in the country⁸.

The procurement system in Afghanistan has evolved around the budget which is generally structured in two parts, one is the core budget and the second is the external budget. The handling of procurement differed under the two. The section on procurement under the 2005 review stated that "the external budget is subject to the rules applied by the donors.....core budget procurement is more complicated." Both budgets fall under the authority of the National Procurement Law, but a closer look at the implementation of each reveals that the law was generally not the basis for undertaking procurement in either the core or the external budgets in 2005.

Use of a procurement agent

Under the core budget, significant support was provided by donors financing both operational costs and development costs. In order to coordinate funds and ensure the capacity to procure, disburse and account for expenditures, the ARTF was created and administered by the World Bank. Capacity to plan and implement within government ministries was weak and arrangements were put into place to centralise critical functions such as procurement, financial management and auditing. Crown Agents was hired in 2002 under a procurement strengthening component of one of the many projects to provide emergency procurement capacity support, but Crown Agents was not a "procurement agent"; rather they facilitated procurement undertaken by the Government. In 2004, a **procurement agent (PA)** replaced the role of Crown Agents and undertook the more traditional functions of procurement of all goods, works and services financed through the major donor funded trusts and for the most part, following World Bank procurement requirements. In addition, the PA could be used for budgetary expenditures from domestic resources of the core budget. There was

⁷ "Afghanistan, Managing Public Finances for Development, Volume II: Improving Public Financial Management and Procurement" dated December 22, 2005.

⁸ Public Financial Management Review dated 2010

also a significant **capacity development** component included as part of the PA responsibilities which led to the hiring of local procurement staff and a National Counterpart Manager. This contract was the forefront of the procurement reform and capacity development work undertaken in Afghanistan as it not only provided capacity development for the centralised implementation of procurement, but began to build capacity in line ministries and provided recommendations for development of the legal and institutional framework for procurement.

The 2005 Afghanistan review applied an early version of the OECD/DAC MAPS to complete the procurement assessment and most of the report was structured around the benchmarking indicators. As the review was also looking at the performance of the PA that still handled all significant procurement, the performance indicators included in the early version were also applied. Afghanistan is one of a handful of countries where these early performance indicators were used. Specifically, 11 indicators covering inter alia, advertisement, publication, bid evaluation, level of participation, methods, payments and time elements were used. Performance levels for the PA were predictably satisfactory in most cases, but it is interesting to note the findings.

- All contracts were advertised, but there was no publication of awards as this was not a requirement at the time and capacity to do so was limited.
- Time for evaluation of bids was within acceptable thresholds for all, but consultancy services where the timeframe exceeded 100 days.
- Bidder participation levels were low reflecting the security situation and the overall capacity issues for the private sector.
- Thresholds for use of competitive methods were achieved.
- Data was not sufficiently available to measure late payments, contract increases, and processes cancelled.

Procurement under the national procurement law

The 2005 review was based on the rules and regulations in place at the time (a Purchase Regulation adopted as a Decree of the Islamic Emirate of Afghanistan in 2000) and preceded the adoption of a new Procurement Law. The scoring of the twelve indicators was split with 5 indicators achieving a "partially achieved" rating and 7 indicators receiving a "not achieved" rating.

Pillars and Indicators	Assessment Rating
I. Legislative and Regulation Framework Indicator 1: Complies with national/international requirements Indicator 2: Availability of implementing regulations and documents	Partially Achieved Not Achieved
II. Central Institutional Framework and Capacity Indicator 3: Mainstreaming Procedures into PFM Indicator 4: Functional Normative Body Indicator 5: Existence of Institutional Development Capacity	Partially Achieved Not Achieved Not Achieved
III. Procurement Operations and Market Performance Indicator 6: Efficient operations and practice Indicator 7: Functionality of the Market Indicator 8: Existence of Contract Administration and Dispute Resolution	Not Achieved Partially Achieved Partially Achieved
IV. Integrity of the System Indicator 9: Effective Control and Audit System Indicator 10: Efficiency of Appeals Mechanism Indicator 11: Degree of Access to Information	Not Achieved Not Achieved Partially Achieved

Indicator 12: Ethics and Anti-corruption Measures	Not Achieved
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Issues were noted throughout the assessment for each sub-indicator reviewed, but while many of the fundamentals for an efficient system were included in the 2000 Decree, they were not clearly stated, were not enforced, and were generally poorly implemented due to the wide ranging capacity issues. The regulations did not provide for complaints or remedy procedures. There was no central body at the time to oversee application of existing regulations and to lead a reform effort. While much of the procurement was undertaken by the PA, the role and responsibilities of the PA did not include acting as a central policy unit. The 2005 assessment provided a very clear roadmap for needed reforms. The assessment concluded that the existing legal framework did not provide an acceptable framework for public procurement in Afghanistan. The donor community, despite a commitment to rely increasingly on national systems was not able to do so. In late 2005, a new procurement law was promulgated thereby addressing one of the greatest impediments to donor use of national systems. This new law coupled with the on-going capacity development efforts have led to significant progress in the area of procurement.

The PA hired to handle procurement primarily for donor financed requirements made some major advances in developing the capacity of individuals involved in procurement, training more than 100 procurement staff in various line ministries. The training was handled in stages, covering basics first, then rules for goods and works, and finally covering the selection of consultants. In addition to general procurement training, a core of ten individuals were selected for intensive procurement training and to provide a "training of trainers" program to allow ministries to begin developing their own capacity. A project was put into place in 2006 to develop public administration capacity which expanded these initial efforts in the area of procurement capacity development into a structured and sustainable long term capacity development strategy. The long term strategy still under implementation involves: (i) central, provincial, and municipal training for government and private sector participants; (ii) achievement of priority status to handle reconstruction activities for selected key ministries; (iii) a plan to transfer responsibility for procurement to selected ministries based on achievement of specified milestones; and (iv) a performance verification system for ministries to be assessed against benchmarks in order to maintain their status.

In 2010, DFID led the preparation of a Public Expenditure Review (PER)⁹ that included coverage of procurement. This review found that three quarters of budget funds were being handled under the external budget due to issues that remained with implementation of the core budget. As Afghanistan's overall budget is still 90% funded by external sources, it is critical that donors are still **by-passing the use of government systems**. This is seen as a core issue to the country's sustained development as the current dual budgetary system means that most economic activity takes place outside of the government's fiscal control systems and undermines the legitimacy and relevance of the government to the Afghan people. The PER found that rising corruption and the increasingly difficult security situation have undermined gains that were made prior to 2008.

⁹ *Afghanistan Public Expenditure Review 2010: Second Generation of Public Expenditure Reforms* based on information available as of 31 March 2010.

A closer look at procurement however shows where specific progress has been made with additional reforms on-going. Following the introduction of a new law in October 2005 that radically transformed the legal and regulatory framework in Afghanistan, a Procurement Policy Unit (PPU) was established in the Ministry of Finance (MOF) to oversee the implementation of the new law (including updating and amendment of the law as necessary). The PPU has issued 37 procedural circulars/guidelines to support implementation including "Rules of Procedures for Public Procurement". The "Procurement Appeal and Review Mechanism" initially issued in 2007, has been reconstituted and re-issued. The PPU also prepared standard bidding documents and the MOF mandated their use for procurement of goods, works and services. A Procurement Management Information System (PMIS) has been developed and piloted in three line ministries. The PPU is currently working to include data from all line ministries on the website. The PPU is also actively working on the **accreditation of line ministries** in order to decentralise the procurement function which is currently handled primarily through a central procurement facilitation unit established in the Ministry of Economy. The **decentralisation** of procurement effort will be based on accreditation of individual line ministries and includes benchmarking and performance monitoring to ensure that accredited line ministries retain their procurement capacity. The Government is hoping to complete its decentralisation of procurement over a five year period with support from several donor financed projects including the Public Administration Capacity Building Project and the Public Finance Management Reform Project.

The following quote is taken from a World Bank project document for a project in Afghanistan and provides a good summary of the current situation with regard to procurement and where they are positioned on the road to reform.

*"With donor assistance, Afghanistan has made considerable efforts to establish the legal and regulatory framework for public procurement over the last five years. ...While the law provides a very modern legal system for procurement, effective implementation of the law may encounter difficulties in the current weak institutions and capacity of the government. A PPU has now been established under MOF to ensure implementation through the creation of secondary legislation, standard documents, provision of advice, creation of information systems...."*¹⁰

Lessons learned

Afghanistan is the only country included in our profiles that is in a state of conflict. Security remains a huge issue in the country and it has an impact on the development of every sector in the country including public sector administration. There are several lessons which can be drawn from the country.

- A key lesson is the difficulty of implementing a multi-sector reform initiative in a country that is operating under extreme conditions. Nevertheless, it was recognised early on that providing for secure, efficient procurement was a key component of the development efforts in the country and this was the driver behind the hiring of a **PA** to help provide this key function while other governance structures and functions in the public administration were under development.

¹⁰ "Procurement Arrangements, Afghanistan Sustainable Management of Natural Resources Project" dated March 2011.

- Ensuring that the Procurement Agent is contracted to develop government counterpart **capacity** is important to ensure the ability in the future to transition procurement to the country system. We have seen from the Afghanistan case that this is still very much in process even after nearly ten years of re-engagement by donors in the country. The Procurement Agent began the process of developing government counterpart capacity and created a core of local procurement specialists that have been critical to the on-going reform effort in the country.
- Although there were clear reasons initially for establishing the dual budgeting system, it is clear that this has provided a "safe haven" for donors funds and is now seen as undermining public confidence in the government as the majority of funds are still passed through the external budget using donor driven systems or are run through donor managed systems for implementation of the core budget.
- Human **capacity development**, as seen in most countries still in the process of reform, remains a critical issue that has yet to be well addressed. The Afghanistan approach which is based on an **accreditation** program linked to a comprehensive training strategy to ensure that ministries have needed and demonstrated capacity before **decentralisation** of authority and responsibility takes place is an important model that will help ensure quality performance after decentralisation. The fact that performance will be monitored after decentralisation is another good practice.
- **Corruption** and the perception of corruption are destructive to implementing procurement reforms and have a major impact on donor's willingness to rely on country procurement systems. In Afghanistan, corruption is seen as increasing and has slowed reforms.

Brazil country profile

Country context

Brazil currently has one of the world's ten highest GDPs (2009 GDP = USD 1,796 trillion) and is the largest country in area and population in South America. In the five years between 2003 and 2008, Brazil's economy grew at a rate of 4.8% annually while managing to keep average price inflation at just over 5%. However, Brazil has had a history of economic turmoil that included high inflation and excessive debt. Reforms that began in the 1990s created sound macroeconomic and social policies that have resulted in an extended period of stability and growth, including providing the ability for Brazil to weather the global financial crisis, emerging from the slowdown in 2010 with relatively minor effects and a projected growth rate of 7%.

Although Brazil has immense natural resources and a strong industrial base, it has suffered from a wide gap between rich and poor. The quality of Government services in relation to expenditures remains relatively low compared to other middle income countries. Although poverty has fallen from 20% of the population in 2004 to just 7% in 2009, it remains a key concern of the Government. The Government's strategic objectives remain focused on keeping inflation low, developing and implementing well-focused social programs, increasing minimum wages, and ensuring a consistent rate of economic growth. Key elements to implement this strategy include: fiscal and public sector reform; private sector development; infrastructure for development and poverty reduction; human capacity development; rural and agriculture development; and economic and environmentally

sustainable development of the Amazon¹¹. The achievement of the Government's strategic objectives is firmly supported by a commitment to improving the capacity and performance of its public procurement system, both at the central government level and with increasing interest, at the state level. Brazil has developed a world class e-GP system and has engaged in modernising its public procurement system in a range of areas that contribute to not only to the strategic objective of achieving fiscal and public sector reform, but also as a key contribution to private sector development and poverty reduction. In 2008, Brazil became a candidate country for the World Bank's use of country procurement systems(UCS) piloting program with a specific focus on the state of Sao Paolo, one of the largest in Brazil.

Procurement modernisation in Brazil

A 2004 Country Procurement Assessment Report¹² included the following paragraph:

"Brazil can be regarded as a mature country in terms of its economy and technology, with very active industrial segments. Furthermore, the Brazilian Public Administration is highly developed in many areas, including financial management and control of public assets. The reengineering experienced by the public sector over the last decade is a model for other developing countries."

We include Brazil among the countries profiled as an example of a country that pursued procurement reform as part of its own strategy and at its own initiative in order to obtain the benefits a well performing system provides to the overall performance of the public sector and improved delivery of services to the public. **The role of donor organisations in this process has been primarily in providing advice and technical assistance with regard to global good practices in the area of public procurement.**

At the time of the 2004 CPAR Brazil, at the federal government level, was investing more than US\$5 billion in goods and services alone with many more billions invested in civil works. With such significant investments and procurement transactions flowing through the procurement system, the benefits of a better performing procurement system were clearly recognised.

Brazil has a long history of reform in the procurement area with laws or decrees being promulgated in the late 1960's, mid-1980's and again in 1993. While this process of building a legal framework for procurement was taking place, it was also resulting in some negative outcomes. The law issued in 1993 was complex, very detailed and reflected the legalistic traditions of the Brazilian public administration. It had originally been promulgated in response to public concern about corruption. However, after ten years of implementation under this law, it was found that more than 50% of federal procurement was being undertaken using non-competitive procurement methods in order to avoid the complex and protracted process established under the law.

In the period 2000-03, Brazil began introducing more technological innovations to the business of government, including the introduction of **reverse auctioning** for the purchase of off-the-shelf goods and non-complex services. By 2004, use of this simplified method of procurement called "pregao" was being supported by technology and had reduced the number of contracts awarded through non-competitive methods by 20%. The reverse auction procedure in Brazil has now been

¹¹ "Brazil Country Partnership Strategy"

¹² "Brazil Country Procurement Assessment Report", March 2004.

largely automated under the COMPRASNET e-GP system. A quick look at the key features of the reverse auction system used in Brazil follows:

- Requires wide advertisement of the bidding opportunity, increasing competition
- Gives weight to economy and efficiency, but respects formal requirements
- The lowest priced bid is determined after the discounts are offered and is reviewed on a post qualification basis to ensure that the bidder meets the qualification requirements thus reducing challenges to the process and resulting delays
- Public servants called "pregoeiros" operate the system and are professionals who have received intensive training and must be accredited.

Despite the many progressive features noted in 2004 that were being implemented to improve the procurement process, there were still areas noted where improvements were needed. Brazil has a strong control environment and as noted above, a rigorous legal framework created by the 1993 law. An unwanted result of a system overly focused on process is that frequent **complaints** were submitted often for insubstantial reasons and participants used the system to gain advantage during long delays created by the administrative and judicial procedures in place to address complaints. Developing a more efficient system for handling complaints and for handling disputes once contracts were awarded was recommended.

Some of the additional recommendations generated by the 2004 CPAR included: (i) creating a normative oversight body that would consolidate typical procurement responsibilities within a single entity; (ii) creating a procurement career stream that goes beyond the "pregoeiros" who manage the reverse auction process; (iii) improving procurement planning and contract administration to reduce delays, over billing and poor payment practices; and (iv) developing standardised procurement documents.

In 2008, Brazil was nominated as a candidate country for the World Bank's (UCS) piloting program and it was further determined to look at the state of Sao Paulo as a sub-national government that was directly involved in implementing World Bank-financed projects that would provide potential UCS pilot projects. The Brazilian Federal Government and the Government of Sao Paulo both underwent an assessment using the OECD/DAC MAPS benchmarking tool as part of the UCS methodology. The results of the assessment presented an interesting contrast between countries that have only recently reformed the key elements of their public procurement system often at the urging of external donor organisations and countries like Brazil that have a long tradition of development and modernisation based on their own internal drivers for change.

The assessments found that procurement operations at the federal level and at the state level in Sao Paulo are sound and consistent with the international standards reflected in the OECD/DAC MAPS¹³. Specific findings concluded that:

- The operations are competition based and provide open, fair procedures that include the right to protest government decisions and right to appeal decisions to an independent entity.

¹³ "Assessment of the Procurement Systems of the Brazilian Federal Government and the Brazilian State of Sao Paulo" dated December 2010

- The system allows domestic and foreign bidders to compete for government contracts under equal conditions.
- The system is evidence-based and data driven; subject to proactive management using accurate information that is captured by e-GP and provides integration of the logistics chain from planning to final payment thereby linking procurement and financial management.
- The system operates within a strong control environment.
- Agencies have capacity and appropriate internal controls with procurement implemented by staff that are competitively recruited and well compensated.
- The procurement system is transparent and implemented in the context of an active and engaged private sector and civil society.

The in-depth analysis of the Brazilian federal system and that of the state of Sao Paulo was facilitated by the use of the MAPS tool, allowing the identification of remaining issues that would benefit from further consideration and modernisation. The remaining concerns identified below do not undermine the basic capacity of the system or its adherence to the fundamental principles that define a well functioning system. Some areas where further development would benefit the overall system include:

- Development of outcome based performance evaluation of procurement staff.
- Reducing costs associated with obtaining credit for private sector entities in order to improve access to the government marketplace.
- Continue to increase the use of technology to facilitate aspects of contract management such as inspection and acceptance of goods, and applying available software to manage warehousing logistics.
- Improve the appeal mechanism which currently can be time consuming and costly by establishing timeframes for the designated appeal body to issue decisions.
- Consider expanding the use of arbitration in public contracts to resolve disputes arising during contract implementation. This technique is currently only applied in concessions and public private partnerships or where the government is a shareholder in a company.

Lessons learned from Brazil

Brazil is a country recognised for the consistent strides it has made in developing systems and governance capacity to a point where it serves as an example of resolving persistent problems of high inflation and debt that have plagued its economic development in the past. Brazil has had a stabilised procurement environment under the law introduced in 1993. As a result of economic and governance stability since the 1990's, the focus of governance reform including in the public administration has been on improving efficiency, transparency, and economic returns. A few specific lessons have emerged.

First, Brazil has made very effective use of technology to bring greater **efficiency and effectiveness** to its procurement procedures. By implementing the e-GP method of reverse auctioning, the government has increased transparency and reduced the number of complaints and delays that once plagued the procurement system. It should be noted that the use of technology to support procurement and improved performance is also evident at the state level. The case of Minas

Gerais, a state in Brazil, is covered in some detail in the section on performance measurement and monitoring.

Brazil, as a large country with many large and economically independent states, has effectively **decentralised** procurement allowing the states to develop effective and efficient procurement systems that remain within the broad coverage of the national legal framework, but still develop efficient systems to serve the needs at the state level.

We learn from Brazil that a confining legal environment can have negative impacts. This was seen in the avoidance behaviour of the 1990s following the promulgation of the 1993 law which led to an over use of less competitive methods in order to avoid delays associated with full and open competition.

Some aspects of the Brazilian system as embedded in its strong legal framework, including the Constitution, making change more difficult to implement. For example, the right for any citizen to take a complaint to the Federal Court of Accounts (TCU) and stop a procurement process (without limitations) while the complaint is considered is a right that is contained in the highest laws in the country. Recently, Brazil has put forward a change which will add time limitations for this process that is protected by the Constitution.

Brazil presents an example of a country that has implemented the typical first stage modernisation and reform initiatives (law, organisation and initial capacity development) and moved forward on implementation of the changes more typical to mature systems that seek to improve performance, continue to develop capacity, and integrate the use of technology to increase efficiency, transparency and achievement of value for money.

Ghana country profile

Country context

The Republic of Ghana has a population of 23.8 million and based on the 2009 gross national income per capita of USD 1 190 is considered a low-income country. The Ghana Co-ordinated Program for Economic and Social Development outlines the national development priorities. It was translated into the Ghana Poverty Reduction Strategy (GPRS I, 2003-2005) and the Growth and Poverty Reduction Strategy (GPRS II, 2006-2009). The main thrust of the recently updated Coordinated Program 2010-2016 is to transform the economy for accelerated growth and job creation through accelerated human resource development, agricultural modernisation, value-added processing of Ghana's natural resource endowments on the back of the new oil and gas resources and leveraging the multi-sector infrastructure platform. The implementation will be undertaken through Medium-Term National Development Policy Frameworks. The Ghana Shared Growth and Development Agenda (GSGDA) 2010-2013, covers the first phase. The objective is that by 2016, the economy will have achieved the sustainable and accelerated value-adding growth required to raise the per capita income to a minimum of USD 3,000 by the year 2020.

Already today, Ghana is one of the best performers in sub-Saharan Africa when it comes to the business environment. It is currently ranked # 5 in Africa on ease of doing business and ranked # 67 worldwide.

Since 2003, Ghana has been actively involved in the work of the OECD/DAC-World Bank Roundtable on Strengthening Procurement Capacities in Developing Countries and the Joint Venture on Procurement, which preceded the Task Force on Procurement. With assistance of the Swiss Government, Ghana developed a methodology for the assessment of **compliance and performance** of procuring entities referred to as the Public Procurement Model of Excellence (PPME).

Procurement modernisation in Ghana

The Government of Ghana embarked on its exercise to reform the public procurement system in 1996 as an integral part of a wider Public Financial Management Reform Program. Based on identified shortcomings and organisational weaknesses inherent in the country's procurement system and informed by a CPAR prepared by the World Bank and other development partners in late 2002/beginning 2003, the Public Procurement Act (Act 663) was drafted and came into effect in January 2004. The Act laid the foundation for a comprehensive public procurement system taking into account the country's decentralisation policy and local industry development and created some immediate impact:

- The Act established procurement structures, rules, and tendering procedures. Each entity is to have a tender committee to ensure compliance with the Act, and Tender Review Boards have been established to provide concurrent approvals for recommendations for contract award made by tender committees.
- The Public Procurement Board, later renamed Public Procurement Authority, was established as the central body for policy formulation on procurement with oversight responsibility for the process.
- The Appeals and Complaints Panel was established, aimed at providing a fast track mechanism for the administrative review of public procurement decisions.
- Standard bidding documents were developed to harmonise procurement proceedings.
- A training needs assessment was carried out in 2006 and an expansive short term training program based on 25 modules was developed and rolled out in 2007 targeting public officials, private sector and national oversight bodies.
- The PPME tool was piloted and used to carry out annual assessments on compliance and performance at the entity level.
- A software package was developed to improve procurement planning.

In 2007, as part of a broader assessment of the Ghana public financial management system, the government and development partners with assistance of a team of consultants carried out an assessment of the Ghana public procurement system, Ghana being among the first countries to apply the OECD/DAC Assessment Methodology. The assessment findings confirmed that substantial progress had been achieved since 2003. While the Ghana procurement system ranked above average, challenges remained. Key issues included:

- Some provisions in the Public Procurement Act (PPA) had proven to require adjustments and the Public Procurement Regulations had not yet been formalised,
- While the PPME tool was found to be an innovative and valuable tool to monitor public procurement performance and practices at the entity level, the tool and its application required some refinements to ensure validity, relevance, and reliability of data, such as

improved sampling methods, modification of some formulae, strengthened qualification of assessors, and improved quality assurance.

- A **career path** for development of procurement professionals and practitioners in the public/civil service had been designed but lacked implementation in order to create an **incentive system** for procurement professionals from a monetary and status point of view and also linking career decisions with staff performance appraisal reports.
- The current architecture of entity tender committees and tender review boards did not allow for expedient processing of procurement transactions resulting in a need to simplify the current architecture for more swift and flexible operations of these structures.
- The Appeals and Complaints Panel was not fully operational yet. It lacked procedural rules and decisions made by the Panel were not published.
- Public officials lacked the required skills to perform procurement related tasks. Short term training programmes had just been started. No sustainable procurement training programs were in place. Key stakeholders such as the private sector and audit institutions lacked procurement expertise.
- The Public Procurement Bulletin was not published regularly and there was no central website that would provide transparency on contract opportunities, contract awards, and procurement plans.

An action plan was developed to further strengthen Ghana's public procurement system. PPA incorporated the actions required in its three-year strategic plan and key actions were also referred to in the Ministry of Finance's Short-Term and Medium-Term Action Plan for PFM of January 2006. The thrust of both these programs is to mainstream the new processes across the whole of the public sector, consolidate the oversight and appeals mechanisms, develop capacity, and strengthen information systems. The PPA Draft Strategic Plan 2009-2011 encompasses the following goals:

- i) A well positioned PPA to administer the public procurement system;
- ii) Maintain a world class, efficient and effective public procurement system;
- iii) Ensure compliance with the requirements of Act 663, and
- iv) The public procurement system should enjoy the confidence of local businesses.

Ghana's request to be considered as a candidate country under the World Bank use of country procurement systems piloting program, provided another opportunity in 2009/2010 to use the OECD/DAC Assessment Methodology for measuring progress and benchmarking the national systems with international good practice. A brief summary of accomplishments since 2007 follows:

- PPA implemented a comprehensive short-term training programme. In total, approximately 9 000 people were trained. The courses were targeted to procurement practitioners, members of tender committees and tender review boards, private sector representatives, and staff of oversight institutions. In addition, with support of donor grants, specialized contract management courses were offered.
- 400 procuring entities were trained to use the newly developed web-based procurement-planning tool to strengthen linkages with the PFM system.

- The PPME tool was refined and the annual assessment of compliance and performance was extended to include 760 procurement entities with special attention attributed to the performance of the 23 high spending entities.
- PPA launched an e-GP Bulletin to more efficiently disseminate procurement information.
- More than 250 internal audit units were constituted and a specialised procurement audit unit was established at the Ghana Audit Service to strengthen internal and external controls. More than 200 internal audit staff and 35 core staff of the Ghana Audit Service were trained to perform procurement audits.
- The PPA website became an important platform for disseminating procurement information, where resolved appeals and complaints cases are also published.

The 2009/2010 assessment also highlighted opportunities to further increase efficiency and effectiveness of the public procurement system. A capacity development action plan is in the process of being developed.

More recently, PPA had reason to report some decisive breakthroughs in its efforts to develop the capacity of procurement officials: Curricula and Modules for three categories of procurement training developed with assistance from the Millennium Development Authority (from 3-months training courses for practitioners to 4-year bachelor's courses) were presented to the National Accreditation Board to be used as standards for the accreditation of courses offered by tertiary institutions. To date, a total of 158 students have enrolled, and in the academic year 2011/2012 some 8 local training institutions are expected to offer these courses. An internship programme including 817 participants was instituted providing a hands-on experience in public procurement management for purchasing and supply students who are selected and attached to public institutions during their long vacations and encouraged through regular monitoring and financial support system. Also, the Public Services Commission is in the process of finally passing the document to establish a **career path** for procurement professionals. In particular the Local Government Services are pushing to have this class established within its ranks because their entities are in urgent need of qualified procurement personnel. Besides, the advance towards e-GP is gaining momentum. The PPME tool is in the process of being put online. Once it becomes fully operational, the entities will carry out their self-assessment with PPA verifying the data posted. Another challenging project launched with the assistance of the Swiss Government is the **Sustainable Procurement Project**, which aims at considering environmental and social criteria apart from economic, as requirements in the procurement process for the selection of suppliers demonstrating the Government's commitment to sustainable development.

Lessons learned from Ghana

The following lessons can be learned from the Ghana procurement reform process:

- Procurement reforms go in waves. The "second generation of procurement reform" takes a long time. In particular, barriers related to the amendment of procurement laws seem to be difficult to overcome. Also, reform initiatives cutting across several public service institutions such as establishing a **career path** in the public service are hard to maintain. It becomes clear that procurement reform cannot be left to the Procurement Regulatory Agency alone but needs to be put high on the Government agenda and requires joint efforts to speed up implementation.

- Procurement reforms require appropriate **funding**. Projects sponsored by donors are usually started and pursued with enthusiasm and show faster results. When the routine annual administrative budget is constrained, extra efforts needed to undertake procurement reforms remain unfunded providing no resources for staff or consultants to work on procurement reform.
- The national **decentralisation** strategy poses an extra challenge to the development of a well-functioning country procurement system since it stresses the available capacity to the extreme and requires enormous efforts to develop capacity and monitor compliance and performance at all levels of government.
- Building a robust or even a “world class” procurement system as proclaimed as Ghana’s goal is a comprehensive task since **public procurement is embedded in a country’s public service, governance and incentive structure**. Given the fact that the process of building the national procurement system only systematically started in 2004 when the Public Procurement Act came into force, the Ghana procurement system can be considered to still be in a consolidation phase.

Indonesia country profile

Country context

Indonesia, an archipelago of 17 000 islands covering an area of 1 919 440 sq km, has a population of 230 million. Learning from the lessons of the Asian financial crisis of 1997, Indonesia has embarked on an era of reforms. Decentralisation, for example, has been undertaken at a rapid pace. Driven by a desire to achieve higher economic growth and sustainable development as well as poverty reduction, regions and cities have become key administrative units responsible for providing most government services. In terms of spending, Indonesia is one of the most decentralised countries in the world.¹⁴ Following a period of consolidating democratic institutions and returning to political and macroeconomic stability (2004-08), Indonesia emerged as a confident middle-income country.¹⁵ Its real GDP has been growing at 5 to 6 percent annually since 2002 and the gross national income per capita reached USD 2 050 in 2009.¹⁶ The fight against corruption has moved to the centre of the government’s programme and relevant institutions have been strengthened. While Indonesia is doing well, it could be doing better across the areas of poverty reduction, service delivery, and governance. In 2007, nearly half of Indonesia’s population was still either poor or had per-capita consumption levels of less than one-third above the national poverty line. Employment growth has been slower than population growth. Public services remain inadequate for a middle-income economy and many regions are lagging behind.¹⁷ In its 2010-2014 National Medium-Term-Development Plan, Indonesia outlined the challenges faced by national development and has broken down its vision into 11 national development priorities. Priority 1 – Reform of the Bureaucracy and Governance includes the strengthening of government structures and capacities at the central and regional level, harmonisation of laws and regulations at the central and regional levels, and

¹⁴ Snapshot Assessment of Indonesia’s Public Procurement System as at June, 2007

¹⁵ The World Bank: Country Partnership Strategy for Indonesia 2009-2012

¹⁶ The World Bank: GNI per capita (Atlas method, current US\$)

¹⁷ The World Bank: Country Partnership Strategy for Indonesia 2009-2012

increasing the integration and integrity of applying and enforcing the laws by all institutions and the law apparatus.¹⁸

Procurement modernisation in Indonesia

The CPAR of 2001 included the following paragraph: "From all accounts, the public procurement system in Indonesia does not function well. It is not market driven, has been prone to misuse and abuse, and reduces value for money for public funds."¹⁹ Concerns were raised in the report that the deficiencies identified could become even more serious with the devolution of government functions to sub-national levels under the decentralisation programme underway. The following is an extract of the issues raised:

- Multiplicity of legal instruments regulating different aspects of public procurement constituting confusion and resulting in a low level of transparency
- Absence of a single agency with a mandate for procurement policy formulation, compliance monitoring, and for ensuring clear and enforceable sanctions
- Weak compliance with existing procurement rules and procedures, lack of oversight and enforcement
- Existing regulations leading to market segmentation, i.e. limiting competition
- Lack of capacity at all levels (working level, tender committees, approving authorities)
- Absence of a cadre of project managers and procurement practitioners and of a career stream in the civil service for project and procurement management
- Uneconomic packaging of contracts and insufficient advertising
- Wide spread corruption and collusive practices
- Lack of follow up on procurement complaints, no systematic monitoring of compliance with the procurement principles, rules and procedures.

Based on these findings, the Government of Indonesia committed itself to the Consultative Group on Indonesia, a consortium of countries and institutions providing loans to Indonesia, to ensure that the same standards for procurement are applied at national, provincial and district levels. It also committed to establish a National Public Procurement Office (NPPO) to formulate procurement policy, enhance and monitor compliance, and to support the formulation of a public procurement law.²⁰

The National Development Planning Agency (Bappenas), still responsible for procurement reform, established a steering committee and working groups responsible for legal and policy, institutional, and human resource development. As a consequence, Presidential Decree 80/2003 was issued as a national standard regulation. It mandated the public announcement for tenders in national newspapers; established market oriented competition by removing market segmentation,

¹⁸ Regulation of the President of the Republic of Indonesia Number 5 of 2010 regarding the National Medium-Term Development Plan (RPJMN) 2010-2014.

¹⁹ The World Bank: Indonesia Country Procurement Assessment Report. March 27, 2001.

²⁰ The World Bank: Indonesia. Country Procurement Assessment Report. March 27, 2001.

and simplified procurement procedures by encouraging post qualification for tendering. Bappenas also established an interim “Center for Development of Public Procurement Policy” which focused on the future establishment of an NPPO and became the Government’s central focal point and driver for ongoing public procurement reform initiatives.²¹

In 2007, Indonesia agreed to participate in the pilot test of the OECD/DAC benchmarking methodology for the assessment of national procurement systems. The assessment focused primarily on the national regulation (Presidential Decree 80/2003). It confirmed that an improved national public procurement regulation was issued in 2003, which promotes the basic principles of procurement such as transparency, open and fair competition, efficiency, effectiveness, non-discrimination, and accountability and was generally regarded as reflective of acceptable international practice. It also highlighted a newly developed test for basic level certification and a code of ethics that had to be signed by all procurement practitioners.

Overall, Indonesia’s public procurement system scored about 62 % in comparison to the generally accepted standard model. Among the weaker macro-indicators were the functionality of the procurement market, the efficiency of the appeals mechanism, the existence of institutional development capacity, the legislative and regulatory framework, and mainstreaming and integrating the procurement system into the public sector governance system. The following table illustrates in more detail the weaknesses that were identified under each pillar:²²

Assessment Findings 2007: Key weaknesses identified	
Pillar I: Legislative and Regulatory Framework	<ul style="list-style-type: none"> • The rapid change to decentralisation created overlapping jurisdictions • The regulation does not mention participation of foreign firms • No administrative review mechanism by an independent body • No mandatory Standard Bidding Documents • No unique procurement manual
Pillar II: Institutional Framework and Management Capacity	<ul style="list-style-type: none"> • Procurement planning and data on costing not part of the budget process • National Public Procurement Office not yet established (only interim solution) • Limited system in operation for collecting and analyzing data • Computerised basic level tests conducted to test practical knowledge of procurement and basic knowledge of Presidential Decree 80/2003, but no formalised certification programme established yet • Training materials to be revised as a result of Presidential Decree 80/2003 • No quality assurance or staff performance evaluation systems
Pillar III: Procurement Operations and Market practices	<ul style="list-style-type: none"> • No systematic matching of skills against requirements in recruitment of procurement staff • Weak capacity of suppliers/contractors to participate in public procurement, no capacity development programmes for private sector • No well established mechanisms for public private partnerships • Limited competition (only 5 percent of the country’s suppliers/providers are involved in government procurement) • Collusive rings
Pillar IV: Integrity and	<ul style="list-style-type: none"> • Complex and confusing audit structure resulting in inefficiency and high

²¹ Procurement Reform Program Indonesia. Presented by the National Public Procurement Agency/NPPA, Hanoi, 30 Nov – 1 December 2010

²² Snapshot Assessment of Indonesia’s Public Procurement System as at June, 2007

Transparency of the Public Procurement System	<p>overhead costs and being ineffective due to weak capacity and limited procurement expertise</p> <ul style="list-style-type: none"> • Corrupt practices by public auditors • No independent and transparent complaints mechanism in place • No high level law defining responsibilities, accountabilities and penalties for individuals and firms engaging in fraudulent and corrupt practices in procurement
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Based on the assessment results, a strategy on how to manage the risks associated with the country's public procurement system was developed. The strategy addressed the potential risks, the effect of these risks and their causes, and led to the following list of mitigation measures to be pursued (among others):

- Create National Public Procurement Office
- Mandatory use of Standard Bidding and Contract Documents
- Create capacity development programmes for all participants including private sector and auditors
- Set up a system to monitor public procurement performance
- Set up e-GP systems and ensure mandatory use for advertising
- Set up independent mechanism to handle complaints
- Review salary structures

Consequently, the National Public Procurement Authority (NPPA) was established in December 2007 and capacity development as well as the deployment of a single, standard national e-GP system has become one of its key focus areas. Donors, foremost the Australian Agency for International Development (AusAID), Asian Development Bank (AsDB) and World Bank have been providing assistance for the implementation phase: Since 2009, a master plan for Human Resource Development was developed including **accreditation, incentives, and a career path** for procurement practitioners. **Compliance and performance indicators, a complaints mechanisms** and new regulations were also developed.

Electronic Government Procurement (e-GP) - is another area where noticeable progress has been achieved. The Indonesian e-GP system consists of e-tendering and e-purchasing (through an e-catalogue). The scope of tendering includes the tender process from tender announcement to the awarding of contracts. Whereas NPPA is developing the system, e-GP Service Units (LPSE) have to be established by local governments to perform the e-tendering process. Some 200 LPSE (out of an estimated target number of about 600) have already been created and the system is increasingly being used: The number of e-tenders has increased from 33 in 2008 to 1,725 in 2009 and to 6,190 in 2010. About 2700 procuring entities and more than 52,000 suppliers have been registered for participation. By 2012, all government institutions (central and local) must gradually implement e-GP. Given the fact that procurement expenditures account for 24.6 % of government expenditures (2010), NPPA is confident that e-GP will result in increased transparency, competition, and savings. **In 2010, contract prices were 11 % below cost estimates.**²³

²³ Procurement Reform Program Indonesia. Presented by NPPA, Hanoi, 30 Nov – 1 Dec, 2010

With TA funded by the Japan Fund for Poverty Reduction and implemented by AsDB, the current system will be improved to fully integrate with an oversight and monitoring system, and an audit and evaluation system. Other key outputs to be achieved through this TA project include the improvement of NPPA's institutional capacity, strengthening of the professional skills of public procurement practitioners nationwide including formalising the profession, and improvement of the current website to support effective and efficient delivery of public procurement information to the general public. Upcoming initiatives include creating national procurement tools and indicators and conducting pilot surveys in several ministries and provinces, and based on an in-depth institutional analysis, further developing NPPA's functions and structure. By 2012, it is envisaged to have a Public Procurement Law with supporting regulation (government regulations, manuals, standard bidding documents) in place.

Lessons learned from Indonesia

The following lessons can be learned from the Indonesian procurement reform process:

- **Decentralisation** has a significant impact on the number and type of institutions involved in procurement. In Indonesia, the number of institutions involved in procurement has multiplied along with the number of regional governments.
- In Indonesia, where 40% of the state budget for public spending is provided to regional governments and about 80% of the budget is spent through public procurement mechanisms (2009), **procurement capacity at the sub-national level plays a significant role in service delivery.**
- Various applicable laws, decrees, and regulations easily lead to overlapping jurisdictions and create confusion. The use of a standardised procurement system including nationwide **e-GP tools** is particularly important in a decentralised environment to ensure accountability, transparency, and a competitive open market place. Opportunities for controlling corruption and collusion can be significantly improved.

Kenya country profile

Country context

The Republic of Kenya is a sub-Saharan country in East Africa with a population of approximately 39 million residents, an increase of 35 percent over the last decade. Its economy is the largest by GDP in East and Central Africa. Kenya's capital Nairobi is a major commercial hub. While the prevailing macro-economic conditions between 2003 and 2008 helped improve the welfare of Kenyans, rural and urban poverty remain a challenge. Gross national income (GNI) per capita is USD 760 (2009). An estimated 46 % of Kenya's population lives below the poverty line.²⁴

The Kenyan Government's failure to meet commitments related to governance led to a stop-start relationship with the International Monetary Fund (IMF) and the World Bank, both of which suspended support in 1997 and again in 2001. In 2002, the Government of Kenya began an ambitious economic reform programme and resumed its cooperation with the World Bank and the IMF

²⁴ The World Bank: Kenya: Country Brief.

following the enactment of the Anti-Corruption and Economic Crimes Act, the Public Officers Ethics Act, and other reforms especially in the judiciary and in the field of public procurement.²⁵

In 2008, Kenya experienced four shocks in short sequence: the post-election violence of early 2008; oil and food price increases; the global financial crisis; and its worst drought in a decade. The latest Global Competitiveness Report (2010-2011) identifies corruption, access to financing, infrastructure, inefficient government bureaucracy, inefficient supply of infrastructure, and crime and theft as the most problematic factors for doing business in Kenya.²⁶ Following the post-election crisis, the Kofi Annan-led political settlement set out a reform agenda focused on constitutional, electoral, land, and institutional reform as well as increased accountability for corruption and political violence. On August 4, 2010, a new constitution was approved in a referendum with a 67 percent majority vote and the Government is now focusing its attention on the enormous policy and legislative agenda that must be completed to ensure implementation.

Procurement modernisation in Kenya

Kenya's Government procurement system was originally defined in the Supplies Manual of 1978, which was supplemented by circulars issued from time to time by the Treasury. Several tender boards were created for tender awards. In 1999, a review of the country's procurement system was undertaken and found the following shortcomings:

- There was no uniform procurement system for the public sector.
- The system lacked sanctions or penalties against those who breached the regulations leading to weak compliance with the established rules and norms.
- The Supplies Manual did not cover the procurement of works.
- The dispute settlement procedure was weak and unreliable for ensuring fairness and transparency.
- Records of procurement transactions were often found to be inaccurate or incomplete or absent, which led to suspicions of dishonest dealings at the tender boards.
- Institutional weaknesses undermined the system's capacity to achieve value for money.

In 2001, Public Procurement Regulations were issued under the Exchequer and Audit Act unifying all the circulars that had previously governed public procurement, but the public procurement system still experienced institutional weaknesses. The landmark in public procurement reforms came when the Public Procurement and Disposal Act, 2005 and supplementing regulations become operational in January 2007. The Act introduced new procurement standards and established the Public Procurement Oversight Authority (PPOA) to monitor the functioning of the public procurement system, formulate policies and tools, initiate procurement training and professional development and provide continuous support to procuring entities. Also, the Public Procurement Administrative Review Board was established within PPOA to review complaints and

²⁵ Assessment of the Procurement System in Kenya. Public Procurement Oversight Authority. October 2007. Edition: Final Version. Prepd. Ramboll Management A/S.

²⁶ World Economic Forum: The Global Competitiveness Report 2010-2011

the Public Procurement Oversight Advisory Board was created to advise PPOA on the exercise of its powers and functions.

In line with the country's public procurement reform agenda, Kenya committed to become one of the 22 countries participating in the pilot testing of the new Methodology for the Assessment of National Procurement Systems developed by the OECD/DAC Joint Venture on Procurement. The assessment conducted with assistance of a team of consultants in 2007 included a baseline indicators (BLI) assessment measuring the quality and formal features of the system and a CPI (Compliance/Performance indicators) assessment measuring the level of compliance and performance achieved in practice. Overall, the Kenyan system achieved an aggregated score equivalent to an overall BLI achievement level of 66 %. The introduction of a legal and regulatory procurement framework, the establishment of the PPOA as an oversight body, the development of a framework for contract administration and the new appeals mechanism are among the aspects of the public procurement system rated most positively. In contrast, the existing institutional development capacity in procuring entities and among training providers, and the functioning of the procurement market were assessed to be among the weakest aspects of the system. The following are the key weaknesses identified under each pillar:²⁷

²⁷ Assessment of the Procurement System in Kenya. Public Procurement Oversight Authority. October 2007. Edition: prepared by Ramboll Management A/S.

Assessment Findings 2007: Key weaknesses identified	
Pillar I: Legislative and Regulatory Framework	<ul style="list-style-type: none"> • No procurement manual in place • Some procedures require clarification such as pre-qualification and technical evaluation • Excessive thresholds for domestic preference and excessive use of quotations
Pillar II: Institutional Framework and Management Capacity	<ul style="list-style-type: none"> • Procurement planning not carried out systematically • Laws and procedures do not support timely procurement, contract execution, payment • Developed information systems not fully utilised (procurement planning, statistics) • Competence development needs not adequately addressed
Pillar III: Procurement Operations and Market practices	<ul style="list-style-type: none"> • Lack of specialised procurement expertise at procuring entities, no training offered • Poor record keeping practices • Low procurement capacity among private sector players
Pillar IV: Integrity and Transparency of the Public Procurement System	<ul style="list-style-type: none"> • Poor enforcement and follow-up on external audit recommendations, no specialised procurement audits, lack of procurement proficiency among auditors • Complaint review decisions not published • Limited access to procurement information • No Code of Ethics addressing procurement related issues.

Based on these findings, PPOA developed a five-year Strategic Plan (2010 – 2014), which is aligned with the objectives of Vision 2030, Kenya’s development strategy. The aim of the Authority is to continuously transform the public procurement system towards best international standards and practice **by enhancing transparency, efficiency, competition and avoiding wastage or resources**. PPOA supported by development partners has achieved a number of good results since its establishment in 2007:

- **Manuals and guidelines:** A general and several specific procurement manuals, as well as a new set of 14 standard tender documents, were prepared and distributed to harmonise procurement proceedings and ensure compliance with the law. Guidelines were formulated to facilitate the preparation of procurement plans, improve record keeping, engage procurement agents, and provide for debarment of firms.
- **Human Resource Development:** PPOA has disseminated the requirements of the procurement law and regulations to over 5,000 procurement officers in procuring entities and other stakeholders countrywide and has set a target to train 14,000 officers by 2014. The Authority also initiated long term, university level training for 17 procurement officers in key procuring entities and 16 PPOA staff members. More specific short-term training was provided to an additional 180 procurement officers. The training programme is embedded in the Capacity Development Strategy, which includes training manuals, a train-the-trainer programme and an e-learning programme.
- **Administrative Reviews:** According to the law, anyone who claims to have suffered or to risk suffering loss or damage due to the breach of a duty imposed on a procurement entity may seek administrative review. The Public Procurement Administrative Review Board carries out an average of about 70 reviews annually. In general, written decisions on the cases are issued after a hearing of the parties within 25 days after the entry of the request

for review and posted on the PPOA website. Approximately one half of the requests are successful, which is quite an impressive figure in comparison to the statistics of ordinary courts in the country and to procurement tribunals in other countries.

- **Compliance and Performance:** PPOA has developed a Procurement Audit Review Manual and continues to conduct procurement reviews and assessments in various procuring entities. The Internal Procurement Performance Measurement Tool (IPPMT) was developed for procuring entities to monitor their own performance. It is anticipated that the newly established price index for commonly procured items (a database which includes prices of 575 items) will further increase the efficiency and effectiveness of the national procurement system.
- **Access to information and information and communication technologies:** PPOA launched its website in June 2008 and continues to post up-to-date information regarding public procurement. The authority also maintains a tenders portal with information on procurement opportunities and contract awards of procuring entities. PPOA has finalised plans for implementation of e-GP in procuring entities.
- **Outreach: Kenya has been very active in engaging with international and regional procurement networks.** Several events of the East African Public Procurement Forum were hosted and the first meeting of the OECD-DAC Task Force on Procurement took place in Nairobi in 2010. At the national level, several actions have been taken to **raise awareness about public procurement** and the existence of PPOA among civil society (TV and radio spots/shows). Dialogue with the private sector has been strengthened by publishing a monthly supplement of the Kenya Procurement Journal in 3 nationwide newspapers with contract award information, tender opportunities and an editorial on specific procurement issues. Initiatives have also been undertaken to promote the involvement of SME's in public procurement.

Major challenges remain. First and foremost, the **availability of financial resources** to effectively implement PPOA's Strategic Plan is not secured. While the law provides for a capacity building levy to be imposed on procuring entities, plans for levy collection have not materialised. PPOA depends on budget allocations and additional funding from development partners. Another difficulty PPOA has faced in fulfilling its mandate relates to the appointment of Board members. The new appointment of the members of the Administrative Review Board was pending for a long period of time endangering the functioning of the review system. Currently PPOA is awaiting the new appointment of the Public Procurement Oversight Advisory Board.

There is still a constant need to develop the capacity of persons and institutions involved in public procurement in order to improve professionalism and to avoid corrupt practices in the country. In this regard, the roles between PPOA and the Public Procurement Department in Treasury have to be clarified since both institutions claim authority in the same area. As for the private sector, **many bidders lack adequate procurement knowledge** to take part in procurement: 37 % who received the invitation to tender did not submit a bid. Of the submitted tenders, 29% were eliminated in the preliminary evaluation and 45% in the technical evaluation initially limiting competition. The German Agency for International Cooperation (GIZ) supports PPOA in its capacity development activities. The approach is described in more detail under the Capacity Development Country Case for Kenya in Chapter 4.

Other areas that need attention in the future include the amendment of the Public Procurement and Disposal Act (PPAD) and supplementing procurement regulations in line with existing recommendations, an increased number of annual reviews and assessments of procuring entities to improve efficiency and effectiveness in procurement, the roll out of the IPPMT performance monitoring tool and the implementation of an e-GP system. A number of requirements such as the Code of Ethics, Guidelines for Public Private Partnerships, and Debarment Guidelines have been developed but have not come into force yet.

Lessons learned from Kenya

The following lessons can be learned from the Kenya procurement reform process:

- To achieve sustainable results, procurement reform and procurement capacity development need to go hand in hand.
- **Transparency is crucial.** If a system lacks transparency, it cannot be monitored and reviewed. The publication of procurement information and award decisions on a central website are important steps towards good governance.
- It is important to **link procurement legal reform with other judicial reforms** including measures to sensitise judges on procurement legislation.
- The **procurement review body should be independent** and strong. The composition of the Board and the appointment of its members should be regulated so as to ensure its proper functioning at all times.
- **Supporting the development of the supplier community** should go beyond domestic preferences and should include initiatives to develop suppliers to make them capable of participating in regional/international competition. It should also deal with barriers to participation such as bid bonds and complexity of bidding documents and processes.

Mauritius country profile

Country context

The Republic of Mauritius is an island nation off the coast of Africa in the southwest Indian Ocean, The country has been one of the stellar performers in the developing world over the past three decades thanks to sound policies and strong institutions. Today, Mauritius is an upper middle-income country with a gross national income per capita of USD 7,250²⁸. GDP per capita has quadrupled since 1980, reaching around USD 6,735 in 2009²⁹. The economy has demonstrated a great capacity to manage external shocks and preserve a stable path over time. As a result, macroeconomic aggregates have been generally under control, with stable fiscal, monetary, and external indicators.

While economic performance remains good by international standards, Mauritius is facing significant economic and social challenges as it is forced to transition from dependence on trade preferences to open competition in the global economy. To address these challenges, the

²⁸ GNI per capita, Atlas method (current US\$)D)

²⁹ GDP per capita (current US\$)

Government has presented the Additional Stimulus Package in 2008, and with the budget 2009, the largest public sector investment programme in the country's history was launched. The projections include an estimated growth rate of 4 % for 2010 and 4.2 % for 2011.

Mauritius is one of the best performers worldwide when it comes to the business environment. It is currently ranked # 20 out of 183 countries on the ease of doing business. Good Governance is a high priority to the Government.

The Country Assistance Strategy for Mauritius 2007-2013 was jointly developed by the Government and key donors and focuses on four pillars of reform: fiscal consolidation and improving public sector efficiency; improving trade competitiveness; improving the investment climate; and democratising the economy through participation, social inclusion, and sustainability.

Procurement Modernisation in Mauritius

Mauritius public procurement architecture has evolved over time from the UK inspired systems before independence to modern UNCITRAL based legislation. This process culminated with the Public Procurement Act 2006 (PPA)

PPA came into effect in 2008 together with the associated Public Procurement Regulations 2008 (PPR) and a User Guide. While the established Central Procurement Board (CPB) continues to have a vetting function for bid documents and an evaluation and award function for major contracts, the new legislation paved the way for gradually increasing capacity and authority of the procuring entities. The Public Procurement Office (PPO) was established to promote the continuing development and improvement of the public procurement system. An independent review mechanism was also introduced empowering dissatisfied bidders to challenge procurement proceedings. While the first review is normally carried out by the procurement entity, the Independent Review Panel serves as an administrative review body.

The following achievements can be highlighted:

- PPA and PPR provide a comprehensive legal framework to enable a well-functioning public procurement system. The Government has developed and published a set of national standard bidding documents (SBDs), which generally comply with international good practice. All procurement related laws, regulations, the user guide, and SBDs are published on the PPO website.
- Mauritius has put in place a sustainable capacity development programme. Classes at the University of Technology Mauritius range from a three-month Certification Programme in Public Procurement and Management, in which 400 public officials have already participated, to undergraduate and master's degrees in Purchasing and Supply Management. A distance-learning programme using an e-learning platform is being offered and the goal is to become a **knowledge hub for the region**.
- To professionalise the procurement function in the public service, a **career path** has been developed which defines qualifications and duties for seven different grades of the Procurement and Supply Cadre, from assistant to management positions. At the level of a senior procurement and supply officer for example, a diploma in purchasing and supply management is defined as an entry requirement.

- The **private sector is well organised** with the Joint Economic Council as an apex body. There are no major systemic constraints to access the public procurement market. Normally up to a certain threshold the local market generates appropriate participation in bids. Beyond that international competition is sought. The Government gives particular attention to small- and medium-sized enterprises (SMEs) and PPO uses its Annual Stakeholders' Forum as a platform for communication with the private sector. As another dimension to promote private sector participation in public sector projects, the Private Public Partnership Law was enacted in 2004 and a PPP unit was established.
- Multiple institutions are involved to ensure appropriate procurement oversight. PPO has the authority to oversee the overall functioning of the procurement system and regularly carries out procurement compliance and performance reviews. The Internal Control Unit, an independent unit functioning under the Ministry of Finance and Economic Development, carries out internal audit reviews for all ministries and departments and external audits are based on the Finance and Audit Act. Both, internal and external audits are performed applying International Standards of Auditing. Furthermore the Independent Commission Against Corruption, set up under the Prevention of Corruption Act, plays an important role in combating corruption, traffic of influence or conflict of interest in the award of contracts. The Competition Commission, on the other hand, has the power to investigate cases of bid rigging. The PPO collaborates fully with these two bodies in its effort to have a corruption free system in Mauritius.
- A challenge and appeal system has been established. A bidder who claims to have suffered or is likely to suffer loss or injury due to a breach of a duty imposed on a public body or the CPB may challenge the procurement proceedings at any time. Decisions of the Independent Review Panel are based on evidence, comprehensively written and regularly published on the PPO website. Between 2008 and 2010, in total 75 applications were received and reviewed out of which 31 cases were concluded in favor of the complainant.

The Government of Mauritius is strongly committed to build on the progress achieved and to further strengthen the system's performance in order **to achieve better value for money** and to increasingly empower public bodies by enhancing capacity. This commitment is reflected by forthcoming projects and events planned by PPO which address all four pillars of the procurement system including activities to further improve the PPA, develop a procurement manual as a tool for public bodies and establish framework agreements to address recurrent procurement. Mauritius has also volunteered to become a pilot country for the implementation **of Sustainable Public Procurement (SPP)**. An SPP tool has been designed by the Marrakech Task Force on SPP supported by the United Nations Environment Programme and Switzerland. It is a tool, which allows governments to leverage public spending in order to promote economic, environmental and social policies in the country. PPO has already set up a Steering Committee and constituted a Task Force comprising representatives of relevant public bodies, private sector, and NGO's to develop a country based SPP policy and action plan.

Throughout the modernisation process, Mauritius has repeatedly benchmarked its procurement system with international good practice. Being a member of the WTO, part of COMESA and a member of the Commonwealth Public Procurement Network, an assessment was carried out by COMESA using the MAPS Methodology. In 2009, the Government of Mauritius expressed its interest to further increase the effectiveness of the country procurement system by participating in the World Bank's use of country procurement systems piloting programme. The World Bank selected

Mauritius to be included in the pool of candidate countries and carried out detailed assessments which included the application of the MAPS Methodology and a review of national procurement principles, policies, procedures and standard bidding documents. To bring about the anticipated changes and the further modernisation of the procurement system, a high-ranking committee was established (Public Procurement Act Review Committee). Based on recommendations of the Review Committee, PPA 2006 will be amended and the institutional set-up be strengthened. The Government has developed an action plan, which targets the following areas:

- Strengthening the legal and regulatory framework
- Reorganising the institutional set-up to strengthen accountability, efficiency and transparency of public procurement.
- Improving the efficiency, effectiveness, and credibility of the challenge and appeal mechanism in order to issue binding decisions within a shorter time.
- Introducing an electronic procurement management information system
- Strengthening internal and external control
- Improving accessibility to information

Lessons learned from Mauritius

The following lessons can be learned from the Mauritius procurement reform process:

- International procurement standards are developing and thus **national procurement systems cannot stand still**. Even though a procurement law has already reached a fairly good level and was based on the United Nations Commission on International Trade Laws (UNCITRAL) model law, newly introduced features such as the complaints and appeals mechanism are vetted in practice and require fine-tuning to ensure continuous improvement of the national procurement system in line with emerging international good practice. The MAPS Methodology has proven to be a useful tool to detect areas that require further improvement.
- The **institutional set-up is very country specific**; it has a history and usually requires some time to evolve over the years. While the MAPS tool provides some guidance on independence, mandate, and powers of a procurement regulatory body and a complaints body, it does not provide much guidance on “who” should carry out the procurement functions. Should it be a centralised Procurement Body or should procurement be decentralised even to the tiniest public body? Is there an effective third way? Mauritius intends to empower its ministries and departments by improving their procurement capacities and transforming its Central Procurement Board into a quality assurance institution that also takes over some central procurement functions such as development of framework agreements. Applying the MAPS Methodology has helped to identify inefficiencies in the procurement cycle and lack of accountability at certain stages; also it has paved the way for improvements of the institutional set-up.
- **Political will and commitment at the highest level of Government is crucial**. The Prime Minister and the Minister of Finance of Mauritius have repeatedly highlighted the importance of a well performing national procurement system in order to step up implementation and ensuring value for money. The decision to establish a high-ranked

Public Procurement Act Review Panel has paved the way for the “second generation” of procurement reforms in the country, and it has significantly sped up the decision making process by involving all key stakeholders in the review process.

- Assessments conducted in consultation between partner country and donors can bring about change, which would be more difficult to achieve without external input. For example, the allocation of functions can create unintended systemic distortions in procurement operations, which affect the efficiency, transparency, and accountability of public procurement. **Issues that address and to a certain degree challenge established powers are difficult to assess and re-design solely from within the system.**

Mongolia country profile

Country context

Mongolia has made significant progress since its dual transition to democracy and a market economy in 1990, including a strong macroeconomic performance, high literacy and education levels, advanced public financial management, and a decline in the incidence of poverty. During the last 5 years, the per capita income has doubled reaching USD 1,630 in 2009. The country’s population (about 2.7 million) is widely dispersed over its vast land area.

Mongolia’s economy is increasingly mineral-based and its most significant development challenge is to ensure that mining revenues are translated into positive development outcomes for sustainable and broad-based development. This includes encouraging economic diversification, ensuring macroeconomic stability and sustainable infrastructure, regional and community development and strengthening governance across the mining value chain by promoting broader and more informed public accountability. Inefficient government bureaucracy, access to financing and corruption are considered the most problematic factors for doing business.³⁰

Procurement modernisation in Mongolia

Before and during the early years of transition, each Government ministry and agency conducted public procurement in Mongolia in a largely uncoordinated manner. The almost complete absence of any provisions regulating procurement resulted in wide variations in procedures. This situation was remedied in April 2000 by the introduction of a Public Procurement Law (PPL) and related procedures. A Central Procurement Office was created under the Budget Department in the Ministry of Finance, which was restructured and renamed as the Procurement Policy and Coordination Department (PPCD) in April 2001. The PPCD became responsible for all matters of public procurement with a direct reporting line to the State Secretary of the Ministry of Finance (MOF) and in implementing the new law significant amounts of procurement training were carried out. The Asian Development Bank and the World Bank supported these reform activities.³¹

The 2003 CPAR found the new procurement legislation comprehensive and sound but compared with procurement law in more industrialised nations, unnecessarily detailed. The CPAR recommended to limit procurement legislation to a framework of basic principles, approved by

³⁰ 2010 World Economic Forum: The Global Competitiveness Report 2010-2011

³¹ The World Bank: Mongolia, Country Procurement Assessment Report. September 12, 2003

Parliament, and to supplement the law with implementing rules and regulations that may be issued and easily amended from time to time under ministerial order. The law also contained some ambiguities and contradictions concerning its intended application and some articles which were not in line with good practice such as exclusion of foreign bidders, circumstances under which direct contracting is permitted, points scoring systems for goods and works bids. The following issues were also raised with a view to increase transparency and effectiveness in implementing the law³²:

- The PPCD, constituted as a working division within MOF to monitor and supervise the implementation of the law, lacked the necessary autonomy and credibility to fulfill its duties, and was faced with conflicts of interest through receiving instructions from higher level authorities within MOF who were themselves making procurement decisions.
- Ministry of Finance and Economy (MOFE) interpreted its responsibilities under the law to include undertaking virtually the whole procurement cycle from preparing bid documents, choosing the procurement method and advertising bid, through to evaluation and approval of contract awards. This led to inefficiencies resulting in misuse of resources, extra cost to the Government, delay, and overlapping responsibilities with line agencies.
- A country-wide initial training programme for about 4 000 government staff responsible for procurement was carried out, but it focused on the basic provisions of the PPL and more practical training was needed at all levels, from higher level authorities responsible for approvals who themselves were in many cases unfamiliar with procedures, to provincial and district authorities who were becoming more involved with procurement. Training was also needed for private sector companies and civil society to improve their understanding of bidding instructions and evaluation criteria.

Following the CPAR, the World Bank assisted the Government in improving efficiency in public procurement. As a result, the 2006 Procurement Law (PPLM) was a commendable improvement over previous legislation. With the 2006 law, MOF tried to reflect the findings made during the past 5 years of implementation of the law by procuring entities in all parts of Mongolia. The centralised procurement at MOF was changed by giving more authority to line ministries and to some extent to local governments. In order to do so, a no objection procedure was introduced for high value procurements. Further progress was achieved by establishing a panel of experts for reviewing complaints and by providing training and reducing conflict of interest cases at the level of evaluation committee members. The government's programme to privatise all state-owned-enterprises (except those providing exclusive and essential services to the state) led to a level playing field and a more competitive marketplace. When the CPAR was prepared, the private sector in Mongolia contributed about 75 percent of GDP compared to five percent in 1990.

A further amendment was made to the PPLM in February 2007. It included several substantive changes to the procedures to be applied under the Law and attracted significant criticism from the donor community. In particular, allowing direct contracting in the road and energy sector and restricting international competition by significantly increasing the financial thresholds for international competitive bidding (ICB) were among the issues discussed as being controversial.³³ As

³² The World Bank: Mongolia, Country Procurement Assessment Report. September 12, 2003

³³ PPCD, Mongolia: Pilot Exercise of the OECD-/DAC Joint Venture for Procurement. Results of the Benchmarking and Assessment of the Mongolian Public Procurement System, August 2007.

The World Bank: Procurement Reform in Mongolia. Background of the country context.

a result, due to the nature of direct contracting, competition and efficiency have been significantly reduced. Members of Parliament who thought that tendering was too time consuming and not the best method to select contractors in a developing country had played a role in initiating these amendments.

These weaknesses in the legislative framework affected the scores, when in August 2007 the OECD/DAC MAPS tool was applied for the first time to assess the quality and performance of the Mongolian public procurement system. The key weaknesses identified through the assessment of BLIs are summarised below for each of the four pillars³⁴:

Assessment Findings 2007: Key weaknesses identified	
Pillar I: Legislative and Regulatory Framework	<ul style="list-style-type: none"> • Maintenance of the national roads excluded from the scope of the law • Direct contracting allowed where open competition should be the preferred option • Effect of excluding foreign bidders • No single user manual
Pillar II: Institutional Framework and Management Capacity	<ul style="list-style-type: none"> • Procurement planning not part of the budget process • No comprehensive system which links budget/financial procedures to procurement function • Need to improve reporting mechanisms • Need to improve sustainable capacity development • No quality control and performance evaluation methods
Pillar III: Procurement Operations and Market practices	<ul style="list-style-type: none"> • No formal procurement cadre and no defined skill and knowledge profiles for specialised procurement jobs • Content and regularity of public and private sector training could be improved • No formal mechanisms for dialogue with private sector
Pillar IV: Integrity and Transparency of the Public Procurement System	<ul style="list-style-type: none"> • Tendency of State Inspection Agency and National Audit Office to confuse compliance, efficiency and performance audits with the result that they often appear to be second-guessing the decisions of the evaluation committees • Anti-corruption authorities not yet operational • No widespread civil society engagement

PPCD also made an attempt to use the OECD/DAC compliance and performance indicators (CPI) to measure how the procurement system was actually working on the ground but found that the CPI exercise was less successful than the BLI exercise. The level of information available was considered too low to provide a basis for making generalisations about the system and where information had been gathered, it was incomplete. In general, the quality of record keeping was low. 37 % of the contracts had incomplete records, with some important documents such as bid evaluation reports, final signed contracts, contract administration evidences, completion reports or payment related documents which are the key sources for gathering data under the relevant CPIs missing or kept separately at different departments making the tables incomplete. However, compared to the data analyzed in the 2003 CPAR, when national competitive bidding took about 3 months on average and ICB took between 3 to 12 months, the average number of days for the whole procurement cycle from

³⁴ PPCD, Mongolia: Pilot Exercise of the OECD-/DAC Joint Venture for Procurement. Results of the Benchmarking and Assessment of the Mongolian Public Procurement System, August 2007.

tender advertisement to contract award was calculated to be 83 days and thus seems to have improved. At the same time, about 37 % of tenders received were rejected clearly indicating a need for private sector training.

In 2010, a scoping exercise was undertaken in cooperation with AsDB and the World Bank to thoroughly identify any gaps in Mongolia's public procurement system and practices and to identify appropriate mitigation measures towards improving development outcomes. An action plan was developed aimed at achieving at the following impact:

- Improved institutional and human capacity in public procurement, including a results focus throughout the public sector management cycle (planning, budgeting, monitoring and evaluation)
- Improved transparency and public awareness in public procurement
- Effective monitoring and evaluation of procurement project

The study highlights that translating good action plans into improved outcomes necessitates the active support of top leaders from public and private sectors. The implementation involves the full range of key stakeholders including procurement officials, the business community, donor agencies, the bodies entrusted with oversight and monitoring, parliaments, the press, and civil society. It demands that there be recognition among these key stakeholders of the role of procurement in a broader context of public financial management and delivery of government services to respond to a country's social and economic well-being. Progress on improving procurement outcomes can be achieved by active monitoring through regular reviews at the national and international level involving government and non-government stakeholders.³⁵ In this context, developing a comprehensive approach that views corruption as a part of a bigger, overall system, i.e. structures, patterns, and cycles, as well as strengthening the PPLM will play a major role. To complement these initiatives, an e-GP project has recently been started together with Koica, the Korean International Cooperation Agency.

Amendments to PPLM, which have been submitted to Parliament in 2010, are currently under discussion and expected to be passed in June 2011. Major changes include the following:

- Decentralisation of government procurement to local government without any limits
- Creation of a Centralised Agency, which will be responsible for procurement of high value and regional importance such as roads, energy transmission lines, etc.
- MOF will be responsible for policy making and MOF staff will have higher authority in monitoring and auditing and will be able to impose sanctions and penalties
- Introduction of framework contracts
- Stricter sanctions on civil servants and an easier process for debarment of companies

Lessons learned from Mongolia

The following lessons can be learned from the Mongolian procurement reform process:

³⁵ Asian Development Bank: Mongolia. Capacity Building, Public Awareness, Monitoring and Evaluation. July 2010.

- Ownership and participation of local staff in designing and implementing reforms is key.
- You can't make big reforms or have a large impact with limited budget. **Sufficient funds should be provided to see greater results and achievements.** Sometimes there are good ideas and a great reform process, but it fails because government does not contribute enough people or funds.
- Donor funded initiatives should be incorporated in an integrated overall Government Action Plan with clear responsibilities and deadlines which can closely be monitored.
- When drafting and amending procurement legislation, the **decision making process should be based on well-informed input by politicians and civil society** to avoid going three steps forward and two steps backward. The principles of sound public procurement should be well mainstreamed. Discussions should be transparent to foster accountability and avoid unpredictable law changes.

Morocco country profile

Country context

The Kingdom of Morocco has a population of 32 million. In 1999, King Mohammed VI set out a vision of rapid growth, poverty eradication and better social conditions for the Moroccan people. Since then, the country has made strong economic progress with growth rates averaging 5 percent since 2001. As a result, the poverty rate was reduced from 15 % in 2000/01 to 9 % in 2006/7.³⁶ Income per capita almost doubled to reach USD 2,850 in 2008 and investment increased sharply from around 25 percent to 36 percent of GDP.

Despite this progress, Morocco still confronts difficult challenges, which include vulnerability to natural and economic shocks; inadequate social indicators relative to the country's income level, high unemployment (especially among youth), and increasing pressure on natural resources, especially water, which is exacerbated by climate change. The Government programme of reform for the period 2008-12 has three main objectives: Improvement of social indicators by focusing on health, education and social protection; enhancement of growth, export potential and investment; and implementation of reforms in governance, public administration and further decentralisation for better service delivery. Morocco is committed to regional integration. It also has a Free Trade Agreement with the US and with the European Union it holds "Advanced Association Status".³⁷

As part of Morocco's ratification of the United Nations Convention against Corruption in May 2007, a number of steps have been taken to combat corruption and the Central Corruption Prevention Authority was established as a proactive force, involved in preparation of strategies for prevention, awareness and international co-operation.³⁸

³⁶ The World Bank: Morocco – Economic and Social Developments.

³⁷ The World Bank: Morocco – Economic and Social Developments.

³⁸ OECD: Enhancing Integrity in Public Procurement. OECD Joint Learning Study on Morocco.

Procurement Modernisation in Morocco

As of 1998, Morocco undertook a significant reform in public procurement. The amendment of the main legislative text on public procurement and of the decrees on general conditions of contract for civil works and consulting services led to a significant alignment with best international practices recognised in the 2000 CPAR carried out by the World Bank. The reform was conducted in consultation with the private sector and civil society representing an opening towards the two groups, which was at the time very new to Morocco.³⁹

As early as 2005, the World Bank selected Morocco to assess and explore the potential use of the national procurement system in Bank funded projects. The Bank in partnership with the Government of Morocco conducted a first country procurement assessment following the OECD/DAC methodology. This assessment was complemented by a performance assessment of procurement in the education sector in 2006, which consisted of the review of a sample of 300 contracts awarded using national procurement procedures.

As an outcome of the assessment, the public procurement decree was revised in 2007 to incorporate a number of requirements of the Free Trade Agreement with the US and of the Association Agreement with the EU. The Government also created a public procurement website which provides a full range of legal documents, all procurement notices, bidding documents, award decisions and project completion reports. The website is linked to the public expenditure management information system and feeds the database on public procurement performance indicators designed to inform the decision makers about procurement performance under Government budget. The development of a number of standard bidding documents, the effectiveness of the law on arbitration and conventional mediation and the training of 40 procurement trainers by International Labour Organization (ILO) are among other initiatives towards further alignment with good international practice.⁴⁰

Morocco was also working in close cooperation with the OECD for several years as part of the Good Governance for Development in Arab Countries Initiative aimed at modernising public governance in the Middle East and North Africa. Given the financial interests at stake (public procurement represented about 16 % of Morocco's GDP in 2005) and recognising that public procurement is one of the areas of government activity exposed to the risk of corruption, a Joint Learning Study on Morocco was carried out as a pilot study for the region in 2007/2008. The aim of the Joint Learning Study was to examine Morocco's progress in modernising public procurement, placing particular emphasis on fighting corruption and enhancing integrity. The OECD Checklist for Enhancing Integrity in Procurement provided the analytical framework for this study. It consists of two parts, the first part providing general lines of approach for development of a policy framework to enhance integrity in public procurement, and the second part dealing with the means that need to be deployed within this framework covering the entire procurement cycle from the assessment of needs to contract management and payment. The study's conclusions and recommendations centred around five priority areas:⁴¹

³⁹ World Bank: Kingdom of Morocco. Country Procurement Assessment Report (CPAR). February 2000.

⁴⁰ World Bank: Morocco: Royaume du Maroc. Programme pilote d'utilisation des Systèmes nationaux de Passation des Marchés dans le cadre des opérations supportées par la Banque mondiale. Aout 2009.

⁴¹ OECD: Enhancing Integrity in Public Procurement. OECD Joint Learning Study on Morocco.

- Strengthen professional skills,
- Increase the powers of the Public Procurement Review Board with regard to procurement complaints,
- Develop internal control and audit procedures.
- Ensure the harmonised interpretation and implementation of the 2007 Decree,
- Introduce specific measures to prevent corruption in procurement.

One issue that was particularly addressed referred to the increase of pay levels and working conditions for public employees as an important element in efforts to ensure integrity in public procurement and prevent conflict of interest.

Morocco indicated its continued interest to be part of the World Bank piloting programme on use of country procurement systems in 2008. Another assessment was carried out following the four-pillar approach of the OECD/DAC Methodology. The findings are summarised as follows⁴²:

Pillar I: Legislative and regulatory framework

The country's legislative and regulatory framework is generally considered well balanced, clear and to a large extent consistent with international best practices. Morocco has a set of regulations, documentation and tools including SBDs enabling the implementation of the legal framework. Remaining challenges are highlighted as follows:

- According to the Constitution, procurement is part of the regulatory scope and as such is governed by a Decree. The Decree is applicable to all administrations and local governments but not to state-owned enterprises, which may develop their own regulations according to the basic principles of sound procurement such as competition, transparency, and efficiency. The development of a higher-level enactment (bill) is considered highly desirable to secure consistency of the different rules and regulations.
- The present system of qualification and evaluation criteria for works and goods relies on a merit point and scoring system, which is considered more appropriate for consultant services or supply of complex information systems.
- There are no standard requests for proposal for selection and employment of consultants and General Conditions of Contract for Goods are lacking.
- The established complaints system is not working effectively. The aim is to set up an independent review body or sub-committee within the procurement regulatory agency to deal with complaints.

Pillar II: Institutional framework and management capacity

Morocco's procurement system is well integrated in the public sector's governance system. It permits the dissemination of public procurement information through the procurement portal, and provides for collecting and monitoring statistical data on procurement by the Treasury. The Central

⁴² World Bank: Morocco: Royaume du Maroc. Programme pilote d'utilisation des Systèmes nationaux de Passation des Marchés dans le cadre des opérations supportées par la Banque mondiale. Aout 2009.

Tender Board⁴³, an ad-hoc commission comprising representatives from public administration, is the main regulatory body for public procurement. The following opportunities are identified to further enhance the regulatory system:

- The independence of the procurement regulatory body should be strengthened by a tripartite representation system (which would include representatives from the public administration, the private sector, and civil society) and by greater financial and managerial autonomy enabling it to perform all its functions.
- A strategy should be developed to make use of the conclusions of the different monitoring mechanisms focusing on human resources and capacity development, strengthening of existing professional networks in public procurement and regular update of tools, documentation and guidelines in procurement performance and monitoring.

Pillar III: Procurement operations and market practices

Globally, Morocco's public procurement procedures are efficient. There are no major systemic barriers to get access to public contracts and there are no restrictions as to the participation of foreign companies in the bidding process. However, the human and technical capacities of public officials and the private sector must be further enhanced thereby allowing consistent and efficient implementation of procurement activities.

Pillar IV: Integrity and transparency of the public procurement system

Morocco's control and audit mechanisms are efficient on the whole. The Ministry of Economy and Finance, General Treasury of the Kingdom, carries out a prior review (mainly a compliance review) while the ex-post control is carried out by the financial court (Cour des comptes) and the General Finance Inspectorate, which uses more performance based audit mechanisms. The ongoing reform of government public expenditure control aims at reducing the ex-ante control by the Ministry for the benefit of the ex post control thereby delegating the ex-ante control of low value expenditures to procuring entities found qualified. However, the internal control systems of many procuring entities need to be further strengthened.

Access to information on public contracts is commended as being remarkable. The procurement portal offers a wide array of information such as procurement plans, online publication of invitations for bids, list of debarred firms, bidding documents, award decisions, information on firms registered for access by email on procurement notices in their field of interest, etc. The procurement portal is connected with and fed in by the government's procurement management information system. The system is accessible countrywide including in rural municipalities.

To improve integrity of the procurement system, it is recommended to establish a complaint mechanism. Regarding prevention of fraud and corruption, the creation of Central Entity for the Prevention of Corruption⁴⁴ and a statement of honor, in which bidders declare not to engage in such practices, are major breakthroughs.

⁴³ Commission des Marchés

⁴⁴ L'Instance centrale de prévention de la fraude et de la corruption

The Government of Morocco has taken stock of the assessment results and recommendations and has initiated an ambitious programme of second-generation procurement reform. These reforms can be clustered into the following four categories:

- Modernisation of the legal and regulatory framework
- Modification of the procurement complaints and appeals system
- Strengthening of management capacities
- Use of information technologies to foster transparency and efficiency

New legislation is underway promoting the consistency of all statutory instruments governing procurement at the levels of state, local government and public institutions and corporations, and covering all types of services including architect services and concessions. For works, the current set of general conditions of contract and standard bidding documents will be updated to stress pass/fail factors with regard to qualification and evaluation criteria. For goods, a specific set of general conditions of contract will be prepared.

The Central Procurement Board will be reformed to enable its autonomous and independent operation and representation of procuring entities and other stakeholders will be strengthened. The complaints handling system will be improved by creating a financially and technically independent sub-committee dedicated to the processing of claims and by further detailing the complaints procedures.

Also, capacity development for procurement entities remains a priority for the government. In co-ordination with the Minister of Public Sector Modernisation, a national training strategy for procurement will be developed.

Finally, a comprehensive programme dedicated to fraud and corruption control in the field of public procurement will be designed and include the following aspects: definition of the concept of conflict of interest; definition of sanctions in case of fraud, corruption, collusion, coercion or obstruction in procurement; secure mechanism for reporting cases of fraud, corruption and unethical behaviour; monitoring of fraud and corruption cases; and providing information to the general public on decisions and sanctions taken.

Lessons learned from Morocco

The following lessons can be learned from the Morocco procurement reform process:

Given the financial interests at stake, **procurement is one of the areas of government activity exposed to the risk of corruption**, both in developed and developing countries. A government anti-corruption strategy should therefore cover the entire procurement cycle as well as salary levels, institutional arrangements, and procurement expertise of oversight bodies (internal and external controls, procurement review, judiciary). **Key stakeholders including private sector representatives and civil society organisations should be engaged** to ensure success and credibility of the initiative.

More international guidance is needed on how procurement regulatory bodies and procurement review bodies should be designed to foster the integrity of procurement (institutional powers, independence, composition of the Board and appointment of its members, complaint procedures, publication of decisions and sanctions, etc.).

Issues such as regional integration, trade agreements with the US and the European Union combined with requirements of development partners may result in conflicting expectations on certain elements of the national procurement system. Morocco managed to deal with these expectations by referring to WTO standards ensuring the principles of a sound procurement system (economy, efficiency, transparency, and equal opportunity). Donors should be mindful of such issues when assessing country procurement system in order to promote their use.

Innovative instruments such as an electronic portal and a procurement management information system combined with the required IT access and knowledge base help to advance public procurement and its interactions with key stakeholders and the general public to a new level.

Panama country profile

Country context

In early 2001, Panama embarked on a series of modernisation and reform initiatives supported by the government's development programme to reduce poverty by accelerating growth and improving the efficiency, relevance and targeting of its social programmes. These initiatives responded to the recognition that although Panama was classified in the late 1990s as a middle-income developing country with a gross national income of USD 4 450, a large share of the population (37%) continued to live below the national poverty line and around 17% lived in extreme poverty. Although the Government had traditionally spent a relatively high amount (20 percent of GDP) on addressing social sector issues placing Panama among the top social spenders in the region, it was not seen at that time as having strong public sector and public expenditure management.

More recently, Panama with a population of around 3.5 million, a world famous canal and a per capita GDP that now ranks it as an upper-middle income nation, remains a country of contrasts. Panama has experienced spectacular economic growth since 2001 averaging over 7.5% in recent years and this growth is expected to continue for the next 5-7 years. Panama signed a free trade agreement with the United States in 2007 and began a major expansion of the Panama Canal both of which will contribute to economic growth. The Strategic Vision set by the Torrijos Administration (2004-09) was developed to respond to development challenges in the country and emphasises fiscal discipline, transparency and efficiency to create more jobs and reduce poverty. This programme supported by donors included developing trade management capacities and implementing reforms related to quality and transparency of government decision making, including public procurement and financial management.

In July 2009 a new government was elected and assumed power under the leadership of Ricardo Martinelli. President Martinelli is committed to transforming Panama into a nation devoted to improving the living conditions of its population through efficient and accountable governance. While the new government clearly intends to continue the modernisation process, it also brings a private sector orientation to the business of government, including looking closely at private sector procurement practices for inspiration and ideas that can be successfully implemented in the public sector. The new government is looking to introduce major changes to the current procurement legal framework in the country to facilitate the introduction of some of the innovation and ideas emerging from the private sector. **The application of the OECD/DAC MAPS assessment in 2007 as a self assessment exercise, and later updated in 2009, produced a range of results across the spectrum of**

indicators which are helping to inform the government as to further modernisation in the current system.

Procurement modernisation in Panama

Although Panama is now considered an upper middle income country and is seen as a leader in many areas, it had not kept pace with regard to the efficiency and effectiveness of many of its government programmes due to the need to modernise and introduce greater transparency and efficiency into its public financial management and procurement systems.

Panama underwent a Country Procurement Assessment Review in 2001. Some of the issues noted during the CPAR included:

- A lengthy, cumbersome and costly procurement process
- An incomplete legal framework with overlapping regulations enabling conflicting interpretations
- A lack of consistency in application of policy and procedures among sectors and agencies
- No standardised procurement documents
- Weak institutional mechanisms to develop and ensure implementation of policy and regulation
- Limited procurement staff capacity due to poor career prospects creating high turnover of staff
- Absence of a comprehensive national information system on procurement.

Following the CPAR, Panama participated in a USD10.5 million TA project financed by the World Bank. This TA programme had a procurement component that financed improving the public procurement legal framework, strengthening the Public Procurement General Directorate (DGCP) and developing a public procurement information system.

In 2005/6, Panama participated in a second CPAR that was conducted jointly with the IDB and was combined with a Country Financial Accountability Assessment (CFAA). This 2005/6 integrated effort was already demonstrating the results of several key messages coming out of the Paris Declaration; a harmonised and co-ordinated approach by donors and a **more integrated approach to looking at procurement in the context of public sector/public financial management**. In addition, the procurement sections of the report were organised around an early version of the MAPS benchmarking tool which was called the Baseline Indicator System.⁴⁵ The combined CPAR/CFAA report was issued in 2006. A quick review of the findings of that report indicates that country progress was already evident including the preparation of a major change to law with the issuance of Law 22 that became effective in 2006 and the creation of a procurement information system. The institutional framework in Panama for procurement had also been strengthened so much so that the report stated that "the structure of the current institutional framework is appropriate and there is strong leadership and political support for the reform at the highest level of Government". The three key institutional stakeholders include the DGCP, the Controller General (CGR) and the Presidential

⁴⁵ The BIS was the joint product of the working group established under the Procurement Roundtable and was issued as a draft benchmarking tool in 2005.

Secretariat for Government Innovation. These institutions cooperate closely and share a sound vision of the continued objectives of the modernisation programme. The new law strengthened the mandate and support provided to the regulatory body DGCP by expanding its inter-institutional coordination role. The government also introduced the Secretariat for Governmental Innovation to promote business development and created electronic one-stop-shops for handling of administrative procedures on-line, including a capacity for users of government services to file complaints.

DGCP has benefitted from dynamic leadership with a strong interest in procurement modernisation. The current leadership under the new administration has focused on expanding the role and capacity of the procurement information system which is called PanamaCompra. Now PanamaCompra is recognised as one of the leading e-GP systems in the region; moving it far beyond functioning as a procurement information portal. Nevertheless, work remains to be done in the area of procurement modernisation and the country has continued to work closely with the World Bank and IDB to devise a long term strategy that will solidify the gains of the past and ensure progress for the future.

In 2007 Panama participated in an OECD, World Bank, and IDB workshop that was hosted in Lima, Peru. This workshop introduced most of the countries from the Latin America/Caribbean region to the newly issued OECD/DAC Methodology for Assessment of National Procurement Systems tool that was released in July 2006. Following the workshop, Panama determined to undertake a self-assessment using the OECD/DAC MAPS tool and this assessment revealed that the country was in a good position for consideration as a candidate country in the World Bank's UCS Piloting Program that was approved by the Bank's Board in April of 2008. The existing self assessment was updated by Panama working closely with a Bank team in 2009 as part of their UCS candidate country status (Phase I of the Bank's piloting programme methodology) and was submitted to the Bank for a final review before scheduling discussions with the Government to agree on scoring of the MAPS indicators in mid-2009. In recognition of pending elections and the potential for a change in government, the team delayed the discussions on the Phase I assessment until after the new government was installed late in 2009. In March 2010, DGCP signaled its intention to introduce a major change to the relatively recent (2006) procurement law (Law 22). At the request of the Government, it was agreed to place the UCS candidacy process on hold until the impact of changes in law could be assessed.

A quick summary of the findings of the 2009 MAPS assessment revealed the extent of progress implemented over the years from the initial 2001 CPAR findings. Although there were issues noted under each Pillar of the assessment, these issues for the most part address refinements to the system and do not reveal core weaknesses. Findings noted during the Phase I assessment include the following:

- Use of pass/fail criteria is being introduced in procuring entities, but is not universally being applied. Most procuring entities still use evaluation criteria developed by the entity and applied on an inconsistent basis.
- DGCP has a mandate to create standardised bidding documents but to date progress has been focused on framework contracts and use of the e-GP system. Under the e-GP system, there are standardised forms being applied. However for procurement not handled through e-GP, procuring entities develop their own documents resulting in a wide variation in quality and a lack of consistency. General Conditions of Contract which are specified in law

have not been translated to broad and consistent use in the absence of standardised documents.

- Manuals on procurement are developed by individual procuring entities and while they are subject to review, there is a lack of consistency in quality.
- Procurement planning is weak and disconnected from the budgeting process.
- There are no specified profiles for procurement officials as they are hired under general competency provisions. Most learn on the job.
- Enforcement of dispute resolution settlements can be done through the courts but the process is expensive and slow.
- The role of CGR as a governmental audit agency for procurement is generally carried out on a prior review of process and a high degree of involvement throughout the process. They do not use more modern risk management techniques and for the most part, they focus not on performance audit but on following of rules.
- Enforcement and follow up of audit recommendations is slow.
- Since the control focus is on prior review of process, post audit is weak and management reports on addressing systemic issues are not produced.
- There are anti-corruption measures in place in Panama but they tend to operate in an uncoordinated and inefficient manner and they are not specifically oriented towards fighting corruption in procurement.

The DGCP determined to use the information contained in the Phase I assessment as an input to defining needed legal and institutional changes. DGCP has requested that the World Bank and other donor partners continue in providing advice and assistance in formulating the changes to law and the final strategy that would address the Government's interest in increasing a private sector perspective into how the government increased efficiency and effectiveness in its public sector financial management system. This process is currently underway.

One recent example of the value of improving efficiency and effectiveness of public procurement by using techniques imported from the private sector has been documented in Panama. The concept is termed "strategic procurement" which seeks to look at what and how the government purchases some of its goods, works, and services that are needed every year. In the case of fuel purchased for operating government vehicles, the Government conducted a study on how fuel was being purchased and what it cost the government each year. The study indicated that savings could be made by consolidating fuel purchases. The government then used its e-GP system, PanamaCompra, to compete for the contract that would give the winner the exclusive right to provide the Government with its fuel for government owned vehicles over a stated period of time. The purchases would be made at specific stations using government issued cards that would track purchases made by vehicle and card user. **Consolidation of the demand, use of credit cards, and the longer term contractual period all combined to result in Government savings of over USD20 million per year.** The use of PanamaCompra provided a transparent environment for the competition of eligible providers who were able to provide a best price with the knowledge of a guaranteed market over a stable period of time. An added benefit of the process has been the detailed data that is captured through the use of government issued purchase cards that helped reduce abuse of fuel purchases as all can now be tracked to a particular buyer. It also provided the government with an

accurate count of vehicles which was information previously not accurately known. **DGCP is now expanding its use of strategic procurement techniques to improve how common use items are procured and bring more competition into the marketplace.**

A few of the lessons learned from the Panama procurement modernisation process

This brief country profile on Panama has provided many useful lessons on the procurement modernisation process.

- The first lesson is that **a reform/modernisation effort takes time**. In the case of Panama, the process summarised here began in 2001 and is still on-going. This is really a positive outcome as it shows that Panama understands the dynamics of change and understands that **procurement is a dynamic system that must change along with the country**, the country's governance and its strategic priorities.
- The early reform process following the CPAR in 2001 was supported by a technical assistance project. It resulted primarily in structural changes to provide a solid legal framework upon which to build a modernised system. The existing organisational structures were rationalised, strengthened and built into a co-ordinated leadership to continue to lead the modernisation. These early reforms are often referred to as "first wave", but it is clear from examining a country like Panama that they are important reforms for setting the stage for the future.
- It was not until the 2006-07 timeframe that the full value of a modern procurement system was seen as a strategic element of the governments overall modernisation strategy. Procurement reform was clearly placed under one of the Government's strategic pillars as part of the recognised need to improve the efficiency and effectiveness of the public sector. This **integration of procurement into the government strategy is necessary to for the "second wave" reforms to take place**.
- Panama has clearly taken the lead in developing its strategy for the future and it now only seeks support from donors when the country sees value in the advisory assistance and access to global knowledge that donors offer. PanamaCompra that initially started as a procurement information system under recommendations from donors to increase transparency for procurement is now a key pillar of the future of procurement in Panama. This e-GP system is among the best in the region and its use will soon be expanded to provide DGCP with a wealth of new information and performance data that can be used to continue the process of improvement.

Philippines country profile

Country context

The Philippines is an archipelago of 7 107 islands located in Southeast Asia and is the fastest urbanising country in East Asia. The country is divided into three island groups: Luzon, Visayas, and Mindanao. Metro Manila, the capital, is the 11th most populous metropolitan area in the world. A per capita GDP of US\$D 1,624 in 2007 ranks the Philippines as a low-middle income country.

A recent economic update on the Philippines is titled "Philippines: Robust Growth, Stubborn Poverty"⁴⁶. This report states that the economy roared back following a slowdown during the global financial crisis in 2009 with growth rates in 2010 the highest seen in over thirty years. 2010 GDP growth rates reached 7.3% but are expected to normalise around 5% in 2011. Even as GDP growth continued to outpace population growth, the incidence of poverty increased from 24.9% in 2003 to 26.5% in 2009. As a result of the mixed economic results and an increasing budget deficit in 2010, the government has maintained a strong focus on increased efficiency in spending with the 2011 budget supporting continued reforms focusing on transparency and a programme of institutional capacity development.

Despite recent reforms, weak governance has been a key constraint to sustainable growth and poverty reduction. The government recognises this challenge and as a result, there has been considerable attention given to achieving progress in strengthening the overall framework for good governance. Governance reforms have encompassed anticorruption drives, bureaucratic reforms, strengthening of public procurement and fiduciary processes, promotion of local government oversight, and the engagement of strong civil society groups, communities, and lawmakers in providing checks and balance. Governance challenges include the need to further strengthen public institutions and make them more accountable and transparent; intensify the demand and political impetus for reforms; and, consolidate and expand the engagement of the vibrant civil society⁴⁷.

The Philippines has participated actively as one of the partner countries working with the OECD/DAC Procurement Roundtable, Joint Venture on Procurement and the Task Force. The current Task Force is co-chaired by the Philippines which is a recognition of the commitment the country has demonstrated to procurement reform in its own country and its willingness to share experiences with other countries.

Procurement modernisation in the Philippines

In 2001, The World Bank and the AsDB jointly initiated a Public Expenditure, Procurement and Financial Management Review (PEPFMR)⁴⁸. At this time, economic growth in the Philippines was on the rise following the Asian Crisis and several important legislative actions had been initiated including a new Procurement Law which was not fully enacted until December 2002. Although there was economic growth, government expenditures in the Philippines continued to exceed budget targets by significant amounts causing the government to introduce spending restraints and seek efficiencies through the introduction of reforms particularly in the area of procurement. The PEPFMR stated that the challenges for the Philippines in moving forward were "to maintain the momentum of reforms, to coordinate and manage the process, to prioritise key actions and to continue to refine and strengthen the institutional framework."

In 2001 government oversight agencies estimated that large amounts of public funds were being lost to political and bureaucratic related corruption. One response to the perception of

⁴⁶ *Philippines Quarterly Update* - January 2011.

⁴⁷ Information taken from the "Country Assistance Strategy for the Republic of the Philippines for the period 2010-2012".

⁴⁸ "Philippines Public Expenditure, Procurement and Financial Management Review" delivered in June 2002 and cleared by the Government in 2003.

corruption in procurement had **been increasing the capacity of civil society organisations to provide third party monitoring of procurement procedures**. An organisation called Procurement Watch was created and people were trained to act as observers and to report irregularities they might observe to appropriate officials. Estimates of leakage made by Procurement Watch indicated that this leakage was significant enough to finance more than 500,000 houses or build more than 1000 kilometers of roads. This waste and corruption was a main driver behind the enactment of the new law which was the cornerstone of the government's procurement reform efforts to strengthen the legal and institutional framework, enhance transparency and accountability, generate budget savings and improve governance. The new law passed in late 2002 established the Government Procurement Policy Board (GPPB) with the responsibility to: (i) provide oversight and regulation of procurement; (ii) professionalise the function; (iii) provide rights and protection for government officials from unjust legal suits; and (iv) impose criminal or civil liabilities for those found guilty of procurement related corruption, including collusion.

Due to the importance given to procurement reform and the potential economic paybacks and improved service delivery if the reforms were successfully implemented, specific attention was given to monitoring progress. Procurement assessment updates were conducted frequently including in 2004 and 2005, and in 2006/7, a full CPAR was conducted under the auspices of the Philippine Development Forum Sub-Working Group on Procurement⁴⁹ providing ample information to track progress.

A review of the 2004 CPAR update indicated the following progress and the key remaining issues at the time of the review:

Progress

- The passage of the Government Procurement Reform Act which consolidated more than 60 laws.
- The issuance of Implementing Rules and Regulations for the new law in October 2003.
- The creation of the GPPB and a Technical Support Office to carry out the responsibilities of the Board.
- Mandatory use of the Government Electronic Procurement System (G-EPS) for procurement of goods, works, and consulting services by all procuring entities, including local government units. PhilGEPs, the single electronic portal is currently capable of publication, downloading of bid documents and shopping on line. Additional functions including e-payment, collection of fees and e-bidding are under development.
- Development of a Procurement Manual and bidding documents and forms that are harmonised with the major international financing institutions.

Key remaining issues

⁴⁹ This is a consultative group for official development assistance that focuses on procurement reform. It is chaired by the Government Procurement Policy Board chair and co-chaired by the World Bank. It includes stakeholder membership from government, private sector and civil society and participants from many donor organizations.

- High cost of works procured by the government
- Eligibility and competitiveness of Philippines firms to compete for contracts financed under international financing institutes (IFI) projects
- Need for continued progress in developing and implementing the e-GP system
- Need to disseminate information and provide training on the new Law, the Implementing Rules and Regulations and the harmonised bidding documents for all levels of government, the private sector and civil society.

As noted earlier, the Philippines became an active partner country in the OECD/DAC's procurement capacity development work that was initiated under the Roundtable in 2003. The Philippines hosted the first meeting of the Joint Venture on Procurement in Manila in 2006 and was one of the early countries to apply the MAPS benchmarking tool in its earlier forms. They have continued to use the tool through annual monitoring of progress against the benchmarks. The government has actively led these assessments working closely with key donor organisations including the World Bank and the Asian Development Bank.

The Philippines customised the use of the MAPS benchmarking tool in order to score the various indicators based on a government-wide exercise conducted to determine and reflect the priorities of the Government and to provide a more precise roadmap to assist in defining the strategy for future changes. The result of the assessment conducted in 2007 assigned an overall risk level of moderate to the public procurement system which was arrived at by combining the results under each of the four pillars covered by the MAPS assessment. Pillar I, dealing with the Legal and Regulatory framework, achieved high scores and an overall low risk assessment. Pillar II dealing with Institutional Framework and Management Capacity and Pillar IV dealing with Integrity and Transparency were assessed as partially meeting the benchmark standards and were rated as moderate risk. Only Pillar III, which deals with Procurement Operations and Market Performance, was rated as not meeting benchmark standards and posing a high risk. The action plan then informed the Government's continuing strategy for improving the procurement system was created by a government working group and included a significant number of individual actions (close to thirty), but these individual actions were grouped under six key result areas: (1) Communications Strategy; (2) Strengthening of Monitoring and Enforcement Institutions and Mechanisms; (3) Strengthening of Capacity on Procurement; (4) Improvements in Procurement Processes and Procedures; (5) Enhancing Linkages between Financial Management and Procurement; and (6) Development of Complaint and Review Mechanisms for Procurement Related Disputes. Each individual action was linked back to the results of the MAPS assessment by citing the particular sub-indicators and citing the specific weakness that the action was intended to address. In addition, a responsible entity, funding source and schedule was identified for each individual action⁵⁰.

In 2008, the Philippines was nominated to become a candidate country for the World Bank's use of country procurement systems piloting programme. This provided an opportunity to use the substantial information base available in the Philippines and again assess the system using the MAPS tool and the methodology defined by the World Bank for using this information to select pilot countries. Although the piloting programme was defined by the World Bank, other donors were

⁵⁰ Action plan information drawn from the "Philippines Country Procurement Assessment Report" dated October 3, 2008.

actively engaged during extensive consultations in helping to finalise the piloting programme including a round of consultations held in Manila.

The Phase I and Phase II assessments of Philippines conducted in 2009/10 to determine its candidacy as a pilot country for use of country procurement systems confirmed that progress had been made across all indicators as per the strategy set following the 2008 CPAR. In particular, the assessment demonstrated the success of the Government Procurement Policy Board and the Technical Support Office created in 2003 in framing and leading the reforms, in preparing Implementing Rules and Regulations, in developing harmonised standard bidding documents and preparing procurement manuals. The assessments also revealed several issues that are difficult to resolve given the overall political and economic situation in the country. The following key issues remain under discussion.

- The Philippines has an administrative process for addressing procurement complaints that involves first taking the complaint to the agency at the level of those responsible for the process in question. If the complaint is not resolved at that level, the second level review remains within the agency but is addressed at the highest level by the head of the agency concerned. The remaining option for review and consideration of a complaint is to go to the judicial system which is time consuming and expensive. The existing process does not provide for an independent (outside the agency concerned) process of review and resolution for complaints.
- The question of bidder eligibility is handled in the Philippines through a pre-screening process that requires submission of information that goes well beyond that required to actually perform the contract in question and includes requirements that can impede competition especially from foreign bidders. Recent reforms have greatly reduced the level of information required, but it still is a barrier for foreign participation. These requirements are generally waived if donor financing is involved in the procurement.
- The Philippines has the right to disregard bids that exceed a government estimate in civil works procurement. This process of setting a bid ceiling (called the ABC which stands for approved budget for the contract) was established to counter collusion in bidding for works contracts that was seen as preventing the government from obtaining fair and reasonable competitive prices for such contracts. A study is underway to determine if the benefits (a price ceiling) outweigh negative consequences such as giving an unfair advantage to local firms and undermining full and open competition.

The Philippines remains dedicated to continuing and solidifying the progress achieved in their reform efforts. The Government has continued to engage actively with civil society organisations like Procurement Watch that play a very strong and unique role in oversight of public procurement. Many steps have been taken to deal with corruption including the expanded use of e-GP to increase transparency and reduce the opportunities for corruption. In addition, the Philippines has a very strong Ombudsman Office that is actively involved in fighting corruption.

The Philippines has usefully exercised the practice of conducting studies to determine impact of certain governmental policies and this has been very useful to influencing the path of reform efforts. **The studies contribute to the communication strategy of the government to make the public aware of what government is doing and why.** For example, following enactment of the new procurement law in 2002, a study on the procurement of textbooks demonstrated that the **use of competitive**

procedures resulted in savings of more than 50%. As noted earlier, there is a study underway to determine the impact of the use of ABC (budget ceiling) on obtaining high quality participation and bids for procurement of works and various solutions to improving the handling of complaints without creating a new governmental entity are being studied. A key focus area for now and continuing in the future will be developing capacity not only for those who implement procurement, but for those who provide key control elements of the procurement process such as internal and external auditors.

Lessons learned from the Philippines

The procurement reform effort in the Philippines was put into place very much in response to a public demand for change in the country. The governance of the country has been strongly influenced by civil society often referred to as "people power". Some key lessons from the Philippines include:

- The value of using civil society organisations to provide third party oversight on procurement procedures and to increase transparency.
- The value and need to communicate with the public on the purpose of reforms and to provide real examples that demonstrate how the reforms are achieving results
- The Philippines established a strong partnership for reform by creating a broad governmental working group that includes government representatives from key implementing agencies that works closely with representatives from key donors active in the country. This group has been effective in setting a prioritised strategy led by the government and supported by the donors.
- The Philippines has effectively **used the MAPS tool to set a prioritised strategy and to continue to monitor progress against this strategy.** The MAPS tool was customised to reflect the government's broader reform priorities by assigning weights to the various indicators.
- The Philippines demonstrated that the MAPS tool can be used as a monitoring tool and to verify progress under the reform strategy.

Rwanda country profile

Country context

In 1994, Rwanda was emerging from a devastating genocide and civil war in which one out of seven inhabitants was killed and three out of seven were forced to exile, leaving the GDP of the country in a decline of more than 50%. During the years since this tragedy, the country has implemented an impressive recovery process. The success of Rwanda since the end of this period of conflict is credited to a commitment by the Government to the promotion of good governance and private sector led growth. The current population of Rwanda is nearly eleven million and GDP per capita is USD 506. Growth in the country was averaging 7.5% per annum until the economic downturn finally hit Rwanda in 2009, slowing GDP growth to 5.35% which is below that needed to keep up with the population growth and have an impact on poverty. Currently, an estimated 56% of Rwandans live below the poverty line, with 37% classified as extremely poor.

The Government has taken decisive steps in developing strong institutions and involving the private sector and civil society in decision making and emphasising enforcement and accountability.

Rwanda's long-term development goals are embedded in its Vision 2020 which seeks to transform the country into a knowledge-based and service oriented economy by 2020. Rwanda seeks to achieve a real growth of 8% annually, which is seen as needed to transform the country from a low-income agriculture-based economy, through a four point strategy that: (i) deepens reforms, including improvements to the business environment in the country; (ii) invests in major infrastructure; (iii) increases productivity; and (iv) develops skills needed for economic modernisation.

As a result of its commitment to reform and modernisation, Rwanda has constantly improved its Country Performance Index ranking both regionally and globally. Rwanda has undertaken reforms to improve the business environment and reduce costs of doing business in recognition of the key role of the private sector in accelerating growth and reducing poverty. As a result, Rwanda was awarded first place in the World Bank's Doing Business 2010 Report as a top reformer worldwide by improving 76 places from 143 to 67.

Donors working together in Rwanda have been supporting the Vision 2020 of the Government through a public sector capacity building project of more than USD 20 million dollars that has been in place since 2004. The project was recently restructured and now has four key components: public financial management; monitoring and evaluation; civil service reform; and public sector reform coordination to ensure that the reform efforts are well coordinated. Within the public financial management component reside several key initiatives to continue the progress of reform and modernisation in the area of public procurement.

Procurement modernisation in Rwanda

In 2004, the World Bank completed a Country Procurement Issues Paper on Rwanda to update its own knowledge base on the state of procurement modernisation in the country since the end of internal strife in 1994 and the formation of a new Government. The existing Country Procurement Assessment Report on Rwanda dated from 1986. Although the team conducting the assessment did not apply the OECD/DAC assessment methodology which was only under initial development at the time, it did use the four pillar approach that is part of the MAPS tool and was the basis for developing early versions of this tool. It should be noted that while the 2004 review was conducted by the World Bank, discussions and consultations were held with key donors active in Rwanda including the African Development Bank, DFID, the European Union and the Dutch. The findings covered in this Issues Paper provide a very clear basis for tracking the progress made by Rwanda in modernising its public procurement system.

Starting with the legal and regulatory framework, it was noted that Rwanda was operating in 2004 without a recognised legal framework for its procurement system although a Royal Decree dating from 1959 when Rwanda was a Belgian colony, was still theoretically in force. A National Tender Board (NTB) created in 1997 was operating under the authority of the Ministry of Finance and it was empowered to issue procurement guidelines and oversee the procurement process in a highly centralised manner. The issues papers stated that **pragmatism, political will and commitment for good governance had led to decent results from the NTB from its 1997 creation**. The paper further stated that the time had clearly come to set up a legal and institutional framework in compliance with a new constitution.

The NTB had issued Public Procurement Guidelines working closely with the World Bank and the African Development Bank, but these rules were highly structured around the MDBs' procurement

and consultant guidelines and were used primarily for implementing donor financed projects. In 2002, a draft Public Procurement Law (PPL) was prepared together with draft standard bidding documents under a grant from the World Bank. However, the **bidding documents were considered excessively complex and unsuitable for national use**. Further, the draft PPL, based on the UNCITRAL model law, was found to be far too complex for use in Rwanda and a decision was made to redraft the law.

Although the NTB was well regarded and relatively efficient, it was quickly becoming **overwhelmed by the highly centralised role** it took in procurement (handling procurement that exceeded the decentralised threshold set at approximately USD 5000) and also handling a policy and oversight role. New recruits to the NTB were not being adequately trained. Other areas were showing the stress of a growing country, including the failure to conduct adequate planning for procurement and a disconnect between budgeting and the procurement system. Many contracts were experiencing payment delays and implementing entities were applying emergency procedures, including excessive use of non-competitive procurement to make up for poor planning.

The NTB had established a complaints procedure for aggrieved bidders that followed good practice guidance and required a decision within 15 days of receipt of a complaint. However, the review in 2004 found that the private sector preferred not to access the complaints system as it was perceived that the process did not work well and that even a favorable decision would not result in a reversal of a contract award decision.

The 2004 Country Procurement Issues Paper had some twenty recommendations that were spread across the four pillars of legal; central institution; operations and market performance; and integrity. Key recommendations included, inter alia: the promulgation of a new Law; development of standard bidding documents; implementation of a capacity building action plan; enforcement of the requirement for spending ministries to prepare procurement plans; mandatory publication of a range of procurement information to increase transparency; ensuring that fraud and corruption were properly addressed in criminal laws; and preparation of an annual report for the Auditor General for Finance on procurement.

Rwanda conducted a self-assessment in 2007/8 using the OECD/DAC MAPS tool after undergoing training and collaborating with the then Joint Venture on Procurement and was very aware of the scoring it had achieved against the benchmarks. A brief summary of accomplishments between the 2004 issues paper and the next assessment undertaken in 2007/8 follows:

- Passed a new procurement law in 2007 that is largely consistent with good international practice.
- Developed standardised bidding documents that are based on IFI models
- Prepared implementing regulations.
- Reformed the NTB into the Rwanda Public Procurement Agency (RPPA) and organised the RPPA to undertake a wide range of regulatory, oversight and capacity development activities.
- **Devolved greater procurement responsibility to the implementing agencies;** a process that is due to be completed in 2011 when the RPPA will no longer be involved in handling procurement.

- Now prepares a comprehensive procurement report on an annual basis reporting on such information as competitiveness of system, audits undertaken, complaints reviewed in addition to the normal information on volume of procurement undertaken.
- Created a dedicated website where a wide range of procurement information is available on a free of charge.
- Created a credible complaints mechanism that now hears and issues decisions on complaints raised by the private sector.
- Increased outreach and training for private sector, a continuing area of need.
- Increased training and capacity building activities in general and prepared a long term strategy that is under implementation.
- Requires procurement plans from implementing agencies and is working to ensure better compliance.

Jumping forward in time to 2009/2010, the picture in Rwanda is quite different with regard to the state of its public procurement system. In 2008 Rwanda requested that it be considered as a candidate country under the World Bank's use of country procurement systems piloting programme. In doing so, Rwanda was signalling the confidence it had in progress achieved under its reform and modernisation programme. As part of the piloting programme methodology, an updated assessment of the country was conducted using the MAPS benchmarking tool (phase I). This assessment was completed in 2009, along with a second assessment to determine if the system in place in Rwanda would use documents, process and procedures that could be considered equivalent to those required by the principles, policies, and procedures required under World Bank-financed projects (phase II). Discussions on the findings of these assessments were held with the Rwandan Public Procurement Agency (RPPA), the agency created from the earlier NTB. The RPPA considered the issues noted and returned within one day with a set of proposed actions that it would oversee to address the issues noted and put the country in position to be one of the first countries cleared in 2010 for the use of country procurement systems piloting programme. Rwanda, subject to completing the actions that the government itself proposed to implement, is likely to begin implementing a World Bank-financed project following its own procurement policies, procedures and system sometime in 2011/12, a mere eight years after a World Bank review identified significant procurement issues in the country.

Rwanda is continuing to work hard to ensure the quality of laws; regulations, documents and capacity that support the implementation of the procurement system are ready to support the full decentralisation of procurement in 2011. A few items remain to be completed. One of the most pressing items is the continued development of capacity in the implementing agencies that will assume full responsibility when the decentralisation process is complete. A quick look at some of the initiatives that are underway for capacity development shows that Rwanda is serious about addressing the capacity issue for the long term. The current programme follows the procurement capacity development strategy put together in 2009 and involves university training, certification programmes, and technical trainings to maintain skills. The civil service is supporting this capacity development process through its own reform initiatives that will improve the hiring process and help to set qualification standards for different positions in government, helping to ensure that new graduates with specific skills will be able to find positions in government to use their skills.

As noted, Rwanda was conditionally cleared in 2010 to be included in the World Bank's use of country procurement system piloting programme. In clearing Rwanda, the country first underwent a substantive review process that involved looking at qualitative and performance aspects of their procurement system.

The conditional acceptance noted that the following main areas would need to be addressed:

- i) Complete the phase out of involvement by RPPA in procurement currently scheduled for June 2011.
- ii) Strengthen internal controls and rationalise the operations of multiple control mechanisms for procurement by consolidating information generated by procurement audits in order to identify systemic issues and take corrective actions.
- iii) Clarify the use of administrative sanctions for following up on audit findings to replace current criminal sanctions frequently imposed for administrative issues (the law is currently being amended).
- iv) Complete the preparation and distribution of a procurement manual as this will support the on-going decentralisation efforts (this effort is nearly completed as a manual has been adopted).
- v) Enhance the legal framework through the issuance of an amendment that will address recent lessons learned and practical experience.
- vi) There are some cross cutting longer term issues that include fully implementing the capacity development programme and creating an integrated information management system that will provide statistics on procurement performance.

Lesson learned from Rwanda

The major lesson that comes to mind when looking at Rwanda is the **value of political will as a driver for a major reform/modernisation effort**. It is clear that Rwanda was able to overcome major obstacles related to their post conflict situation by having a strong leadership and strong political will to oversee a cross government reform and modernisation programme. A Public Expenditure and Financial Accountability (PEFA) assessment completed in 2007 noted that the level of improvement across a wide range of issues was impressive for any country and extremely so for a post conflict country.

Rwanda took a **measured approach to procurement decentralisation**, initially keeping the majority of authority within the NTB where capacity existed. However, under the current leadership of the RPPA, there has been a gradual increasing of thresholds as capacity increases in implementing agencies to assume full responsibility for procurement. This is a model that demonstrates the practical approach that has underpinned much of the success in Rwanda.

Another lesson learned is the value of ensuring that the laws, procedures, documents and controls that help make up the procurement system need to be fully tailored to the country and not imported. Rwanda had to re-do documents and re-draft laws following early experiences in the reform process. Rwanda is still working to simplify some of its procurement procedures used to make them consistent with the types of goods, works and services frequently purchased from the local private sector through the national budget.

Tanzania country profile

Country context

The United Republic of Tanzania consists of mainland Tanzania and the semi-autonomous island of Zanzibar with a total population of about 43.7 million and a GNI per capita of USD 500⁵¹ (2009). Tanzania has made significant progress over the past two decades to achieve and maintain macro-economic stability, becoming one of the best performers in Sub Saharan Africa. Economic growth has ranged between 5 and 7 percent annually since 2000 but rapid population growth undermines the impact of economic growth on poverty reduction retaining the level of poverty at 33.6 percent.

The agriculture sector plays a major role in the economy and employs nearly 80 percent of the workforce. Key growth sectors are mining, construction, manufacturing and tourism but poor transport infrastructure is a major bottleneck. Aimed at creating a platform to achieve the Millennium Development Goals and the National Development Vision 2025, Tanzania adopted the National Strategy for Growth and Reduction of Poverty spanning a five-year cycle (2005/6 – 2009/10) and focusing on three areas: growth and reduction of poverty; improved quality of life and social well being; and good governance and accountability.⁵² Consequently, the Government and development partners agreed on a Joint Assistance Strategy to provide a medium-term framework for managing development co-operation in order to achieve national development and poverty reduction goals.⁵³

Tanzania continues to enhance its commitment to fight corruption, which remains widespread in government. Slow progress on several high profile corruption cases causing the government to lose billions of Tanzanian shillings has been a matter of concern.

Modernisation in Tanzania

Tanzania⁵⁴ was one of the first countries in Sub-Saharan Africa to enact a law based on the UNCITRAL model law (Public Procurement Act No. 3 of 2001). The Country Procurement Assessment Report (CPAR) of 2003 conducted by the World Bank emphasised that the enactment of the PPA was one of the most important achievements with respect to combating corruption in procurement but it also identified a number of critical areas. The Central Tender Board, for example, was responsible for both operational and regulatory functions creating conflict of interest issues. A credible complaints mechanism and regulations for Local Government procurement were missing. It was estimated in the CPAR that corruption in procurement translated to USD 300 million per year, “enough to finance the combined annual recurrent budgets of the ministries of health and education”.⁵⁵

Since the 2003 CPAR, the Tanzanian procurement system has undergone tremendous reform. One of the most important achievements was the enactment of the new Public Procurement Act (PPA 2004), which became operational in May 2005. The PPA 2004 fully decentralised the procurement functions to Procuring Entities (PEs) and established an independent procurement oversight body, the Public Procurement Regulatory Authority (PPRA). The government also fully

⁵¹ GNI per capita covers Mainland Tanzania only

⁵² The World Bank: Tanzania Country Brief

⁵³ Joint Assistance Strategy for the United Republic of Tanzania FY 2007-FY 2010

⁵⁴ In this document Reference to Tanzania is limited to Tanzania Mainland as Zanzibar has a different procurement law.

⁵⁵ The World Bank: Tanzania. Country Procurement Assessment Report (CPAR), April 30, 2003.

operationalised the Public Procurement Appeals Authority (PPAA) with the function of resolving complaints and disputes arising from the procurement process.

Encouraged by the Paris Declaration on Aid Effectiveness, Tanzania participated in the 2007 pilot testing of the OECD/DAC Methodology for the Assessment of National Procurement Systems developed by the JV on Procurement. The objective was to establish a baseline for designing a capacity development strategy. The assessment included an assessment of the formal and functional features of the system (BLI assessment) and an assessment of compliance and performance of twenty procuring entities (CPI assessment).

The assessment report highlighted the accomplishments of PPA 2004 in terms of establishing a legal and regulatory framework that largely complies with international requirements. However, it also became clear that the Act lacked implementation. Most of the interviewed stakeholders were not familiar with PPA 2004 and its regulations. Bidders, for example, were not aware that there was a system in place for procurement complaints reviews. Also, in many cases, procurement management units in procuring entities were not established as required and procurement staff lacked the required professional skills resulting in poor compliance and performance. For example, 40 % of the contracts assessed did not have provisions for administering the quality, time, cost and scope of procurement and 62 % of the contracts were found with incomplete records. In general, transparency and anti-corruption measures were considered insufficient.⁵⁶

To address the gaps identified, the PPRA developed an ambitious Medium Term Strategic Plan (MTSP). During the last three years, a wide range of actions have been implemented and a monitoring system been established that provides for the evaluation of results achieved:⁵⁷

- **Strengthening of PPRA:** PPRA has revised its initial organisational structure and scheme of service to match the increased workload and requirements outlined in the MTSP. The new structure entails expanding the staffing level from 51 to 142, of which 48 will be deployed in the four zonal offices to be established in the next two years. In consultation with stakeholders, a client's service charter was developed to ensure that the Authorities' services are offered within specified standards. Internal operations of the Authority such as accounting, human resources, payroll and document management systems have been strengthened. As a highlight, the National Board of Accountants and Auditors commended PPRA for having prepared one of the best financial statements among public authorities for FY 2007/08. A staff development plan was established and implemented with assistance of the African Development Bank. In total, 10 staff members attended long-term undergraduate and graduate courses and 20 to 30 staff members attend short-term training, workshops and conferences annually.
- **Procurement Management Tools:** PPRA developed SBDs for procurement of works and goods and for the selection and employment of procurement agents; standards for contracting out procurement functions to another procuring entity; guidelines for contract negotiations; and a number of manuals for procurement practitioners, auditors and for training. In addition, they have prepared Guidelines for Preparation of Responsive Bids to assist potential bidders to prepare and submit responsive bids and therefore increase competition. Also final draft documents for procurement under Public Private Partnership

⁵⁶ PPRA: Assessment of the Country's Procurement System. September 2007.

⁵⁷ Annual Reports of PPRA 2008/09 and 2009/10

were prepared and several SBDs and procedural forms **were translated into Swahili to encourage local competition**. To benefit from **economies of scale, a system for procurement of common use items was introduced** in cooperation with the Government Procurement Services Agency.

- **Human Resources Development of procuring entities and bidders:** PPRA organised several workshops and trainings to disseminate the Act, regulations and tools developed by the Authority to various stakeholders to enable effective implementation of the Act. As part of a large scale training programme for procuring entities' staff funded by the African Development Bank (AfDB), PPRA conducted a 14 day training course for about 2000 public officials throughout the country. In addition, tailor made training courses are requested by various PEs in which almost 1200 officers have been trained. To address the inadequate capacity of internal auditors in auditing procurement processes, 180 internal auditors were trained.
- **Dissemination of Procurement Information:** PPRA introduced the **Tanzania Procurement Journal Supplement as a weekly insert in Daily News**. The supplement is widely circulated and has received wide recognition amongst many stakeholders. Many students pursuing studies in public procurement also use it as a reference document. The PPRA website was re-designed and tender information placed in a new separate tenders portal. The redesign has introduced sections for publication of procurement information such as latest news on various procurement-related events, calendar of events, e-library, etc. Besides, an online forum was established as a platform for the general public to discuss and exchange views and experiences in procurement. Due to tremendous efforts undertaken to increase tender information posted on the website, **the number of procurement notices increased from 310 to 1,767 (2007/08 – 2009/10) and the number of tender awards posted surged from 312 to 2,823 during the same period**.
- **Monitoring of procurement:** PPRA has developed a Procurement Management Information System and more recently, a System for Checking and Monitoring Procurement Processes and has trained its staff and management on how to use the systems. While the implementation of these systems is still ongoing, an analysis based on procurement activities of 264 PE's provides a fairly good picture of key spending agencies and on the importance of different categories of procurement, procurement of works and goods being by far larger in value than service contracts. Strategic decisions are also informed by a large number of procurement audits carried out and funded by AfDB. The audits provide information on **13 compliance indicators defining areas that need maximum attention** in terms of training and monitoring such as establishment of procurement management units, preparation of annual procurement plans, use of SBDs, records keeping, quality assurance and control and contract management. While more needs to be done, remarkable compliance improvements were noted in follow-up audits conducted. **The average level of compliance in local government agencies increased from 40 % to 66 % and from 43 to 74 % in central government agencies over the last three years**.
- **Administrative Review of Complaints:** An Administrative Review System has been established allowing bidders to submit complaints to the Head of the PE and, if not satisfied with the decision, to PPRA or the PPAA. In several cases, PPAA ordered the procurement process to start afresh and the aggrieved bidders to be compensated.

- **Public Procurement Anti-Corruption Strategy:** To contribute to the national endeavors to curb corruption led by the Prevention and Combating of Corruption Bureau (PCCB), the state of corruption in public procurement was assessed and the major challenges towards establishing a corruption-free procurement system were mapped as shown in the table below:⁵⁸

Desired situation	Challenge
A sound and efficient oversight framework	<ul style="list-style-type: none"> • PPRA is poorly equipped to address cases of corruption • PCCB has limited capacity to handle corruption in procurement • Collaboration between PCCB and PPRA remains explored in certain areas
Integrity of public officers	<ul style="list-style-type: none"> • Anti-corruption safeguards in the procurement process are insufficient • Low salary undermines incentive to refrain from corruption • Current Code of Ethics has limited impact • Public officers engaging in corrupt practices are rarely sanctioned
Integrity of bidders and suppliers	<ul style="list-style-type: none"> • Bidders' awareness of rights and responsibilities in the procurement process is low • Bidders' no-bribery commitment has limited effect • Administrative sanctions are rarely applied
Effectiveness of control and audit systems	<ul style="list-style-type: none"> • Procurement audits do not adequately address risks of corruption • Internal audits do not support external procurement audits • Accounting officers are unable to make informed procurement decisions • Civil society involvement in monitoring corruption in procurement is limited
Efficiency of complaint review mechanism	<ul style="list-style-type: none"> • Bidders do not use their right to complain • Excessive time spent on the stages of appeal • Accounting officers do not act as first line of appeal • PPRA's role as second tier creates conflict of interest • Inadequate use of remedies

PPRA signed a cooperation agreement with the PCCB and agreed on interventions, which include prevention, detection, investigation, and enforcement of anti-corruption measures. Among other things, a "Red Flag Checklist" was developed to collect information about possible symptoms of corruption in procurement carried out by procurement entities. This checklist has been tested during procurement audits and initial results indicate a high likelihood of corruption during the pre-bid phase (48% of the cases audited had a red-flag) and the evaluation and award phase (35 %) compared to 17 % for the contract management phase. A Memorandum of Understanding was signed with the Construction Sector Transparency Initiative, Tanzania, a forum of stakeholders which aims to enhance the transparency and accountability of publicly financed construction projects.

In addition to curtailing corruption, the public procurement system in Tanzania still faces a number of challenges. Due to effective monitoring of procurement performance and increased awareness on the part of procuring entities, there is an increased demand for PPRA training sessions but **budgetary constraints make it difficult for PPRA to achieve its annual plans**. While some procuring entities are still struggling with limited information and communication technologies, the procurement system is facing the challenge of introducing e-GP to keep pace with the changing

⁵⁸ PPRA Annual Report 2008, Table 4.5

business world. PPRA also plans to carry out capability review assessments as the basis for identifying procurement related problems at the entity level in order to design interventions aimed at improving the procurement processes within the organisation.

Lessons learned from Tanzania

The following lessons can be learned from the Tanzania procurement reform process:

- The activity plan pursued by the PPRA illustrates the comprehensiveness of the mandate of a public procurement regulatory authority to foster compliance with the public procurement law and to increase capacity and integrity at all levels aimed at ensuring value for money in public procurement. **Appropriate funding of activities is a critical element affecting long-term impact.** Government and development partners should take this into consideration when designing and supporting a procurement reform programme.
- **Decentralised procurement structures create a tremendous and continuous capacity development challenge.** The introduction of new innovative systems, such as PMIS or e-GP, inevitably increases the complexity of the procurement function, and can be difficult to absorb particularly at the level of local government procuring entities.
- Joint efforts in developing and implementing a public procurement anti-corruption strategy have shown that due to the complexity of some challenges procurement institutions need to team up with other stakeholders such as civil society, anti-corruption bodies, audit institutions, and ideally the judiciary and parliament to achieve the desired impact.
- **Monitoring of results is important.** The Tanzania case has shown that this can be done in a very systematic, persistent, and transparent way by setting compliance targets, conducting regular and well-structured audits, analyzing data and root causes, developing improvement interventions and monitoring the implementation. When done well, it sets a learning process in motion.

Regional integration: A look at two initiatives

It was noted in the Background and Introduction that an interest in increasing cross country trade was an early incentive for looking at government or public procurement from a more international or global perspective. This interest led to many trade agreements being signed under the leadership of international groupings like the World Trade Organization, but often under the leadership of regional groupings with fewer and limited country membership like the North American Free Trade Agreement (NAFTA) and the European Union. This phenomenon is continuing into the present and is having an impact on the future development and strengthening of public procurement systems. This profile will look at two examples of regional integration, one that is more mature and a second that is still in progress. The first profile looks at the West African Economic and Monetary Union (WAEMU) which is the more mature initiative with regard to impact on procurement in the member countries and the second is the initiative on regional integration of public procurement in the Caribbean under Caribbean Community and Common Market (CARICOM) which is still working towards finalising a number of procurement integration issues.

West African Economic and Monetary Union

Background: WAEMU is an economic and monetary union, formally created in January 1994, but based on the pre-existing West Africa Monetary Union of the CFA franc zone. The member countries include: Benin, Burkina Faso, Cote d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal, and Togo. The eight member countries of WAEMU have an average population of 70+ million and an average GDP per capita of under USD 1000 (2009)⁵⁹. The WAEMU is patterned after the European Union with a Commission, located in Ouagadougou, being the main executive body. A World Bank assistance strategy⁶⁰ for open regional integration in West Africa stated that "the rationale for openness in a regional arrangement is the same as for any individual country: to enhance consumer welfare by expanding choices and offering lower prices; to expand the market and permit economies of scale; to encourage specialisation and to stimulate competition".

In furtherance of the regional integration strategy, the African Development Bank and the World Bank jointly financed the first phase of a Regional Public Procurement Reform Program that was implemented 2002-05. This first phase led to the adoption of the Community Public Procurement Guidelines in December 2005 and the issuance of two Directives that would apply to member counties. Specific activities that were undertaken during the first phase of the regional integration initiative included preparing an inventory of public procurement systems and reform efforts in the member states and identification of public procurement management instruments and functions that would be sited at the newly formed Commission. The assessment of procurement systems and reforms in the member countries was done using the then existing version of the OECD/DAC procurement benchmarking tool and showed that there were wide disparities between the regulatory frameworks of WAEMU member states, particularly with regard to the thresholds set for advertisement of contracts, creating a situation that prevented member countries from benefitting from economies of scale. There was a recognised need to set up regulatory bodies to formulate policy and monitor integrity and implementation. Following completion of this first phase, WAEMU sought additional support to establish uniform procedures in all the member states and to enhance the ability to oversee integrity and monitor implementation. A second phase was financed by the African Development Bank (2007) providing more than USD 6 million to finance the following key outcomes: (i) develop and promote a community framework for public procurement; and (ii) build institutional human capacity in the Commission and the Member States⁶¹.

The project resulted in the incorporation of the Community Procurement Guidelines, in accordance with two Directives issued in 2005, into the national laws of the eight member countries of the WAEMU; the preparation of regional standard bidding documents for goods, works and services; and the creation of a regional observatory for monitoring of procurement. The first of two Directives issued by the Commission made it mandatory to separate the policy function from execution/control functions and validated the use of a tripartite participatory approach for defining policy, handling complaints, conducting compliance reviews and monitoring and evaluation. This was done by creating a "Procurement Regulatory Authority (PRA)" with a Board of Directors made up of public sector, private sector and civil society representations. The second Directive established detailed and harmonised procurement procedures based on international practices to establish a

⁵⁹ World Bank Data 2009

⁶⁰ World Bank Report No. 22520-AFR dated July 2001.

⁶¹ "Project in Support of Public Procurement Systems Reform in the WAEMU Zone (Phase II)" dated September 2006 and approved in 2007.

regional approach to procurement that fostered competition and enhanced the development of a common market.

As fighting corruption in procurement was a key objective in all the member countries, it is important to note that the work on procurement reform and modernisation under the WAEMU initiative resulted in government officials in the respective countries paying greater attention to procurement and being more cautious in overseeing handling of procurement in respect of the harmonised procedures. **The tripartite oversight process has required ministers to justify their actions or face consequences, which in some cases has resulted in forcing resignation.** Contracting authorities are also called to account for their award decisions and if unable to properly do so, such decisions are now reversed. An early outcome that was also noted as countries began to adhere to the new harmonised procedures was a marked drop in the use of non-competitive procurement methods, achieving one of the key goals of the regional integrative approach, that of increased competition in public procurement.

Key lessons

The following key lessons⁶² have been identified from the WAEMU initiative:

- The reforms that were initially conditionally tied to support from the World Bank and the African Development Bank are now being fully carried out in compliance with the WAEMU Directives and **there is full ownership of the process by the member countries.**
- Inclusion of the private sector and the civil society has led to a continuous and steady reform process.
- Involvement of the private sector and civil society has curbed corruption and increased the trust of these two primary stakeholders in the procurement process and in improved governance in their respective countries.
- Involving key stakeholders in policy formulation and in control and oversight has contributed to developing capacity by exposure to formal training in procurement and through the process of learning by doing.
- The common market has improved economy and efficiency of procurement and has **contributed to economies of scale** by have a common approach to preparation of procurement documents, development of training materials and delivery of training.

Procurement integration under the Caribbean Community

The Caribbean Community and Common Market (CARICOM) consists of fifteen member countries⁶³ that are classified as very small to small island states. Their population ranges from 4,700 (Montserrat) on the low end to close to 3,000,000 (Jamaica) on the high end. In contrast to the WAEMU countries which are all substantially larger, the CARICOM countries, though small, have a

⁶² These lessons are drawn from an overview "Strengthening Country Procurement Systems Results and Opportunities in Countries of West African Economic and Monetary Union (WAEMU)" prepared May 2011.

⁶³ Member countries: Bahamas, Barbados, Belize, Dominica, Grenada;, Guyana;, Haiti, Jamaica, Montserrat, Saint Lucia, St. Kitts and Nevis, St Vincent and the Grenadines;, Suriname, and Trinidad and Tobago.

significantly higher GDP per capita on average above USD 10,000 (2010)⁶⁴. Nevertheless these countries suffer issues related to size, economic growth, distribution of wealth and development, and formed CARICOM in 1975. It was not until 2000/2001 that efforts to establish "a single unified and open area" for public procurement, as was envisaged in the CARICOM agreement, began. As a result, most of the countries developed procurement regimes that protected the status quo and were very internally focused leading to a great deal of inefficiency in the area of public procurement.

The initial steps taken by the CARICOM procurement initiative were similar to what was undertaken by WAEMU. The fifteen member countries all underwent assessment of their existing procurement system using the CPAR assessment methodology in order to establish a baseline of information, supported by statistical data that would enable the CARICOM Secretariat to begin the process of drafting a framework agreement. The drafting process was also supported by studies to develop the scope for the Community's policy on procurement. Several donors supported the work, most prominently grants were provided in 2003 by the Inter American Development Bank and Canadian International Development Agency (CIDA). These grants were intended to support key objectives: (i) facilitate the implementation of single market by establishing an effective regional regime for public procurement; and (ii) participate more effectively in external trade negotiations relating to public procurement.

The outputs from the studies and the grants and the country assessments informed the preparation of the first draft Framework Regional Integration Policy on Public Procurement (FRIP). The draft FRIP was circulated to the Community of countries for review in the 2006-2008 timeframe and several key meetings were held in various countries to introduce and discuss the draft. The FRIP provided a basis for countries to begin the process of harmonisation of their specific country regulations and procedures. This process is still underway as many countries encountered legislative resistance to making some of the changes the FRIP would require. Nevertheless, most of the member countries presented updated draft legislation in 2008/2009 to their respective governments (and continue to pursue legislative changes) even as discussion around key issues continued. The key issues that remain to be resolved in order to implement the FRIP get to the heart of market access and converge around the question of monetary thresholds which will govern open procurement of goods, works and services. The issues are indicative of the differences that still exist between the countries and the need to mobilise political will within the countries to move fully towards a regional procurement regime.

CARICOM countries and the members of the Secretariat are active participants in the global and regional forums and have been the beneficiaries of cooperation and lessons that emerge from this interaction with other countries. During the recent Task Force on Procurement meeting held in Cuzco, Peru (May 2011), CARICOM countries and the Secretariat were able to share their key concerns as small island states and the impact that has on procurement, as well as share their efforts to create a regional integration that would alleviate some of these concerns. Although representing a different part of the world and countries of differing size, the CARICOM countries were able to benefit from the lessons from the WAEMU regional initiative on public procurement shared during the Task Force meeting.

Although the CARICOM efforts on procurement are still in progress, the potential benefit of the regional initiative has already been demonstrated by a sub-group of CARICOM countries. The

⁶⁴ International Monetary Fund figures, April 2010.

Organization of Eastern Caribbean States (OECS) is a sub-grouping of nine of the smallest CARICOM countries includes Anguilla, Antigua and Barbuda, British Virgin Islands, Dominica, Grenada, Montserrat, Saint Lucia, St. Kitts and Nevis, and St. Vincent and the Grenadines. These countries were aware of the inefficiencies each experienced in purchasing needed pharmaceuticals to meet specific country demand which often fluctuated from estimates, costing the governments money and sometimes resulting in having too few or excess drugs than actual usage required. In addition, most countries lacked leverage in the marketplace as their purchases were small compared to other countries. Starting in 1986, these countries determined to pool their needs and purchase required pharmaceuticals under a jointly defined procurement process. This initiative currently operates under a single purchasing entity, the OECS Pharmaceutical Procurement Service (PPS), which operates on behalf of all the participating countries. Each country determines need and deposits funds in a single revolving account which helps ensure payment are made on a timely basis. The centralised purchasing helps smooth out demand from year to year and creates economies of scale that delivers cost benefits to each of the participating countries. In addition, the PPS conducts prequalification of suppliers and monitors quality, delivery and performance. **The joint procurement benefits have resulted in a 44% savings over the cost of drugs when each country purchased individually.** The success of this initiative has required giving up some country authority and responsibility in order to achieve the joint benefits that are shared with all the countries. Currently, the success of the joint procurement initiative is being studied for expansion to more goods and commodities and as a model for other CARICOM countries.

Key lesson from the CARICOM experience

The CARICOM experience in trying to implement existing provision of the regional agreement has demonstrated how difficult it can be to break down the existing system in a sovereign country in order to pursue the benefits that are projected by creating an open and regional market for public procurement. This work has proceeded slowly, although it has progressed, over the past ten years. Each step requires convincing countries and stakeholders within the countries of the benefits of change. Although the OECS experience of using joint procurement that leverages the buying power by centrally managing the purchase of pharmaceuticals has demonstrated the power and benefit of regional procurement efforts, there is still a lack of agreement on key points needed to harmonise national legislation and implement the Framework Regional Integration Policy on Public Procurement in all the member countries.

CARICOM countries are far less dependent upon aid than the WAEMU countries, although donor assistance has been an important part of the process underlying the regional integration initiative. It was noted in the WAEMU case that the participating countries now recognise benefits and buy-in to the regional initiative which was initially driven by donors and they have complete ownership over the process, including monitoring implementation. This will be the next important step for CARICOM.

Key messages from country profiles

The following key messages emerge from the country profiles and the lessons that are noted in each profile. They are not intended to be all inclusive, but are presented as common or cross cutting messages that address questions of incentives, progress of reforms and what these lessons mean for future work.

- The OECD/DAC MAPS tool, has been an important contributor in the process undertaken by countries to modernise their public procurement systems. It has provided useful country specific information that has helped formulate a reform strategy or kick start additional changes under an on-going process. The MAPS tool enables the user country to track progress as some countries have done and it enables comparative analysis between countries which has proven useful to regional initiatives. MAPS help identify areas where the country differs from the benchmark specified, but it does not provide solutions which must be determined through a country specific process
- **Human capacity development** remains a key issue as the quality of every system depends on having qualified and knowledgeable people to manage and implement the system.
- **Decentralisation** presents challenges that affect a well functioning procurement system. Procurement capacity and skills are usually less developed when moving away from the centre to decentralised units that encounter procurement responsibilities on a less frequent basis. Several countries have recognised the need to create capacity as part of their overall decentralisation plans.
- **Effective use of technology** increases transparency, contributes to efficiency, and provides information to stakeholders and managers that can be used to monitor and manage performance. E-GP technology has also helped to simplify procurement for common use items and has increased the level of competition in many countries by making it easier for companies to enter the marketplace and compete for contracts.
- Reforms require resources (both financial and human), take time and require long term government commitment in order to bring about successful change. Most of the country profiles indicated that changes were implemented in stages, often starting with new laws or major amendments to existing laws or regulations. On average, the legal changes in countries reviewed were implemented over a period of several years. The legal changes were required in most countries before other initiatives were undertaken such as creating regulatory and oversight bodies and beginning the process of recruiting and training staff to implement according to the new regulations. In some countries, mistakes with regard to creating an appropriate regulatory framework slowed the reform process. Our country profiles found that most countries were still in the process of modernisation even after ten years of effort. The good news is that many countries, after introducing basic legal and organisational change, were focusing on introducing second or third stage changes that bring greater transparency, integration and results. These second or third stage changes benefitted from the existence of a good regulatory framework and strong regulatory/oversight institutions which help lead a continuous improvement process.
- The most successful procurement reform initiatives were country led and part of a broader public administration reform initiative. This helped to ensure integration and prioritisation of reforms and provided broad based support even for less popular changes.
- **The role of donors** is evident in each country reviewed; contributing assessment tools and support, financing for reform initiatives and access to advice and knowledge from a range of countries. Donors have also provided an external impetus to facilitate internal discussion and help bring about change. On the negative side, donors have been slow to rely on country procurement systems especially in those countries where there is a strong indication or perception of corruption affecting procurement.

- The role of stakeholders as key drivers of change is also evident in each country. The private sector plays an important role in seeing that a fair, open and transparent regulatory basis exists for encouraging participation in the government marketplace and ensuring that their voice is heard through a well functioning complaints system. Civil society, as a beneficiary of a well functioning system, is a driver of change and has even participated in an oversight role in some countries to help ensure the integrity of the system.

CHAPTER 4. PROCUREMENT CAPACITY DEVELOPMENT

OECD-/DAC defines capacity as “The ability of people, organisations and society as a whole to manage successfully their own affairs” and capacity development as “Processes whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.” This definition emphasises two important concepts:

- The focus is country-specific and multi-tiered, ranging all the way from society through its institutions down to the individual level; and
- The process of capacity development is much broader and more complex than just “strengthening”, but also includes “unleashing”, “conserving”, “creating”, “adapting” and “maintaining”.

It is important to emphasise that this definition of capacity development relates not only to developing the capacity of individuals, for example through training, but to the capacity of organisations and of society as a whole.

In 2005 the Procurement Roundtable, the earliest iteration of the Task Force on Procurement, published a Good Practice Paper on Procurement Capacity Development⁶⁵. The Paper recommended that a country-wide focus be adopted for capacity development, starting with an accurate assessment of a government’s true needs. It stressed the importance of coordinating and sequencing procurement and public financial management reforms and argued the focus for reforms should be on improving development outcomes, not just on improving narrow elements in the procurement process. It emphasised the importance of strengthening the full range of institutions and organisations that play important roles in the procurement process, including the private sector business community. Additionally it argued that true country buy-in and ownership and taking an entrepreneurial, flexible, medium- to long-term outlook were essential for success.

More concisely, the Good Practice Paper presented five principles for procurement capacity development:

- i) Country Ownership
- ii) Broad Stakeholder Involvement
- iii) Realistic Needs Assessment
- iv) Strategic Procurement Capacity Development Planning
- v) Closely Monitored and Flexibly Managed Implementation.

In planning this publication it was decided to include this separate chapter presenting a number of country cases to analyse how effectively these concepts have been applied in practice. However, in preparing the document it became apparent that in the 6 years since the Roundtable published

⁶⁵ OECD–DAC Guidelines and Reference Series Harmonizing Donor Practices for Effective Aid Delivery Volume 3: Strengthening Procurement Capacities in Developing Countries, OECD 2005

the Good Practice Paper these ideas have become so widespread that the country profiles in the previous chapter present many examples of these approaches being applied and as a result the distinction between those Country Profiles and the Country Cases in this Chapter are not as distinct as was originally imagined. However, generally speaking while the preceding Chapter describes the path of the substantive reforms of the featured countries, this Chapter focuses more on analyzing the actual process or approach taken.

The following six profiles are presented in alphabetical order and describe the process of capacity development undertaken in six very different countries, from different regions and that have applied different approaches to develop procurement capacities. Four of the cases (Albania, Kenya, Malawi and Sierra Leone) are focused on developing national procurement capacity, one case is focused at the sector level (Bangladesh) while one (Bhutan) examines an approach towards developing individuals' capacities. Each profile describes the capacity challenge facing the country, the approach that was used to develop the capacity, results that have been achieved and challenges faced as well as lessons learned and key messages emerging from the case. The information contained in the profiles has been drawn from existing information sources and augmented by key counterparts in each country.

Capacity development- country case: Albania

Introduction

Since emerging in 1991 from four decades of Communist rule, Albania has undergone a remarkable transformation. Aggressive market reforms, government modernisation, and active engagement with the international community have brought about NATO membership, a Stabilisation and Association Agreement with the European Union (EU), greater freedoms, and better living standards. Expanding at an average rate of 6% per annum, Albania's economy is one of the fastest growing in the Balkans.

This case describes the efforts to develop the overall national procurement capacity in Albania over a 10 year period where a shift in national priorities had a dramatic effect on the pace of change.

The capacity challenge

Albania implemented its first Public Procurement Law (PPL) and implementing regulations in 1995. This PPL was based on the UNCITRAL Model Law, but with other influences including from the World Bank and the World Trade Organization (WTO) Agreement on Government Procurement (GPA). Despite having a good legal framework in place, the Public Procurement Agency (PPA), established by the law, remained under-resourced, with high staff turnover and susceptibility to political influence. This, combined with the lack of a cadre of professional procurement officers in the public service, resulted in very weak enforcement of the Procurement Law. A World Bank CPAR⁶⁶ conducted in 2001 revealed a proliferation of poor procurement practices including overuse of non-competitive procurement methods, contract splitting and lack of transparency.

The recommendations in the 2001 World Bank CPAR included:

- To strengthen some of the provisions in the legal framework.

⁶⁶ Republic of Albania, Country Procurement Assessment Report January 2001

- To increase use of competitive procurement methods, particularly open tendering.
- To increase advertising and access to information.
- To increase participation in tenders, including international participation.
- To develop a cadre of professional procurement staff.

Approach to capacity development

An overview of the procurement reform process in Albania over the last 10 years reveals frequent reforms of the legal and regulatory framework. The PPL of 1995 was amended five times before 2003 and a new Law implemented in January 2007 was amended twice in 2007 with the regulations amended in 2008.

The same period reveals a plethora of assessments of the Albania public procurement system by external partners: a World Bank Country Procurement Assessment Report (CPAR) in 2001, a SIGMA Assessment in 2003, a World Bank Country Fiduciary Assessment (including MAPS) in 2006, a SIGMA Assessment in 2009 and a MAPS Assessment in 2010.

Yet despite frequent legal reforms, the development of real procurement capacity during the period between 2001 and 2006 proved elusive. The 2006 CPAR⁶⁷ found that the legislation had improved somewhat since 2001, but there had been little or no improvement in other areas. The use of Open Tendering had only increased from 31% in 2003 to 38% in 2005. A procurement website had been created to improve access to information, but was not maintained or regularly updated due to lack of resources. Participation in tenders had not improved and there had been no progress in developing a cadre of procurement professionals in public procurement. Moreover, private sector confidence in the system had decreased with 32% of firms saying bribery was frequent to obtain government contracts in 2002 rising to 41% in 2005. The recommendations of the 2006 World Bank assessment resemble those from the 2001 assessment to a very high degree.

Procurement reforms in Albania during this period appear to have been, to a large extent, driven by pressure and recommendations coming from external partners resulting in legal reforms implemented by the Government, but without any systematic or long-term strategic approach or prioritisation. While a PPA had been created by law, without adequate resources, there was no leadership to drive development of procurement capacity and system improvements.

However 2006 appears to be a threshold in terms of procurement reforms in Albania. The formal relationship between Albania and the European Union (EU) dates back to 1992 but it moved to a new level in June 2006 with the signing of the Stabilisation and Association Agreement (SAA). The SAA obliged Albania to fulfill a huge range of short, medium and long term objectives towards acceptance into the EU. This included a commitment to move towards approximation with the EU Procurement Directives. The implementation of the new procurement law in January 2007 and subsequent amendments have been steps in this direction. Other procurement related commitments made by Albania due to the SAA were to increase transparency and eliminate discrimination as well as strengthening administrative and institutional capacities to undertake procurement under the new legislative framework.

⁶⁷ World Bank Albania Country Fiduciary Assessment August 2006

However this time legal reform was accompanied by a number of significant initiatives designed not only to enforce the new law, but to develop the overall procurement capacity in Albania at the societal, institutional, and individual levels with a view to moving towards a performance focused approach to procurement. Moreover, these initiatives were deeply integrated with a wider governance reform programme. Some of the key initiatives implemented within a relatively short period of time include:

- Strengthening the PPA, doubling its size between 2007 and 2009, improving its capacity to lead procurement transformation in Albania.
- Standardisation of the complaints procedures and creation of a new institution called the Public Procurement Advocate which plays a supportive role in investigating complaints.
- Development of an e-GP system since 2008 which is now compulsory for all procurement tenders.

A key driver triggering the faster pace of procurement capacity development in Albania has been the political will unleashed by the goal of EU membership. Since 2006 the Government of Albania has shown commitment to address identified weaknesses in the public procurement system, both politically and in terms of providing additional funding to ensure the roll-out of the e-GPGP system. The PPA has also received assistance from external partners – the European Commission (EC), World Bank and the United States Agency for International Development (USAID) - to support these initiatives, but to a much larger extent on their own terms than was the case prior to 2006. One of the key recommendations coming out of the 2010 MAPS Assessment is to “make the 2010 diagnostic and the capacity development plan a common tool for prioritising and co-ordinating the support of all donors.”

Results

A comparison of the 2010 MAPS Assessment Results to the 2006 Assessment clearly illustrates the improvements in this period:

- 8% improvement for Pillar I Legislative and Regulatory Framework (which already scored quite high in 2006)
- 81% improvement for Pillar II Institutional Framework and Management Capacity
- 25% Improvement for Pillar III Procurement Operations and Market Practices, and
- 79% Improvement for Pillar IV Integrity and Transparency.

There are other indicators of the impressive results in Albania.

- In 1999 it was estimated that only 6-7% of procurement financed out of the State budget was subject to Open Tendering. This had risen to 31% in 2003 and by 2007 almost 50% of procurement was Open Tendering. By the end of 2008 it was close to 55%.
- Prior to 2001 very little publication of procurement information was taking place and for the period between July 1999 and October 2000 the Public Procurement Bulletin (the main vehicle for tender advertisements) was not published at all. By 2006, a website had been launched, but had not been maintained or regularly updated due to lack of resources. By 2008 the e-GP system had been launched and all procurement notices and tender documents were downloadable from the website.

- Prior to 2001 it was reported that the number of bidders per tender was “low” though no figures are available. The 2006 assessment reported that there had been no improvement and in 2008 the number of offers was reported to be only 2 per bidding process. However by 2010, following implementation of the e-GP system there was an average of more than 7 bidders per tender.
- From 1 April 2010, Albania has a Public Procurement Commission in place dealing with complaints.

Initiatives are underway in Albania to address remaining challenges e.g.:

- Further legal reforms are required to align with EU Directives.
- Professionalisation of procurement and strengthening the capacity of procuring entities.
- Strengthening the monitoring and enforcement of procurement practices.
- Further e-GP development and implementation of the system.

Lessons learned

- It is difficult to underestimate the power of **national ownership** as a driver for capacity development. The advice and support of external partners in Albania was well intentioned, but until these projected goals became national priorities it was insufficient to unleash the necessary conditions for change.
- The blockers for effective procurement transformation are often rooted in the wider political economy which requires an approach where procurement is integrated into wider governance reforms.
- Capacity development is a **long-term process** – in this case it took almost 10 years to realise goals set in 2001.
- The use of **innovation** can be very powerful. By using modern tools such an electronic procurement system Albania was able to achieve goals in a way that would have been impossible back in 2001.
- Legal reform can be an easy and quick fix, but in itself does not lead to the necessary change in behaviour.

Capacity development - country case: Bangladesh

Introduction

This case describes an interesting approach to developing capacity with the goal of aligning the procurement of the Danish sector programmes in Bangladesh with the national procurement system.

Bangladesh is located in South Asia and is one of the most densely populated countries in the world with around half the population living below the poverty line. The Government of Bangladesh (GoB) is committed to addressing obstacles to growth and poverty reduction and has made considerable progress in recent years. Yet it faces continued challenges requiring ongoing external assistance.

Bangladesh is one of 15 programme countries for Danish development assistance. The programmes that the Danish government supports in Bangladesh include activities related to water and sanitation, crop production, fisheries and livestock, and rural roads.

The capacity challenge

In August 2006 the GoB published the Bangladesh Harmonization Action Plan, the focus of which is implementing the Bangladesh Poverty Reduction Strategy (PRS) on the basis of the five Principles mentioned in the Paris Declaration (ownership, alignment, harmonisation, results and mutual accountability). The Danish Government meanwhile responded to the Paris Declaration by issuing new Aid Management Guidelines in 2005 which emphasise harmonisation and alignment in all cooperation activities including all Danida⁶⁸ funded development sectors in Bangladesh. Accordingly, in October 2008 the Royal Danish Embassy in Bangladesh (RDE) made an agreement with the GoB that all components of Danish sector programmes should seek to apply the Bangladesh procurement law and regulations to the extent feasible.

The GoB, with support from the World Bank, had been leading a comprehensive public procurement reform programme since 2002 and in January 2008 a Public Procurement Act (PPA 2006) and Public Procurement Rules (PPR 2008) came into force. In addition to the PPA/PPR, standard bidding documents were published and transparency improved by increased publishing of procurement opportunities and contract awards. Moreover, accountability was improved and a review and appeals mechanism was incorporated in the new legislation. There was also widespread training of officials and a procuring monitoring system piloted. Nevertheless challenges remain, in particular in implementing the PPA/PPR resulting in delays in contract award, ineffective contract administration and inappropriate bidding practices favoring collusion.

Until 2008 procurement for the Danish sector programmes had mainly been outsourced to a procurement agent. Moving towards full alignment presented a number of challenges, not only in terms of the capacity of the Bangladesh procurement system but also in terms of adjusting the operational practices of the RDE and the Danish sector programmes.

Approach to capacity development

The RDE wanted to develop and implement a Roadmap towards full alignment of procurement under two sector programmes (agriculture and water and sanitation) and therefore undertook a systematic capacity assessment process, the goals of which were to:

- determine whether sufficient procurement capacities exist with the Danish sector programmes to fully align the procurement with the GoB system; and
- to the extent that capacity gaps prevent full alignment, prepare a procurement capacity development plan that could address the identified gaps and prepare the Danish sector programs for full alignment.

The first step in this process was **defining the capacities required** to align procurement under the sector programmes. These capacities were developed into a framework based on four **core**

⁶⁸ Danish International Development Agency (Danida) is the development assistance agency of the Ministry of Foreign Affairs of Denmark.

issues found to be of particular relevance (institutional arrangements, leadership, knowledge and accountability) and the required **technical capacities** which encompassed each step of the procurement cycle, from procurement planning to payment of invoices. In addition, certain generic capacities were identified such as incentive structures and auditing capacity. **Indicators** were developed based on this capacity framework.

Using the framework, a systematic **assessment of the actual capacity level** was conducted using a qualitative assessment approach, including interviews with personnel and other stakeholders and sampled procurement case reviews. By comparing the actual capacity level with the indicators, **capacity gaps were identified.**

The assessment revealed that successful alignment would hinge on the capacities of several stakeholders and the relationships between them:

- The sector programmes: The sector programmes were largely being managed by Danida programme staff in separate programme setups with limited or no integration with the national setup.
- The partner institutions e.g. the Bangladesh government entities related to the sector programmes.
- The Royal Danish Embassy in Bangladesh; and
- The Government of Bangladesh – in terms of the overall environment for public procurement.

Some of the key capacity gaps identified for each of these stakeholders are illustrated below:

SECTOR PROGRAMMES

Limited integration with national setup
Lack of dedicated procurement functions
Weak leadership incentives and buy-in to alignment strategy
Lack of strategic procurement oversight
Poor knowledge of procurement management and GoB procedures
No tradition for follow-up on irregularities

PARTNER INSTITUTIONS

Lack of dedicated procurement units
Limited specialist knowledge available
Lack of sector specific procurement tools and guidelines
Lack of procurement monitoring tools
Frequent replacement of Project Directors and Heads of Procurement Entity
No internal audit units

DANISH EMBASSY

Limited integration of alignment strategy in programme designs
Absence of adequate risk mitigation measures
Limited collaboration with partner institutions on alignment strategy.

GOVERNMENT OF BANGLADESH

No procurement profession
Weak performance incentives for procurement
Lack of procurement monitoring framework
Insufficient procurement advisory services or guidelines
No established procurement training

Having identified the capacity gaps, a Capacity Development Plan was prepared that focused on all of the stakeholder groups on the assumption that the alignment process could not be successful if one of the target groups was omitted. Unless the technical and managerial gaps identified in the sector programmes vis-à-vis the capacity to carry out sound and efficient procurement in accordance with national rules and process were addressed, the risk associated with using the system could not be lowered to a level acceptable for Danish support to rely on the national procurement system. In addition, for the alignment strategy to be successful, The Royal Danish Embassy would be required to play an active role as a driver of the process.

Finally, this would not be sufficient without the supporting national framework and capacity, both at the sector level and in the overall procurement environment. However most of the capacity issues relating to the GoB were already being tackled through the GoB Central Procurement Technical Unit led, World Bank supported, Public Procurement Reform Project.

Since the overall goal of this process was capacity development for alignment, the capacity development plan was transformed into an **Alignment Roadmap** advocating a step-by-step approach. The Roadmap consists of a series of detailed initiatives designed to develop the required capacities. Each initiative has an objective, outcome indicators, detailed implementation plan, and milestones. Progressive steps towards alignment are triggered by the achievement of certain milestones e.g.

Milestone	Alignment step
Status at start (end 2009)	<p>Use of Danida procedures limited</p> <ul style="list-style-type: none"> · <i>Agriculture</i>: All procurements in principle use national rules, unless under special circumstances (though practices are in reality mixed) · <i>Water & Sanitation</i>: Non-waived items use national rules <p>Use of procurement agent limited</p> <ul style="list-style-type: none"> · <i>Agriculture</i>: Procurement agent used on needs basis · <i>Water & Sanitation</i>: Procurement agent is only used for waived items above agreed threshold
<p>Milestone no. 1: Procurement guidelines established Internal procurement expertise strengthened Procurement management focus strengthened National procurement consultant recruited Embassy representative assigned</p>	<p>Further limit use of Danida procedures</p> <ul style="list-style-type: none"> · <i>Water & Sanitation</i>: Phase out List of Waived Items. <p>Further limit use of procurement agent</p> <ul style="list-style-type: none"> · Thresholds for use of procurement agent to be raised to only cover very major and/or or complex procurements
<p>Milestone no. 2: Framework for procurement auditing established and in use Performance monitoring framework established and in use OECD/DAC assessment carried out and results considered</p>	<p>Phase out procurement agent Phase out use of Danida procedures</p>
<p>Milestone 3: Key procurement reform priorities (including national framework for procurement auditing) implemented and proven effective</p>	<p>Phase out use of Danida procurement audits Conclude advisory services contract with national procurement consultant</p>

Results

Just over a year has passed since the Roadmap was put in place so it is too early to draw any conclusions on results. However progress has been made towards Milestone no. 1 with Procurement Guidelines having been established, procurement focal points identified in the sector programmes, and a workshop held for the focal points on the guidelines. Moreover a set of frequently asked questions (FAQs) has been prepared. In addition there has been a focus on preparing timely and quality procurement plans and a workshop held for the focal points on procurement planning. A procurement audit has been conducted in the rural roads component and is scheduled for the water and sanitation sector programme.

There have also been challenges. An amendment to the PPA has been passed which the majority of the donor community have found unacceptable, but the Royal Danish Embassy has decided to maintain their acceptance of the PPA.

There is also continuing resistance on behalf of sector programmes to use the PPA despite the “decision from the top” to do so, so this is still work in progress.

Lessons learned

- It is not only the capacities of the partner government and its institutions that are relevant for successful alignment, but also the capacities of the development partner and its programmes. Thus, any assessment and subsequent capacity development interventions should address all these entry points (including the relationships between them).

- Capacities cannot be “transferred” from donor programme staff to a national institution. The solution rarely lies with the capacities of individuals or with technical fixes but in the political or organisational environment.
- Alignment strategies for country systems and institutions for procurement should not be seen in isolation but should take into consideration alignment relating to other areas such as audit, monitoring, human resources and public financial management.
- Developing the capacity of the partner government and its institutions must be led by the Government itself if it is to be successful. Development partners can provide support, but should not impose solutions.
- On the other hand, development partners are responsible for their own risk mitigation strategies in relation to an alignment plan. However these ought to be transparent, with both the milestones and the strategies visible to the partner government, and should be harmonised with other development partners to the largest extent possible.

Capacity development- country case: Bhutan

Introduction

Landlocked between China and India, Bhutan is a small kingdom covering nearly 38 500 square kilometres in the eastern Himalayas with a population of around 700 000. In the last couple of decades, The Kingdom of Bhutan has experienced rapid social and economic development as a result of prudent macroeconomic management, beneficial exploitation of hydropower resources, and substantial support from development partners.⁶⁹ Bhutan adopted a system of democratic governance in 2008 and concurrent with these changes, there remains a strong commitment for governance reforms which includes steps towards creating an efficient, effective, transparent and fair national procurement system.

This case describes the approach taken by the Royal Government of Bhutan (RGoB) to develop the capacity of national training institutes to deliver certified procurement training to all relevant stakeholders in a sustainable manner.

The capacity challenge

The public procurement system in Bhutan has undergone significant development since 1999 when Procurement Rules and Regulations were created and incorporated in the Financial Manual. In 2005 a new phase of procurement reforms started with work on: (i) renewing the procurement manual and its accompanying standard bidding documents; (ii) creating a public procurement oversight authority; (iii) setting up a procurement complaints mechanism; (iv) assessing the readiness for introducing e-GP;GP and (v) developing the capacity of national institutions responsible for training people on public procurement.

Good progress has been made and new Procurement Rules and Regulations were introduced in 2007 and updated again in April 2009 along with updated standard bidding documents. In addition,

⁶⁹ World Bank Project Appraisal Document International Procurement Capacity Building Project for Procurement, Kingdom of Bhutan, May 2008

the Public Procurement Policy Division (PPPD) under the Ministry of Finance (MoF) was established in August 2008.

The RGoB is committed to developing a national procurement system that ensures efficiency and economy in procurement and meets international standards so that its development partners will increasingly rely on it and move away from the mandatory use of donor rules and regulations for development projects. There is also strong support from the donor group in this regard.

However, despite the good progress made in reforming the legal and institutional frameworks for procurement, it became clear to the RGoB that this was not enough to ensure good procurement practice. The application of national procurement rules continued to be relatively inconsistent across government and within individual agencies and there was little evidence of progress towards improving tangible outcomes. There was, on the other hand, significant evidence that non-compliance and/or improper compliance were the result of a lack of knowledge or misinterpretation of the rules and regulations.

Approach to capacity development

Recognising that the desired improvement in procurement outcomes was dependant on those involved in the procurement process performing adequately, the RGoB was committed to developing the capacity of all stakeholders involved in public procurement. In designing the approach, there were a number of issues that were considered important:

- **Sustainability:** The RGoB wanted to avoid the traditional approach of short-term ad hoc training courses or workshops for a select number of individuals, as this has often shown not to provide long-term sustainable capacity improvements as civil servants are rotated or move on. The same opportunities should be available to future procurement officials.
- **Competence Development:** The RGoB also wanted to avoid delivering training courses focused only on procurement rules and regulations with an emphasis on compliance. Recognising that professional discretion can never be eliminated if good procurement outcomes are to be achieved, the RGoB wanted to develop an approach that would go beyond compliance to also develop competence and emphasise continuing professional development.
- **Nationally owned:** The approach should be focused on developing the capacity of national training institutions and should avoid reliance on foreign experts and service providers.

The project also needed to address a number of key RGoB objectives:

- To establish and embed procurement benchmarks and standards, which are based on international good practice.
- To establish and professionalise a procurement community through a national people development strategy.
- To strengthen and support the wider roll out of procurement practices in order to create a “body” of procurement knowledge for the country.

With this in mind, in June 2009, with the support of the World Bank, the RGoB embarked on an ambitious two year project designed to support capacity building to ensure improved procurement performance amongst relevant stakeholders. The project had three main components:

- Component 1: Development of a People Development Strategy. This component focused on establishing the benchmarks, standards and competencies required for a corps of procurement professionals and establishing a qualifications and training regime to support the future development of procurement professionals.
- Component 2: Implementation of the People Development Strategy. This component focused on the priorities for the delivery of procurement training and education.
- Component 3: Mainstreaming the People Development Strategy. This focused on embedding and mainstreaming the strategy in the relevant national institutions for long-term sustainability.

It was decided to use three sub-indicators from the MAPS⁷⁰ to measure the outcomes of the project as follows:

- Sub-Indicator 5(c): A sustainable strategy and training capacity exists to provide training, advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and how they should be implemented. Target: to increase score by at least 1 point. Baseline: 0.
- Sub-Indicator 6(a): The level of procurement competence among government officials within the entity is consistent with their procurement responsibilities. Target: to increase score by at least 1 point. Baseline: 2.
- Sub-Indicator 6(b): The procurement training and information programmes for government officials and for private sector participants are consistent with demand. Target: to increase score by at least 1 point. Baseline: 0.

A number of national stakeholders were involved in the project. The PPPD is the organisation leading the overall procurement reforms and also the main driver for this initiative. The Royal Institute of Management (RIM) provides both in-service and pre-service training and education to the Royal Civil Service and is the institution responsible for the procurement training efforts. The Royal University of Bhutan (RUB) is also involved in issuing certification for the higher level procurement qualifications. Moreover the Royal Civil Service Commission (RCSC) is the key stakeholder for developing procurement roles, national qualifications, and career paths. Six hundred personnel were identified as needing procurement competence development including procurement staff, administration and finance staff, as well as engineers. In addition training was to be extended to private sector stakeholders such as bidders, consultants and suppliers.

The RGoB decided to partner with the Chartered Institute of Purchasing and Supply (CIPS) for the implementation of this project. CIPS has developed courses and training materials that are used in many countries around the world to develop and certify procurement officials on a ladder of 6 levels up to MCIPS which can be compared to the Certified Public Accountant (CPA) and Chartered Financial Analyst (CFA) accreditations for financial management. In Bhutan, CIPS has been working alongside RIM and RUB with the intention that the national institutions will be fully accredited to run

⁷⁰ OECD/DAC Methodology for the Assessment of Procurement Systems

the programmes by the end of the project. In addition, it was decided to introduce a foundation level Compliance in Performance Certificate (CPC) that would be a prerequisite for all personnel wishing to commence CIPS certification. A number of short courses (e.g. 1 day) on specific topics were also introduced.

It is considered important that when procurement personnel undertake training and qualifications there should be an environment and structure in place enabling them to be recognised and their competencies used. Therefore, the project also focused on developing a procurement competence framework for the civil service along with job descriptions and job profiles.

Results

At the time of writing, the two year project period has not yet ended so the outcomes cannot be reported in terms of the three MAPS Sub-Indicators.

However, by the end of February 2011, more than 400 officials had completed the CPC with over 90% having passed. A number of officials are already well up the CIPS ladder with a number likely to have achieved MCIPS by the end of the project.

Plans for post-project sustainability are well developed and RIM will be delivering procurement training and professional procurement qualifications without external assistance by 2011/12. Part of the long-term strategy is to attract students from outside Bhutan to take CIPS qualifications, contributing to sustainability. Introducing a Masters course was not part of the project, but preparation work has nonetheless been done and it is expected that such a course will be available from 2013.

However one of the most important benefits is that the courses have provided opportunities for peer groups involved at various levels of RGoB procurement to come together to discuss issues, share ideas and find solutions to overcome obstacles. The increased knowledge and skills acquired both through the formal training and the informal networking provides a greater level of confidence for officials to see the procurement rules as an enabler to help achieve objectives and outcomes.

Lessons learned

- Short-term ad hoc training lead by foreign experts is not sustainable since little or no national capacity is developed to provide the training, and future new procurement officers may not have access to the same opportunities.
- Good procurement outcomes depend on professional decision making and not only on compliance with rules. Therefore it is important to develop the competence of officials through continuing professional development.
- It is important to ensure that procurement personnel undertaking training and qualification, work in an environment with structures in place that enable these qualifications to be recognised and used through career ladders and other incentives.
- Adopting international standards are important, but for long-term sustainability they need to be adapted to local conditions and requirements.

Capacity development country case: Kenya

Introduction

The Kenya Country Profile (Chapter 3) gives a historic view of the changes in Kenya's procurement system. This case describes the efforts undertaken by the Kenyan Government to strengthen their capacities based on the results of a MAPS Assessment in 2007 and other measures to implement their mandate of regulating and monitoring Public Procurement in Kenya.

Since 2008 the capacity development of the Public Procurement Oversight Authority (PPOA) is being supported through technical assistance by the German Agency for International Cooperation (GIZ)⁷¹ on behalf of the German Federal Ministry for Economic Cooperation and Development (BMZ). The Capacity Development in Public Procurement (CDPP) Project is part of the GIZ programme on Support to Public Finance Reforms (SPFR) and is one pillar of the Public Finance Management Reforms of the Ministry of Finance of Kenya.

The capacity challenge

In 2007 a MAPS Assessment of the Public Procurement System in Kenya revealed several weaknesses in the procurement system. The procedures were neither needs-oriented nor efficiently conducted and because they, for the most part, lacked transparency, could not be monitored and reviewed. Limits on competition, as well as long award processes, prevented prompt implementation of the resulting decisions and opened the way for corruption. This situation led to delays in payments and damaged the quality of public services and the validity and predictability of the public budget.

In particular, the challenges identified included a lack of specialised procurement expertise in the procuring entities with no training provided, problems with the complaints review procedures and a lack of standardised procedures and documentation.

With this background, Kenya and Germany agreed on a joint Capacity Development for Public Procurement (CDPP) Project in 2008, which later became integrated in the broader Support to Public Finance Reform Program. The CDPP Project supports the Public Procurement Oversight Authority (PPOA), a semi-independent regulatory body established according to internationally recognised best practices in 2007. The project is designed to support PPOA in carrying out its supervisory, regulatory and support tasks through the integrated development of existing and potential capacities.

Approach to capacity development

The GIZ support has been provided in form of a long-term technical assistance project embedded in the PPOA to strengthen the young organisation in its organisational development and to build up capacities on the **individual, organisational, and broader co-operation** level. Looking at the procurement system holistically, additional partner organisations were identified in the Kenya Institute of Supplies Management (KISM), a professional body for procurement specialists and civil society organisations.

During the joint needs assessment of the project it became clear, that an interdisciplinary approach was needed. Four areas were identified to be supported through the joint project. While

⁷¹ GIZ was formerly known as GTZ.

many activities focused on the development of strategic documents and guidelines, the capacity development strategy is the linking element in the activities. All activities were ultimately aimed at developing the PPOA organisationally and to develop human resources capacities, while strengthening its links to other actors. In the current second phase of the project, more attention is given to strengthening the procurement system as a whole.

Policy and system development	<ul style="list-style-type: none"> • Development of a Policy Paper on Public Procurement. • Development of a Strategic Plan for PPOA. • Development of a Strategic Plan for the Kenya Institute of Supplies Management (KISM), a professional procurement body. • Drafting of proposals for amendments to the current Public Procurement legislation. • Studies on legal questions relating to Public Procurement.
Operational and organisational development	<ul style="list-style-type: none"> • Development of guidelines on corporate governance for PPOA. • Development of internal audit guidelines and manual for PPOA. • Development of an ICT policy for PPOA. • Development of guidelines for frivolous appeals and costs in the review procedure. • Development of guidelines for SME's in Public Procurement. • Development of Procurement Manuals and a set of new Standard Bidding Documents. • Operation of the tender portal of PPOA.
Human resource development	<ul style="list-style-type: none"> • Training needs assessments for PPOA and KISM. • Development of induction training and team building events for PPOA and KISM • Development of a Capacity Development Strategy for Public procurement for Kenya. • Development of a training manual, a train-the-trainer programme and standardised training materials. • Procurement sensitisation seminars, workshops, trainings and conferences. • Support and update of the e-learning system of PPOA
Awareness raising and network development	<ul style="list-style-type: none"> • Monthly publication of procurement opportunities and contract awards in newspapers • Quarterly editions of the Kenya Procurement Journal. • Organisation of regional and national stakeholder forums. • Planning and organisation of the East African Public Procurement Forum and the annual regional conferences towards Procurement Professionalism in Eastern Africa. • Study visits. • Public Relations activities of PPOA and KISM.

Consequently, a first focus of the project was to develop a joint Capacity Development Strategy for the whole public procurement sector. This particularly included a train-the-trainer approach, which prioritises hands-on learning and practical information and training for procurement officers. Broad-based training through the PPOA is still ongoing, with several thousand procurement officers trained already.

The CDPP Project also supported the PPOA and other stakeholders in broadening the information available on procurement processes and its dissemination into the system. Numerous workshops with major procurement entities were held that focused on the implementation of the Public Procurement and Disposal Act and the Supplies Practitioners Management Act as the main pillars of the current legal framework of procurement. Additionally, this also aimed at professionalisation of procurement officials, e.g. by the development of a long-term strategy for the development of a specific professional profile for procurement experts through KISM.

However, while a lot of progress has been made to strengthen the PPOA institutionally through the development of strategies, organisational measures and training for example, one of the key challenges has been a severe under-resourcing, in particular a high rate of vacancies. The PPOA also lacked the budgetary resources to fully fund its activities. This might have led to significant challenges in motivating procurement officials to take on additional responsibilities since remuneration and conditions of service are not attractive. Only in the beginning of 2011, was PPOA able to start recruiting its own personnel, who are not seconded by other Ministries. It aims to be fully staffed by the middle of the year. Also, by the end of 2010 a Director General was officially appointed for the first time in the existence of the Authority. Those limitations have challenged the possibility for the capacity development process to become increasingly stakeholder driven and owned.

In addition to the CDPP project, a number of other development partners are also supporting procurement reform and capacity development initiatives in Kenya. While the support is welcome, the coordination of these different partnerships and programmes puts an additional burden on the already constrained PPOA, including being responsive to the different monitoring and evaluation requirements of each partner. It is hoped that in the future a coordinated approach to procurement reform and capacity development support can be achieved.

Results

One of the key results is the growing professionalisation of procurement officials in Kenya. Apart from training activities conducted through the project, longer-term plans were developed and training was established as a priority area. The PPOA has a Strategic Plan in place for the period 2010-14 which along with the Capacity Development Strategy, provides the roadmap for system improvement and capacity development activities towards the goal of having a public procurement system in Kenya that functions according to needs, efficiently, reliably and transparently. A recent and most welcomed achievement is the recognition of the importance of public procurement in Kenya following the embedding of a clause in the Kenyan New Constitution on procurement of goods and services.

Additionally, the PPOA has been able to develop its capacities to start to fulfill its mandate and leadership role in the procurement system and to provide support to the 30,000 to 50,000 procuring entities in Kenya.

The CDPP project has also shown that a young organisation like the PPOA takes considerable time and support to become fully functioning. With the newly installed Director General in place in 2011, the capacity of the PPOA is gradually developing.

Lessons learned

- A successful procurement system can only thrive in an environment supported by a strong and established procurement legal framework.
- Successful capacity development is dependent on the existence of a strong regulatory body that is capable of and resourced for taking the lead. However, it takes considerable efforts and political will to build a strong institution. Development partners should assist developing organisations even though results may take longer than originally planned.
- Arguably the existence of this leadership capacity is more important than the actual organisational placement of the regulatory body and in some instances it may be preferable to locate the body within a stronger institution such as a Ministry of Finance, as long as its independence of function is guaranteed.
- The importance of adequate remuneration and incentives for procurement officials cannot be underestimated. Not only does it influence job performance per se, but the lack of rewards and incentives can hamper the willingness of individuals to contribute to the overall development of the system. Particularly in a developing system, this can significantly undermine progress.
- Although well-intentioned, the uncoordinated support of multiple development partners can in fact constrain rather than contribute to the development of capacity. Development partners supporting related programmes ought to find mechanisms to coordinate their support, ideally behind nationally-owned priorities.

Capacity development- country case: Malawi

Introduction

The Republic of Malawi is a small landlocked country in east Central Africa. Malawi has been a multiparty system democracy since 1994. Agriculture accounts for one-third of GDP, 90% of export earnings and three quarters of total employment. The industrial sector is limited and tourism has a potential but is underdeveloped. Malawi's rural population accounts for 85% and are subsistence farmers or work on large plantations. Approximately 65% of Malawians live below the poverty line. Malawi was ranked 153 out of 169 countries in the 2010 UNDP Human Development Report.

This case describes the process undertaken by the Malawi Office of the Director of Public Procurement (ODPP) to assess the capacity of the procurement system using a combination of the OECD/DAC MAPS tool and the United Nations Development Programme (UNDP) Approach to Procurement Capacity Development.

The capacity challenge

In 2003, Malawi was essentially starting from scratch in terms of public procurement.⁷² A new Public Procurement Act 2003 (PPA) was enacted allowing the country to start with a clean slate. Prior to this, procurement was characterised by process delays, insufficient organisational or individual capacities, and inadequacies in the organisations, documents and management. However, with the new law, the future path of reforms could have seemed daunting since the PPA laid out a completely new procedural and institutional framework, none of which currently existed. This framework included setting up an independent procurement authority, the ODPP, decentralisation of procurement authority to Ministries and Government Agencies through Internal Procurement Committees (IPCs) and Special Procurement Units (SPUs), establishing a cadre of public procurement professionals, and setting up a standing review committee to handle complaints.

Approach to capacity development

The ODPP had duly been established in 2004, and by 2007 decided to conduct a procurement capacity assessment in order to:

- Measure progress since 2003;
- Review the current level of capacity and serve as a basis to prepare a capacity development plan; and
- Serve as a baseline against which to measure future progress.⁷³

The assessment was conducted using the **OECD/DAC MAPS**. With its detailed set of indicators and its focus on both systemic and compliance/performance related aspects of the procurement system, it provided an effective framework for obtaining an overview of the procurement situation in Malawi.⁷⁴ The ODPP combined the MAPS with the **UNDP approach to capacity assessment**⁷⁵ which provides guidelines on identifying and formulating capacity development strategies based on procurement assessments.

In order to prepare the ground for the subsequent strategy development process, the assessment focused not only on identifying the weaknesses of the procurement system, but also on uncovering the **root causes** underlying these weaknesses. The assessment and strategy development process therefore followed five steps:

- i) Defining the desired capacities, using the MAPS;
- ii) Assessing actual capacities;
- iii) Analysing the gap between the desired and the actual capacities;
- iv) Identifying the root causes for the gaps; and
- v) Formulating the capacity development strategies.

⁷² World Bank Malawi Country Procurement Assessment Report 2004

⁷³ Office of the Director of Public Procurement: Procurement Capacity Assessment November 2007

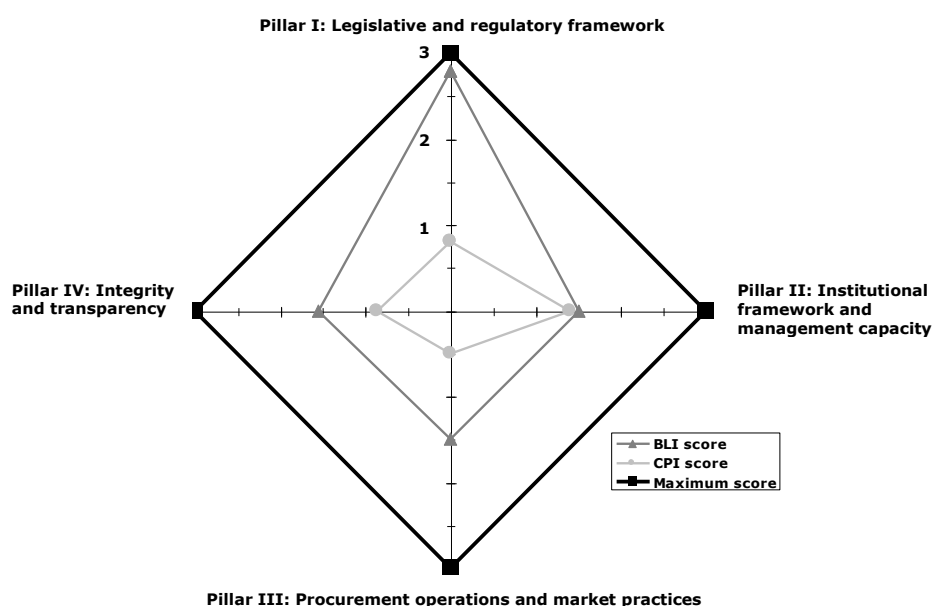
⁷⁴ OECD/DAC Procurement Capacity Assessment and Strategy Formulation in Malawi: A Case Study

⁷⁵ UNDP Public Procurement Capacity Development Guide

The assessment team, which consisted of ODPP staff assisted by external consultants, took a qualitative approach to collecting data and a wide range of stakeholders was interviewed including ODPP staff, procuring entities, control and oversight authorities, private sector associations, training institutions, civil society organisations, and development partners. Moreover, all legal and regulatory documents relating to public procurement in Malawi were reviewed as were policy documents, strategies, and previous studies. In conducting the assessment, the ODPP decided to not only score the BLIs from the MAPS tool, but additionally to assess the associated level of CPI for each of the MAPS sub-indicators on the same 0-3 scale, allowing a comparison to be made between BLIs and CPIs.

The results of the assessment showed quite remarkable progress in the 4 years since 2003. The ODPP was established in 2004 and had embarked on carrying out the functions and responsibilities defined in the legal framework and playing a leadership role in procurement reform. Regulations had been implemented in September of 2004 and together with Desk Instructions and a set of standard bidding documents provided an overall legal framework that resulted in a BLI Score close to maximum for Pillar I - Legal and Regulatory Framework. In addition, a comprehensive training policy had been developed and was being implemented, a career ladder for procurement officers and job descriptions had been developed, and a process towards establishing a professional association for procurement had been initiated. A three tier complaint review system had been established and was fully operational and a sound legal framework for addressing corruption, fraud, conflict of interest and unethical behavior introduced. An Integrated Financial Management Information System was providing an electronic interface between the financial management and procurement system in all central ministries and many entities had established IPCs and SPUs.

Despite the progress, the assessment also revealed a number of capacity gaps, many of which related to the **implementation and enforcement** of provisions of the new legal, institutional and procedural frameworks. The table chart below compares the BLI and CPI results pillar by pillar.



The next step in the process was to formulate a **capacity development plan** which consisted of three main stages: identifying the strategies, defining progress indicators and transforming strategies into a coherent capacity development plan.

Both short- and medium-term strategies were identified. The short-term strategies focused mainly on “quick wins”, i.e. strategies that could be implemented with only small efforts and resource inputs, thus contributing to fast and low-cost improvements to the procurement system. The medium-term strategies, on the other hand, covered more complex, time- and resource-intensive interventions, often requiring coordination between several stakeholders.

For ODPP it was important that the strategies identified did indeed offer sustainable improvements to all aspects of the procurement system. For this reason, capacity development strategies were considered not only in the traditional area of training and competence development, but **also at the organisation and societal level**. The strategies were designed to address the root causes underlying the capacity gaps, and not just the symptoms. Capacity development actions were broken down into four different clusters:

- Institutional reform and incentives;
- Education, training and learning;
- Leadership capacities; and
- Accountability and voice mechanism.

To provide ODPP with a tool to continuously measure capacity improvements, and adjust for potential unintended effects of the strategies, two progress indicators were identified for each strategy. An output indicator measured whether the strategy had been implemented, and an outcome indicator measured whether the strategy implemented had in fact led to its intended result. A baseline measuring the capacity level at the outset of the strategy implementation, as well as a target for the desired capacity level by the end of the implementation period was defined for each outcome indicator.

This was consolidated into a capacity development plan⁷⁶ consisting of 15 short-term strategies and 21 medium-term strategies including assigning responsibility, priorities and timeframes and finally a costing.

Results

By 2011, only just over three years after the capacity development plan was finalised, more than half of the short-term strategies have been completed, while the remainder have developed into ongoing initiatives. Three of the medium-term strategies are already completed and most of the rest are ongoing. This has proven possible due to the leadership shown by the ODPP in driving the comprehensive change programme forwards. Having been responsible for both the assessment process and the prioritisation of the capacity development actions, the ODPP has subsequently ensured resources to fund the reforms from the national budget and several donors (the World Bank, UNDP, DFID and the Millennium Challenge Account) who have aligned their support to the ODPP’s

⁷⁶ Office of the Director of Public Procurement: Procurement Capacity Development and System Strengthening Plan November 2007

Capacity Development Plan. The ODPP reports that the biggest challenge in implementing the Plan has been to understand the impact of the different procurement interventions, leading now to a higher prioritisation of procurement audits and developing a mechanism for procurement performance management. Besides this, the biggest challenge remaining is the recruitment of qualified procurement officers in the Procuring Entity SPUs, their ongoing professional development and raising the profile of procurement professionals in the public service.

Lessons learned

- Capacity development works best when it not only addresses the capacity of individuals, but also the capacity of organisations and society as a whole.
- When designing initiatives to develop capacity it is important to address the root causes for capacity gaps and not just the symptoms.
- It can be a challenge to measure the impact of capacity development initiatives and may require a process of trial and error to create good indicators and collect the appropriate data.
- National leadership of capacity assessments and strategy formulation fosters ownership and the motivation to succeed, even in difficult circumstances.

Capacity development country case: Sierra Leone

Introduction

Sierra Leone is a post conflict country located in West Africa. It has a population of around 5 million, some 70% of which live on less than one dollar a day and 26% live in extreme poverty. Peace returned to Sierra Leone in January 2002 after a decade of conflict. Since the end of the conflict, Sierra Leone has made significant strides in consolidating this peace and rehabilitating the extensive socio-economic destruction caused by the war. Nonetheless in 2010 Sierra Leone ranked 158 out of 169 in the UNDP Human Development Report.

This case describes the approach taken by Sierra Leone to put in place a modern public procurement system and the resulting progress made over the decade since the end of the civil war.

The capacity challenge

After more than 10 years of civil war, many of the institutions and functions of Government had collapsed in Sierra Leone and procurement was no exception.

The legal and regulatory framework was not comprehensive and no uniform or codified framework existed, with the regulations scattered in numerous circulars. In theory, procurement was centralised with all tenders above USD 5 000 passing through the Central Tender Board (CTB). In practice, almost all procurement (more than 90% of procurement cases) was illegally bypassing the CTB, with no control or monitoring. The lack of procurement capacity was endemic both in the CTB and the procuring entities. Procurement processes needed drastic improvements with direct contracting the most prevalent method and no clear procedures for bid openings, bid evaluation or contract award.

However the President of Sierra Leone showed deep interest in and concern about the efficiency of the procurement function of the Government. Remarkable macro-economic stability had been maintained in Sierra Leone for several years, and there was considerable multi-donor support for public procurement reforms. These conditions provided a positive platform for reform.

Approach to capacity development

From the beginning, the approach to procurement capacity development in Sierra Leone is characterised by high levels of political will and support and comprehensive and wide ranging stakeholder engagement. The initial kick off for the procurement reform process was a multi-stakeholder workshop held in December 2002 to create a common understanding and generate an initial action plan. The high level of political will was illustrated by the presence of the Vice-President of Sierra Leone at the workshop and participants included representatives from government, the private sector and development partners.

Since comprehensive procurement reform takes time, the resulting plan was for short-term interventions to improve the procurement function quickly and temporarily while at the same time building on this momentum to undertake a comprehensive assessment and prepare a long-term capacity development roadmap for sustainable reform.

One of the most important initial interventions was the establishment of a Procurement Reform Secretariat, led by a Steering Committee chaired by the country's Vice-President. In addition, interim guidelines were quickly developed and enforced, providing practical guidance on how procurement should be undertaken in the meantime until a new legal and regulatory framework could be put in place. Along with the guidelines, temporary procedures were put in place.

The sensitisation of stakeholders continued to be an ongoing feature during this phase. The Steering Committee considered it essential that the institutions and individuals involved in or affected by the reforms were not only supporting but driving the process. It was recognised that there were a number of stakeholders with vested interests in the procurement system including politicians and top-level public officials, who are judged upon their ability to deliver services to the general public; procurement officers, who in their daily work encounter the problems inherent in the system; suppliers that want to deliver goods services and works to the Government; the general public who expects and relies on services from the Government; as well as the development partners supporting the Government. Different avenues of communication were used to keep these stakeholders engaged including newsletters, manuals and workshops.

The capacity assessment was completed by September 2003 and looked at five dimensions of procurement capacity:

- Policy
- Legal/Regulatory
- Management and accountability
- Resources, and
- Processes

Moreover it focused on three levels:

- The Systems level (enabling environment)
- The Entity level (or organisations)
- The Individual

As with many procurement assessments qualitative data collected through interviews, meetings and documentary review fed into the assessment. However, Sierra Leone complemented this by adopting an innovative approach to collecting and analyzing quantitative data through a Spend Analysis. This consisted of an analysis of all invoices which had been paid by the Government for a calendar year including all Ministries and Departments as well as all projects funded by external donors. This provided detailed information on who bought what and from whom and for how much, which was valuable input for planning the future of procurement in Sierra Leone.

Based on the findings of these assessments, a comprehensive capacity development plan was in place by early 2004. This included: (i) initiatives to develop and implement a new legal and regulatory framework; (ii) a completely new institutional framework with a National Public Procurement Authority (NPPA) and a decentralised procurement model; (iii) developing and sustaining a cadre of procurement professionals; and (iv) increasing transparency and accountability including through launching a website.

Less than three years later in June 2007, the NPPA conducted another assessment, this time using the OECD/DAC MAPS), tool in order to measure progress and to establish a baseline for future reforms. The assessment revealed significant progress:

- The Public Procurement Act (PPA) was passed by parliament in December 2004 followed by Public Procurement Regulations in (2006) and a Procurement Manual and standard bidding documents.
- New institutional arrangements had been put in place including establishment of the NPPA in 2005 and the complaints handling body, the Independent Procurement Review Panel (IPRP). Procurement had been fully decentralised under the PPA to Ministries and Local Councils.
- Engagement and sensitisation activities had continued to take place regularly during this period with specific interventions targeted at parliamentarians, Government Ministers, the supplier community, journalists, and the general public. The latter included use of radio and television jingles and phone-in shows.
- Nine big-spending Procuring Entities had been targeted for an enhanced capacity development programme while the NPPA had started collaboration with national training institutions to carry out ongoing training for all procurement personnel.
- Continuous compliance monitoring of procuring entities had been introduced.

On the other hand, the assessment revealed considerable challenges remained with regards to the level of compliance with the legal framework and procedures by the procuring entities mainly due to lack of qualified staff, low access to funds, and administrative interference in the process. In particular, the low level of salaries in the public sector not only impacted the possibility of attracting qualified staff, but also potentially undermined integrity and opened the way for corrupt practices. The situation was further hampered by the limited resources available to the NPPA to allow it to carry out its mandated activities both in terms of capacity development and monitoring.

Following the MAPS assessment the focus of capacity development has continued along the same path with activities focused on improving the implementation of the new framework. This has included a two pronged approach with, on the one hand focus on developing the capacity of procurement entities and those individuals involved in procurement – including development of a professional procurement cadre in the civil service – and on the other hand increasing focus on compliance monitoring.

Despite a change of Government in 2007, the high level of political support has continued in Sierra Leone and in 2008 the new President, who had played a key role in the enactment of the PPA in 2004, requested the NPPA to hold a seminar for the new Government including the President, Vice-President, Ministers and their deputies on “The Public Procurement Law, its implementing regulations and the responsibilities of Heads of Entities as key stakeholders.”

Results

In 2002 Sierra Leone had just emerged from a decade of civil war and, as with many functions of government, the procurement system was, for all intents and purposes, non-existent. Less than 10 years later the country still faces huge challenges, but the progress in terms of procurement capacity development has been remarkable. This includes:

- Putting in place a robust legal and regulatory framework and supporting tools.
- Establishing the NPPA and the IPRP.
- Ongoing training of procurement officials.
- Establishing a procurement cadre in the civil service in 2010.
- Continuous compliance monitoring of procurement operations in procuring entities from 9 in 2005 to 59 in 2008 and 120 in 2011.

This has happened despite major challenges which continue today. Not least of these has been the resistance to change which continues to be tackled through ongoing stakeholder engagement and sensitisation activities.

Lessons learned

- Political will for procurement reform is essential from the highest level of public administration, but it is not enough unless the next level also imbibes the idea of change.
- Continuous multi-stakeholder engagement and sensitisation is necessary at all levels of the public administration and with other groups involved in or affected by procurement.
- The migration of public procurement from a centralised to a decentralised approach takes time to root.
- Reform of conditions of service and remuneration for those working in procurement needs to go hand in hand with other procurement reforms in order to attract well-qualified officials to the profession, provide motivation for improved performance and reduce the likelihood of corrupt practices taking hold.

Procurement capacity development – conclusions

These six cases describe different approaches taken at national, sector or individual level to develop procurement capacities. Application of the five principles for Procurement Capacity Development in the Roundtable Good Practice Paper is clearly illustrated in these cases:

- i) **Country Ownership** is illustrated as being a key feature for success in all 6 of the country cases, but particularly in the Albania case where the speed of procurement transformation increased dramatically once it became a national priority.
- ii) **Broad Stakeholder Involvement** is a key theme in the Sierra Leone case where early and ongoing multi-stakeholder engagement and sensitisation has been a key feature.
- iii) **Realistic Needs Assessment** is a feature both of the Malawi and Bangladesh cases where interesting approaches have been applied to capacity assessment.
- iv) **Strategic Procurement Capacity Development Planning** is a key element in the Kenya and Bhutan country cases where the approaches have included flexible plans focused on realistic, achievable objectives and with implementation based on real performance indicators.
- v) **Closely Monitored and Flexibly Managed Implementation** is demonstrated in the Bangladesh case where indicators are linked to milestones that trigger specific actions.

Some of the other key messages relating to procurement capacity development include the following:

- To date much of the focus of capacity development has been at the national or individual levels, but without much focus at organisational or sector levels. However increasingly there is a need for focus also at these entry points, including development of tools to support this work.
- Capacity development initiatives need to address root causes and not just symptoms. This includes focusing on political economy issues that are blockers to procurement transformation.
- Capacity development is a long-term process and can't be rushed.
- There are no blueprints and approaches need to be adjusted and adapted to local conditions and requirements.
- Capacities cannot be transferred from donor staff or consultants to a national institution or individuals. The solution rarely lies with the capacities of individuals or with technical fixes but in the political or organisational environment.
- It is important to ensure that procurement personnel not only receive the appropriate training and qualifications, but that they also have appropriate conditions of service, and work in environments where their achievements are recognised through career ladders and other incentives.
- The uncoordinated support of multiple development partners can constrain rather than contribute to the development of capacity. Development partners ought to find mechanisms to coordinate their support behind nationally owned priorities.

CHAPTER 5. MONITORING AND PERFORMANCE MANAGEMENT

The 2005 publication on strengthening procurement capacities in developing countries included a chapter titled "Good Practices for Benchmarking, Monitoring and Evaluation"⁷⁷. This earlier publication defined the parameters for the OECD/DAC's Assessment of National Procurement Systems benchmarking tool which included guidance on CPIs. While uptake and usage of the benchmarking tool, recently renamed Methodology for Assessment of Procurement Systems (MAPS), has been significant with more than 60 countries applying the tool in some way, the application of the CPIs has been much less robust in most part due to readiness issues in countries to apply the CPIs and analyse the information gathered. Part of the objective of this chapter is to examine what developed and developing countries are doing and to contribute to the case for more work in this area. The focus will be divided into two key areas: (i) measuring and monitoring procurement performance at a macro level in order to determine if the system is achieving basic goals of economy, efficiency and value for money and if it is in compliance with the legal framework; and (ii) at the implementation level where performance indicators support internal control and management decision making, again to contribute to economy, efficiency, and value for money in achieving national and institutional goals and objectives.

The MAPS tool provides a qualitative look at the strengths and weaknesses of key aspects of a given procurement system, when assessed against 54 standards or sub-indicators. The qualitative indicators look primarily at structural aspects of the system, although many indicators have a performance element included in the scoring criteria. However, MAPS is primarily a static look at a system at a given point in time and can best provide performance information through a subsequent application of the tool that can measure change over time. For purposes of this section, we do not intend to examine the MAPS tool, but to look beyond this tool to other ways of measuring performance currently used by governments.

The procurement system seeks to provide for efficient and effective use of government (public) funds in obtaining goods, works, and services that are essential to delivering against the role and responsibilities of government. The procurement system is generally accountable for achieving value for money which is another way of determining efficient and effective use of government funds. However, reliable and cost effective measurement tools are only beginning to emerge, primarily with the growth of the use of electronic tools to support access to information and e-GP. These electronic tools, by their nature, capture information. Even simple websites established for purposes of publication of procurement information have the ability to capture information including, inter alia, awards to private sector participants, number of contracts awarded and total award value, and method of procurement used. Such basic information can already be useful for tracking macro level performance. However, it is clear from looking at most of the countries still in the process of developing and using technology to improve their procurement systems that only some are collecting, analyzing, and using such information for reporting to higher authorities on performance or using such information to make management decisions that will have an impact on the system.

⁷⁷ Harmonizing Donor Practices for Effective Aid Delivery: Volume 3: Strengthening Procurement Capacities in Developing Countries, Chapter 3, OECD 2005.

More advanced e-GPGP systems are providing government entities with much more information that includes length of time that each step of the procurement process takes to implement, categorises the prices paid over time for similar goods, works, and services, and can help a government determine the actual cost of goods, works, and services after factoring the cost of contract changes that may occur over the life of a contract.

A basic question that needs to be asked at the beginning of a determination to initiate a more regularised programme of performance measurement and monitoring is what data is needed, measuring what type of performance, and what will be the end use of the data. A central oversight body that is charged with ensuring compliance against the laws and regulations that govern the procurement system, and that has a reporting responsibility, will want to look at specific key indicators that the system is performing in accordance with the legal framework. Although many areas can be monitored, it is quite typical in both developed and developing countries to focus on the use of competition for the award of contracts. A common feature in most procurement laws and regulations is the requirement to use open competitive procurement methods as the default method, often requiring that a written justification be prepared if other less competitive methods are selected. Monitoring this one indicator for compliance will also provide a strong indication as to performance and whether those implementing the procurement system are benefitting from the economic principles of a competitive market to obtain fair and reasonable prices for goods, works, and services. While use of competition is a proxy for both compliance and performance, actual pricing data enables the ability to look more closely at the concept of obtaining value for money. As the use of electronic systems has increased to create central portals or websites, many countries now have an easier ability to capture and analyze information on prices paid for goods, works, and services and in doing so, they can determine whether the system is operating to achieve economy and efficiency.

Governments also frequently monitor statistical information that only indirectly relates to performance. Information such as number of contracts awarded annually and value of contracts awarded annually for specified categories of goods, works, and services are normally collected and used to track volume often as a way to look at aspects of budget implementation or to determine workload for spending ministries and staff handling procurement. Knowing the volume of procurement overall and comparing this figure to subsets such as the volume awarded following competitive procurement procedures enables the government to track macro performance.

Another area where the central government will often collect data and prepare reports is on the performance of specialised agencies or units in areas such as oversight, training, and handling of complaints. Part of the data collection is to monitor performance of a critical function and to ensure the capacity and efficiency of the entity charged with this responsibility. Reporting on performance of critical functions is also used to hold the responsible entities accountable. Again, such data is normally related to volume such as numbers of participants trained; number of cases reviewed or number of firms debarred and on what basis.

Most of the analysis of the data collected at the central level is based on change from a previous data set or report. If competition is seen a good thing, then a negative trend in performance data on the use of competition will be seen as bad and will often trigger some reaction. Little attempt is made to compare such data across countries, although there is a growing trend to track certain performance information for countries that participate in trade alliances that include cross country provisions on procurement. For example, the countries that participate as signatories to the

Government Procurement Agreement (GPA) of the World Trade Organization are required under Article XIX.5 of the GPA to report on the following information on an annual basis for entities covered by the agreement: (i) estimated value of contracts awarded above and below the threshold value; (ii) number and value above the threshold by entity and categories of products and services; (iii) number and value of contracts awarded under cases of Article XV (covering exceptions for use of limited competition); and (iv) number and value awarded under derogations contained in relevant annexes. As these figures are macro and aggregate, they are only used to broadly monitor compliance with the GPA.

A brief review of the United States (US) federal government indicates that the information commonly collected and reported, like in many countries, is focused primarily on the volume and value of contracts awarded on an annual basis. Additional reports done on an annual basis in the US system include reporting on implementation of specific socio-economic programmes that are implemented through the procurement system and include contracts awarded to small businesses, women owned businesses, and disadvantaged businesses. This reporting is usually required when a new mandate is passed by Congress to ensure recognition and compliance with the mandate. The US federal government also provides a report on the top 100 firms receiving government contracts.

Countries that are members of the European Union are also required to provide broad macro information on their public procurement. The information relates primarily to amount of procurement published and the method used to procure. Special studies are frequently done to determine impact of the Directives on procurement, especially with regard to cross country participation, participation of small- and medium-sized enterprises (SMEs) and impact on prices paid for categories of products. It was noted in a 2004⁷⁸ study that it is difficult to compare prices on a cross country basis and even on a domestic market basis due to the wide variety of goods purchased within a common classification, and variations in the timing of purchase and volume of purchases, all of which have an impact on the price paid. The EU uses the publication figure as a proxy for determining transparency and this proxy is also used by many countries as a way of determining if access to information on procurement is readily available. However, it is clear that in most countries, publication is only required for contracts over a certain threshold value and in most cases this only captures the top 20-30% of contracts awarded.

In summary, when looking at a system from a macro perspective, there is little performance monitoring. Rather, at the macro level, most information is collected for reporting purposes and to review broad compliance with laws, regulations, or specific mandates of specialised central agencies or mandates that are frequently implemented through contracts such as domestic preferences or other socio-economic programmes. These programmes, while implemented through the procurement system, are not specifically related to procurement performance. The Task Force on Procurement is preparing a report under the leadership of the IDB that will cover the topic of procurement performance measurement and monitoring in greater depth in recognition of the importance given to this area as well as providing information that will help direct future work and build upon good practices.

The following sections look at performance monitoring at the implementing entity level which is currently seen as being critical to improving overall procurement performance. A high percentage of

⁷⁸ "A Report on the Functioning of Public Procurement Markets in the EU: Benefits from the Application of EU Directives and Challenges for the Future" March 2, 2004.

developed and developing partner countries have decentralised the procurement function to implementing entities at various levels of government depending on the country structure. While these entities may be required to report certain information for aggregation at the central level, most of the information as noted above is not directly related to the performance of those implementing procurement procedures. Where implementing entity information is provided to higher level oversight organisations at the central level, such information is generally aggregated to such a level that it does not provide a basis for decision making without further investigation that requires disaggregation of the information to make it more useful. The following looks at two countries in Africa, Ghana and Uganda, where procurement performance information is collected and is being used to monitor and improve performance. In addition, some interesting work done in Brazil at the state level in Minas Gerais is presented.

Some country examples

Uganda. The Public Procurement and Disposal of Public Assets Authority (PPDA) in Uganda was established in 2003. One of its central functions is to monitor the performance of procurement entities. A key finding included in the User's Guide⁷⁹ prepared for the Procurement Performance Measurement System (PPMS) was that tools aimed at providing the PPDA with a platform to monitor procurement performance revealed a need for performance measurement at the individual entity level in order to identify weak performance areas and use this information to effectively improve performance. In early 2008, PPDA introduced a system to regularly monitor and track performance trends. This system builds on existing tools including audit, compliance checks, and monthly reports plus the addition of some specific questionnaires that are completed on a quarterly basis. Information is entered into several databases that enable the PPDA to formulate specialised reports that can, for example, look at procurement performance in a particular sector or compare performance in specific areas when policy changes are introduced. Some particular indicators include normal volume and value information on contracts, especially looking at method of procurement but also including process indicators like time between invitation to bid and contract award or use of appropriate bidding documents. It is noted in the User's Guide that responsibility for collecting, aggregating, analyzing, and reporting on performance data is with departmental focal points in key departments. However, it is clear that the long term value of the PPMS is in how the information is used and this remains a strategic activity that is critically linked to management ownership. PPDA is an oversight authority that is closely linked to the management of the various implementing departments. The information generated through the PPMS is communicated to departmental directors and this is where corrective actions are generated as necessary. Some key issues identified for the long term sustainability of the performance monitoring and measurement system in Uganda include the following: the system requires continuous collection and aggregation of data to remain useful; there needs to be a demand for the information generated by the PPMS; there need to be sufficient (and long term) resources dedicated to running the system, especially with regard to the data entry function; and the information gathered and entered has to be accurate and relevant. As the system in Uganda is relatively new, its continued viability will be linked to addressing these issues and in obtaining feedback and adjusting the system on a regular basis.

Ghana. Ghana representatives participated in the initial work conducted by the Procurement Roundtable on procurement performance measurement and monitoring and they were supported by

⁷⁹ *Procurement Performance Measurement System User's Guide* dated August 2008, prepared by Ramboll Management for the Public Procurement and Disposal of Public Assets Authority

a team from the Swiss Ideas Centre and funded by the Swiss. Ghana and the Swiss team worked closely with the Procurement Roundtable working group for this interest area to finalise the design of a performance monitoring system that would both look at the more macro indicators as defined in the MAPS tool and to also function as an implementing entity management tool. Briefly, the Ghana system includes collection of data on over 50 indicators. Data collection is done by specifically trained external collection agents and only a limited number of entities can be assessed during any timeframe. However, over the past several years Ghana has conducted the data collection assessment on more than 200 implementing entities, revealing specific strengths and weaknesses in the implementation of the procurement regime and with the management of procurement at the entity level. The resulting reports have been used by the Public Procurement Authority (PPA) in Ghana in direct discussions with the management of the implementing entities with regard to types of corrective actions that should be put into place. In many respects, the Ghana methodology is much like a performance audit done on a periodic basis by external evaluators. The process has worked to date to provide the oversight agency with information on weaknesses that may be systemic (e.g. something noted in many implementing entities) and need to be addressed through a change in policy or procedure and providing management of the implementing entity with specific information that may indicate internal process or control weaknesses that need to be corrected at that level. Some of the information collected is directly linked to the MAPS indicators and this allows Ghana to track macro level changes against these indicators. A key issue that remains in the Ghana system is the use of external assessors that need to be trained, and paid. This has increased the cost associated with doing the assessments that provide the data.

Minas Gerais, Brazil. In 2003, as part of recovery from economic and debt issues in Brazil, the new government administration in Minas Gerais set a goal of making the state the best place to live in Brazil. In setting such a goal, the state also established a set of performance indicators that covered a full range of modernisation initiatives, including some indicators directly related to the performance and impact of the procurement system. This approach of looking at procurement indicators not just in the context of compliance or process but in demonstrated results, contributed to the overall improvement of delivery of state services and achieving value for money. Some of the key challenges noted during the initial needs assessment for modernisation of procurement included:

- A lack of monitoring and evaluation tools to determine impact of policies and regulations on the efficiency and effectiveness of the procurement system
- Access to information was limited and did not allow taxpayers to monitor procurement to determine if it was carried out efficiently, in particular for large civil works projects
- Procurement by sector agencies was done through outdated catalogues leading to inefficiencies with little effort made to aggregate purchase of common use items in order to achieve better value
- Approximately 60% of government contracts were being awarded (in 2004) without competition.
- Payment for government contractors was cumbersome leading to delays and increased cost.

The result of a World Bank detailed assessment of the state's procurement system in 2004 helped to shape a set of ten (10) performance indicators to monitor and evaluate the procurement system. Indicators monitor data on, inter alia: bid preparation time, bid evaluation, bidder

participation levels, method of procurement, protests and time to respond, and contract amount increases. The modernisation effort included providing online data on civil works contracts that can be reviewed by any citizen, and a database on historical prices paid which helps officials identify cases of overpricing and collusion. As a result of modernisation and creating a more transparent system that provides information access to citizens and to government administrators for use in managing the system, the state has been achieving savings of USD 77 million per year since changes were implemented in 2005. The modernisation of procurement in the state was assisted by implementation of an e-GPGP system (Licitanet) which has been approved for use under World Bank financed projects. This system also is the source for much of the data that is monitored to maintain the performance of the system. Future plans include increased data mining to allow analysis of contractual information for management purposes and to fight corruption. An inventory management system is also under development which will automate purchase of common use items when the stock runs low thereby contributing to better supply chain management.

Conclusions

These cases clearly demonstrate different approaches to collection and monitoring of performance and compliance information on procurement. In the case of central government, information is usually collected for reporting purposes to demonstrate compliance with laws or to meeting special mandates established by government and implemented through procurement. This includes reporting that is done on a regular basis as part of a country's participation in trade alliances. Some governments have taken steps to look more closely at aspects of procurement performance as part of validating improvements, increasing transparency, and demonstrating value for money due to changes made as part of a reform or modernisation initiative. Some lessons to consider for future work include: the importance of selecting indicators that will provide information useful to managing performance; the need to ensure that there are appropriate feedback mechanisms to establish the link between performance monitoring and improved performance; the need to establish an analytical capacity that will make use of information and make the information useful; and the need to consider sustainability by creating measurement and monitoring systems that are consistent with capacity and resources. As noted, the growth of e-GPGP is opening many new avenues for data mining and analysis. This information collection capacity should be part of the design consideration when planning to introduce such systems to support the procurement process.

CHAPTER 6. DONOR SYSTEMS AND PRACTICES

Donors committed in the Paris Declaration and the Accra Agenda for Action to jointly with developing countries assess the quality of country systems using mutually agreed diagnostic tools, to support reform programmes and to provide capacity development assistance. Donors also committed to progressively rely on country procurement systems.⁸⁰ The objective of this chapter is to summarise the approaches of various multilateral and bilateral donors and development partners in terms of their strategies and also with regard to key interventions at the country level. Factors which currently impact donors' decisions to use country procurement systems are outlined to identify required adjustments.

Donor policies and strategies

The World Bank (WB): The World Bank has long been active in supporting procurement reform programmes in client countries. Starting in the late 1980's, the World Bank introduced the Country Procurement Assessment Report (CPAR), which recognised the importance of a well functioning procurement system at the country level to the implementation of World Bank-financed projects within the country. The CPAR was the first internationally accepted procurement assessment tool and it has been used by multiple donor institutions and in every active borrowing country (plus a few who simply recognised the value of the tool). The CPAR has undergone several revisions and updates to reflect the increasing focus on procurement reform and modernisation as a development objective. The OECD/DAC MAPS benchmarking tool is now part of most CPARs conducted since the tool was introduced. Each CPAR identifies gaps and weaknesses in the procurement system and the environment in which it operates, resulting in an action plan that has formed the core for the country strategy and the Bank's strategy to support the country. Most CPARs are now conducted with multiple donor involvement leading to a more harmonised approach to supporting the country's reform strategy.

Although the World Bank has increasingly relied on acceptable country procurement practices in implementing World Bank-financed operations through use of national competitive bidding (NCB) and Development Policy Operations (DPOs), which typically support a programme of policy and institutional actions and finance the borrower's overall budgetary expenditures⁸¹, the Paris Declaration and the AAA introduced additional commitments to increase the Bank's reliance on acceptable country procurement systems. In April 2008, the Board approved a methodology for identifying countries and projects to participate in a piloting programme that would extend to use of country procurement systems to ICB in those countries participating in the pilot. The piloting methodology involves three stages: Stage I - Country level assessment using the OECD/DAC

⁸⁰ The procurement related targets of the Paris Declaration and the Accra Agenda for Action are detailed in Chapter 1 of this publication.

⁸¹ International Development Association. Operations Policy and Country Services: Development Policy Operations. A Framework to Assess Country Readiness for Making Productive Use of Development Policy Operations. October 2006

Methodology supplemented by mandatory ratings to be achieved; Stage II - Equivalency and consistency assessment with the World Bank's Procurement Guidelines and standard bidding documents; and Stage III - Performance and Capacity Assessment of Executing Agency⁸².

As stated in the second progress report on the piloting programme, many countries were identified as candidates for the piloting process, but only three were approaching Stage III to identify pilot projects as of January 2011.⁸³ The World Bank's progress report mentions several factors that have impacted on implementation of the programme including that incentives for both World Bank and borrower staff were unclear, the scope of the programme in each country was too broad, and the pilot was more resource-intensive than had been expected. The piloting programme has however yielded valuable benefits and lessons. It has strengthened the dialogue with countries and other development partners on procurement reforms and has affirmed the MAPS methodology as a valuable diagnostic tool. Also, the programme has fostered an integrated approach and situated the public procurement reform agenda in the broader context of civil service reforms, private sector development, public financial management, and governance.

The World Bank will continue to work with countries that have successfully cleared Stages I and II of the UCS pilot by 30 June 2011 to identify individual projects, but does not intend to continue the UCS piloting programme in its current form after June 2011. In seeking new ways to meet the overall objective of strengthening country systems, the World Bank will launch a broad review of procurement in its operations, with the objective of better aligning its procurement function with its overall development objectives and of being more responsive to borrowers' needs. As part of the design of a new results-based lending instrument (P4R - Program for Results), procurement approaches are being developed that will be adapted to the focus on results while maintaining the Bank's overall high fiduciary standards.

The global aid effectiveness agenda provides another framework for the World Bank to work together with other donors on procurement. It has for example launched a training programme on the strategy of reform and principles that are important in the modernisation of public procurement systems which is delivered to staff of the Bank, other multilateral development banks (MDBs) and bilateral donors to ensure quality and consistency of advice to client countries.

Asian Development Bank (AsDB): AsDB has in past years increasingly relied on acceptable country procurement practices in implementing AsDB-financed operations through the use of increasingly more liberal NCB thresholds, provided NCB conditions have been satisfied. In addition, AsDB's current long-term strategic framework for development interventions (titled "Strategy 2020") expressly refer to the Paris Declaration and underscores AsDB's commitment to deepen partnerships with its development member countries (DMCs) and to strengthen country ownership of the development process. Under Strategy 2020, AsDB has identified weak governance as a major challenge that prevents its DMCs from fully exploiting economic opportunities, emphasising that public sector institutions must adjust and reform to meet the demands of open and market driven economies. AsDB has framed five "drivers of change" for the coming period that include good

⁸² World Bank: Use of Country Procurement Systems in Bank-Supported Operations: Proposed Piloting Program. June 19, 2008.

⁸³ World Bank: Piloting Program in the Use of Country Procurement Systems. Second Progress Report. Operations Policy and Country Services. December 22, 2010.

governance and capacity development. This has in turn led to increased focus on improving the quality of PFM and public procurement in AsDB's DMCs.

A systematic approach to implementing governance and anticorruption policies at ADB began in 2008 with the introduction of procurement (as well as PFM and anti-corruption) risk assessments pursuant to the requirements of the Second Governance and Anti-Corruption Action Plan (GACAPII). Under the GACAP II initiative, AsDB has undertaken 19 country-level procurement risk assessments and in addition, ADB has either participated in or provided inputs to, World Bank's CPARs in nine countries. Funding has been earmarked for promotion of any approved country systems pilot in selected DMCs in collaboration with the World Bank.

African Development Bank (AfDB): In April 2011, the Board of the AfDB approved its Roadmap for Aid Effectiveness and Performance Improvement, a new framework for boosting the effectiveness of the Bank's lending. One of the three priority areas of intervention identified is the expansion of the use of country systems as a way of reinforcing country ownership. The roadmap highlights that *"the use of country procurement and financial systems must become the Bank's default position for all new operations. If the Bank finds systems to be insufficiently strong to ensure its fiduciary responsibility, the Bank will explicitly describe how it intends to strengthen the systems in appraisal reports to ensure their use in the future"*⁸⁴. To help develop capable administrations and states in Africa, the AfDB will increase its support for strengthening regional member country (RMC) systems by supporting economic and financial governance, increasing the use of country systems through budget support, and by providing better operational guidance on using country systems, while avoiding the use of parallel project implementation units for all operations.

By 2011, the NCB procedures and documents for most of the RMC had been assessed. Out of this number, 85% were found to have NCB procedures and documents acceptable for use under AfDB-financed projects, subject to a few amendments to be made by the RMCs. In order to accelerate the implementation of the PD and the AAA, AfDB is finalising a proposal for enhancing the use of country procurement systems in Bank-financed projects. The programme is aimed at designing a methodology for expanding the use of country procurement systems based on a three-pillar approach: (i) expanding the use of national procurement procedures for non-international competitive bidding contracts in AfDB financed operations; (ii) enhancing the use of country procurement system for ICB contracts; and finally (iii) setting up a financing mechanism to better support procurement reform programmes with the view to accelerate the implementation of the first two pillars. Through this mechanism, AfDB intends to strengthen country capacity to perform critical functions underpinning the AfDB's fiduciary obligations.

Inter-American Development Bank (IDB): In line with IDB's Strategy for Strengthening and Use of Country Systems, country procurement systems may be used in IDB-financed operations if they comply with internationally-accepted practices. The IDB Guide for Acceptance of the Use of Country Procurement System of June 2010⁸⁵ establishes the requirements that must be met by a country procurement system for the IDB to accept its use and describes the methodology to be followed for deciding on the acceptance of an individual country system. According to the Guide, country systems

⁸⁴ African Development Bank. African Development Fund: A Roadmap for Improving Performance on Aid Effectiveness and Promoting Effective Development. Turning Commitments Into Action.

⁸⁵ IDB: Guide for Acceptance of the Use of Country Procurement Systems. June 2010

will only be applied for contracts with an estimated amount below the threshold established by the Bank for each country in regard to international competitive bidding for goods and works and in regard to international short lists for consulting services. This means that contracts procured under ICB are excluded and will continue to follow the provisions set forth in IDB's procurement policies. The methodology includes a system analysis based on the OECD/DAC Methodology supplemented by defined practices specific to the IDB, a defined process of acceptance by IDB, and arrangements for the implementation of use of country system operations. The approach includes having an agreement with the government to fill any gaps identified and strengthening initiatives to be provided by IDB such as advisory services, policy development and capacity development, outreach and dissemination activities, and research and development activities. The methodology provides for a partial acceptance of a procurement system ("sub-system"). A sub-system can be defined by type of procurement (goods, works, services), by component or method (ex: electronic procurement platforms), or by sector.

European Commission: Increased use of country systems has been a European Commission priority since the Paris Declaration, given the ambitious European Union (EU) target agreed that 50 % of government-to-government assistance would be channeled through country systems. In 2006, the Commission developed its strategy for increasing use of country systems, which included legal and financial reforms and the development of guidelines and staff capacity to implement the strategy. Based on a country-by-country analysis to assess the scope for further increase, both general and sector budget support has substantially increased. In these cases, the partner country procurement system fully applies.⁸⁶

Since at present, a large portion of EU development assistance is provided through projects, the Commission also explored the possibility of channeling its project support through country systems using substantial decentralised management.⁸⁷ For this management mode, a detailed regulatory framework has been developed whereby, prior to allowing a partner country entity to use its own systems, an assessment is carried out by auditors recruited by the Commission based on developed Standard Terms of References for Assessments of the Quality of Beneficiary Country Systems.⁸⁸ The intention is that the outcome of the assessment will then determine, on a case-by-case basis, the extent of decentralised management the Commission awards to the partner country entity for a particular project and the surrounding control mechanisms, which the Commission will exercise. However, this process for allowing country systems in project support was found to require streamlining and has been put on hold.

Bilateral Donors: As early as November 2004, a group of like-minded donors formed the Nordic+ Procurement Group (member countries are Canada, Denmark, Finland, Germany, Ireland,

⁸⁶ EU: WP-EFF partner countries PD/AAA implementation action plans, 2009

⁸⁷ The procedures established by the European Commission for procurement financed from the European Communities general budget and the 10th European Development Fund (EDF) are consolidated in the "Practical Guide" There are several possible approaches to managing the procurement procedures for projects. The EC can act as the contracting agency ("direct centralized") or can delegate implementation tasks to a national body, which would in most cases be the development agency of a EU member state ("indirect centralized"). When the beneficiary country is authorized to act as contracting agency, the "decentralized management" procedures apply. Further management modes are "joint management" (with international organizations) and "shared management".

⁸⁸ EC: Compliance Assessment for Procedures and Arrangements for Decentralized Management.

Norway, Netherlands, Sweden and the United Kingdom) and agreed on a Joint Procurement Policy⁸⁹ aimed at pursuing a harmonised work plan on aid effectiveness in the area of procurement. The Joint Procurement Policy built on work done by the OECD/DAC-World Bank Procurement Round Table Initiative and was supplemented by a guide which was developed as a tool for programme managers and field staff to support donor alignment with recipient country systems and for managing risk associated with transferring the responsibility for procurement to recipient governments.⁹⁰ Key policy principles were defined and commitments included using the OECD/DAC MAPS tool, supporting partner's procurement capacity development, and applying a set of procurement options defined allowing for the gradual transfer of responsibilities to partners while ensuring economy and efficiency in public procurement and upholding the principles of equal treatment, transparency and zero tolerance towards corruption.

Since the completion of the Joint Procurement Policy, work on effective procurement and use of partner systems has progressed. The **Danish International Development Agency (Danida)**, for example has reviewed its Guidelines for Program Management⁹¹ and has defined Sector Budget Support as the default modality for Danish sector and thematic programme support, to make maximum use of country systems and give first priority to the longer-term development benefits of the support, (i.e. the development of the national policy making and implementation systems). Certain justifications for not using Sector Budget Support are defined. They include cases where other aid instruments may by nature be more appropriate, for example technical assistance. **The United Kingdom Department for International Development (DFID)** has developed a Commercial Strategy to obtain greater value for money and development benefits from their procurement systems and practices.⁹² The strategy recognises that strengthened procurement systems can have a significant impact on value for money of funds passing through government systems through reduced wastage and inefficiency and better translation of public expenditure into outputs and outcomes. DFID also believe that using country systems can contribute to their strengthening and are committed to progressively using country systems. DFID increasingly relies on the OECD/DAC MAPS to assess the risks associated with using country procurement systems and this is now a requirement in all budget support interventions at national and sector level.

The German Federal Ministry for Economic Cooperation and Development (BMZ), as expressed in its Plan of Operations for Implementing the Paris Declaration and the Accra Agenda for Action⁹³ will implement the principles of ownership and alignment, which stand for a new culture of cooperation based on partnership commitments. As stated, wherever possible, cooperation will make more systematic use of partner country structures and procedures in procurement and will support its partner countries through corresponding demand-driven capacity development. In the case of Financial Cooperation, which is managed by **KfW Entwicklungsbank**, the partner is entirely responsible for procurement based on country law and regulations. However, KfW monitors the process and provides no-objections on the basis of KfW's Procurement Guidelines, which provide a

⁸⁹ Joint Procurement Policy. November 2004.

⁹⁰ Nordic+ Procurement Group: Implementing the Joint Procurement Policy and Promoting the Use of Reliable Country Procurement Systems: A Guide for Program Directors, Managers and Officers. 2005-11-19. Updated September 9, 2009.

⁹¹ DANIDA: Guidelines for Program Management (GPM).

⁹² DFID: Procurement can make it happen: A DFID Commercial Strategy. 10.12.08.

⁹³ BMZ: Plan of Operations for Implementing the Paris Declaration of 2005 and the Accra Agenda for Action of 2008 to Increase Aid Effectiveness. March 2009

minimum standard that has to be complied with by national procurement systems in terms of fairness, transparency, non-discrimination and equal treatment of all participants. Technical assistance programmes, which are implemented by **GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit**⁹⁴, include support to procurement capacity development. GIZ recently adopted an internal guidance to further engage partner countries in the selection of consulting firms and the procurement of goods in cases where procurement is carried out by GIZ directly. The different steps of the entire procurement cycle – starting with the need, covering the bidding, evaluation and award phase, and ending with acceptance of services delivered - have been analyzed aimed at defining areas for mutual decisions or for an enhanced advisory status.

The principle of accepting national procurement rules and procedures is also followed by other bilateral financing institutions such as **Agence Française de Développement (AFD)**. To ensure that resources made available through its Financial Assistance are properly used, the financing agreements provide that procurement modalities and contracts are subject to AFD's prior no-objection. For this purpose, general intervention principles and good practices have been defined.⁹⁵ The **Japanese International Cooperation Agency (JICA)** stipulates in its Financing Agreements whether the JICA Guidelines for Procurement under Japanese ODA Loans⁹⁶ apply or, provided that local regulations comply with international good practice, national procedures are used.

The **Australian Government** has increased the role Australia plays in international development reflecting its commitment to global efforts to achieve the Millennium Development Goals. **AusAID**, the Australian government agency with primary responsibility for managing the official aid programme, is expanding the range of delivery modalities in use and Australian aid is now delivered through a mix of arrangements, ranging from sector budget support and pooled financing arrangements through to traditional projects and technical assistance. In particular, there is greater focus on introducing programme-based approaches. The use of country systems is a complex challenge for Australia, given that more than half of the aid programme is delivered in fragile states. It will not be automatic or a default option, but rather determined after comprehensive, robust and evidence-based analysis and assessment of risks and benefits. Internal AusAID Guidelines provide guidance on assessing the risks and benefits of using partner government systems (PGS) for public financial management and procurement at national, sectoral and sub-national levels and on deciding whether to use these systems to deliver aid funding. A tool has been developed for conducting an assessment of the national system, which makes reference to using MAPS for assessing the performance of the procurement systems.⁹⁷ AusAID has also developed a procurement diagnostic tool, which is commonly used for assessments at sector and agency levels. The intention is that following such work, AusAID will be able to use partner government systems to the maximum extent

⁹⁴ Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ was established on 1 January 2011, it brings together under one roof the expertise of the Deutscher Entwicklungsdienst (DED) gGmbH (German Development Service), the Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ) GmbH (German technical cooperation) and Inwent – Capacity Building International, Germany).

⁹⁵ AFD: AFD financed procurement in foreign countries. Intervention Principles. January 2007.

⁹⁶ Japan International Cooperation Agency: Guidelines for Procurement under Japanese ODA Loans, March 2009.

⁹⁷ AusAID: Guideline. Assessing and using partner government systems for public financial management and procurement. 23 February 2011. AusAID: Tool. Conducting an assessment of national systems. Template current to 31 January 2012.

possible, justify decisions not to use them and better support partner government efforts to improve their own systems.⁹⁸

The **U.S. Agency for International Development (USAID)**⁹⁹, which has relied heavily on the provision of grants and contracts to local, regional, and international NGOs and contractors to implement its day-to-day development work across sectors, has launched an ambitious initiative (referred to by USAID as “Implementation and Procurement Reform” (IPR)) to expand its direct relationships with partner governments at national and sub-national levels and local businesses and organisations. This initiative contains a number of specific action items and will be phased in over time. USAID has identified several areas where the IPR initiative can help meet the goals of the Paris Declaration on Aid Effectiveness, as well as deliver more cost effective and sustainable foreign assistance. Medium- and long-term targets for IPR have been established for six objectives with clear targets, timelines, and monitoring procedures. Of most relevance to this Chapter, IPR Objective No. 1 “Strengthening partner country capacity to improve aid effectiveness and sustainability” aims to increase the use of reliable partner country systems and institutions that meet minimum standards and enhance USAID governance programmes in order to support partner countries in strengthening public accountability, including PFM and procurement systems. To inform USAID decisions on whether and when to use partner country PFM systems in delivering aid assistance, a policy document is under preparation, which will describe a Public Financial Management Risk Assessment Framework (PFMRAF) and directions regarding its use. This Framework consists of a rapid appraisal of PFM risks that makes reference to MAPS and will be supplemented by a more rigorous, formal risk assessment tool, which is still under preparation and is currently being piloted by USAID in several countries.¹⁰⁰

The Millennium Challenge Corporation (MCC), another US foreign aid agency established in 2004, forms partnerships with developing countries on the basis of large, five-year grant programmes for countries that pass MCC’s eligibility criteria (MCC Compacts).¹⁰¹ MCC sets up its own local Millennium Challenge Account (MCA)-accountable entity to manage and oversee the country-led implementation and assesses the feasibility and appropriateness of using host country systems to implement the Compact. MCC funded procurements are generally conducted in accordance with MCC’s Program Procurement Guidelines and by one or more procurement agents - which can be a government entity or independent agent - that serve the MCA entity. The detailed assessment includes a Procurement Agent Due Diligence Survey that seeks information about the organisation’s capability to function as a procurement agent generally, and the skills and capacities of the individuals within the organisation to conduct procurements in compliance with the Programme Procurement Guidelines

UNDP has offered a wide range of services within procurement capacity development and the Procurement Capacity Development Centre (PCDC) has established a website, the only

⁹⁸ Australia Update for the Evaluation of the Implementation of the Paris Declaration. Phase 2. December 2010.

⁹⁹ USAID manages approximately half of the United States’ ODA. The remainder is managed by 27 other units of government, each of which has its own policy and approach to the use of partner country systems.

¹⁰⁰ USAID: Public Financial Management Risk Assessment Framework. Stage 1: Rapid Appraisal of PFM Risk. January 31, 2011.

¹⁰¹ Millennium Challenge Corporation: Guidelines for the Use of Country Systems in the Implementation of Millennium Challenge Compacts. March 9, 2010.

comprehensive online site for procurement resources. Focus areas include capacity assessments, anti-corruption, e-Government procurement, education and training, performance management, sustainable procurement, to mention only a few. The website also features an online discussion forum that provides unique opportunities for procurement practitioners and policy makers to exchange knowledge, views, experiences and tips on procurement capacity development in a global perspective. The recently published UNDP Procurement Capacity Development Guide describes the 5 steps of the UNDP capacity development process, comprising stakeholder engagement, capacity assessment, design and implementation of a capacity development response, and evaluation of results.¹⁰² For its operations in developing countries and in particular for taking decisions on using implementing partners' procurement systems, UNDP has developed a "Framework for Review of Project Procurement Risk and Implementing Partner Procurement Capacity".¹⁰³

Priority areas of intervention at the country level

At the regional level of the **World Bank**, there is growing support for procurement reform efforts. In sub-Saharan Africa, a number of countries have received analytic and financing support for the creation of legal, regulatory, and institutional frameworks and are now receiving capacity building support assisting relevant institutions to become fully operational and efficiently manage, execute, and oversee public procurement operations. The Middle East and North Africa Region (MNA) is aiming for an integrated approach, combining procurement with broader work on public sector reform, usually through analytic products and training. In South Asia, support has been provided through stand-alone projects, components in PFM reform projects, Institutional Development Funds (IDF) grants, and regular policy dialogue. The USD 24 million Bangladesh Public Procurement Reform Project II is the World Bank's largest stand-alone technical assistance project for public procurement, supporting electronic government procedures, performance measurement and legislative/regulatory development. In the Latin America and Caribbean Region (LCR) support for procurement reform is being built on opportunities identified at country, sector, and project levels. In Brazil, for example, policy dialogue on official procurement data has led to the development of tools and indicators to test the application of key measurable procurement principles of transparency, efficiency and competitiveness and enable evidence-based analysis of tendering procedures. In the Europe and Central Asia Region (ECA) an annual procurement forum co-sponsored with regional development banks enables sharing of knowledge on procurement reform. In East-Asia, community-driven development projects have supported transparency in community-based procurement mechanisms, and innovative independent and third-party monitoring of procurement is also being tested, with support from other donors. Procurement reform and the strengthening of country procurement systems are also being incorporated into Development Policy Operations. In 2009 a USD 500 million Public Investment Reform Development Policy Lending (DPL) for Vietnam included measures on procurement costing, bidding rules, bidding transparency, conflict of interest, and dispute resolution.

The Asian Development Bank (AsDB). AsDB has assisted many of its development member countries (DMCs) in strengthening public procurement systems. In December 2009, the Asia Pacific Procurement Partnership Initiative (APPI) was approved, an approximately USD 1.4 million regional capacity building TA project to promote public procurement reform in the Asia – Pacific Region. The APPI supports reforms through establishing a structured medium for informed dialogue among DMC

¹⁰² UNDP: Public Procurement Capacity Development Guide. October 2010.

¹⁰³ UNDP: Framework for Using Implementing Partners Procurement Systems. August 2009

public procurement officials and others and to facilitate country-led procurement partnership initiatives.¹⁰⁴ By networking procurement policy officials, APPI facilitates policy dialogue, shared experiences, identification of common issues and coordinated solutions to move the public procurement systems of DMCs toward internationally accepted good practices. The six critical subject areas under public procurement for ongoing DMC focus under APPI are: (i) assessing procurement systems and evaluating performance; (ii) developing procurement reform strategies; (iii) strengthening procurement management; (iv) promoting effective procurement execution; (v) procurement performance monitoring and oversight; and (vi) building procurement capacity. In addition, ADB has also financed numerous specific country-level procurement reforms and capacity building initiatives in various countries in the Asia-Pacific region such as China, Indonesia, Mongolia, Nepal, Vietnam, Cambodia, Lao, and Bhutan aimed at improving the legal and regulatory framework including preparation of standard bidding documents and manuals, strengthening the capacities of national public procurement agencies as well as line agencies handling sector specific procurement, and supporting initiatives to introduce e-GP.. AsDB is currently carrying out an assessment on the impact of recent public procurement reform programmes in four selected countries in Asia (Indonesia, Mongolia, Nepal, and Bangladesh) to highlight aspects of the reform process that have worked successfully and that might provide useful models for other partner countries.

Strengthening country systems to bring them up to acceptable standards has also been an important objective of most AfDB's operations. A significant proportion of AfDB Bank Group financed operations are either focused on strengthening country capacities or include a capacity building component aimed at strengthening the country's system. While direct country assistance has been provided to several regional member countries, funding has also been provided to the Common Market for Eastern and Southern Africa (COMESA) and the West African Economic and Monetary Union (WAEMU) for regional public procurement reform. Improving procurement systems at a regional level has demonstrable benefits for the national procurement systems, which are affected by the regional initiatives. In the context of this regional assistance, the reforms supported have included the development of regulatory frameworks and procedures, which has facilitated and enhanced the use of country NCB procedures in countries that are members of COMESA and WAEMU.

In many Latin American countries, CPARs have been prepared with support of IDB.¹⁰⁵ In individual loans and individual countries, requirements related to procurement and audited financial statements have been relaxed. The thresholds below which national procurement systems can be used have been raised, permitting a larger portion of total procurement to be managed through local procurement systems. Four countries have had their e-GP systems "certified" for use in IDB loans, and other countries are being considered for the same treatment.¹⁰⁶ Different initiatives to support public procurement are ongoing. One initiative for example supports regional efforts to promote the implementation and use of e-GP through the sharing of knowledge and experiences in the management of such technologies, and networking.¹⁰⁷

¹⁰⁴ ADB: R-CDTA No. 7437: Asia Pacific Procurement Partnership Initiative.

¹⁰⁵ Inter-American Development Bank: The new lending framework: Assessment report and recommendations. February 23, 2005.IDB

¹⁰⁶ Inter-American Development Bank: The Evaluation of New Lending Framework, 2005 – 2008, September 2008 IDB

¹⁰⁷ IDB: RG-T1763: Regional Initiative to Support the Implementation of e-GP in Latin America

As for the **European Commission**, interventions at the country level often take the form of accompanying measures within a budget support programme. An example, where public procurement reform is addressed, is Zambia, where the Commission – together with other donors – is supporting a comprehensive PFM reform programme. One of the components of the programme is dedicated to public procurement reform and involves the review and amendment of the legal and regulatory framework for procurement in Zambia, the development of standard forms, the training of procurement staff, and the reorganisation of the institutional framework of the public procurement system.

There is also evidence of growing support for procurement reform on behalf of **bilateral donors**. While bilateral support for strengthening country systems is very often closely linked to specific programmes or projects funded by the individual donor to support their development outcomes, interventions on the ground cover a wide spectrum of activities and also extend to stand-alone capacity development programmes. To mention a few (more information is provided in the country profiles and the chapter on capacity development): PFM reviews that include procurement (DFID, Afghanistan); national procurement assessments using MAPS (AUSAID, Papua New Guinea); training on the job and development of manuals to increase effectiveness of financial co-operation (KfW, Moroccan Water Authority); strengthening of procurement regulatory agencies (GIZ, Kenya); strengthening procurement capacities in different sectors (DANIDA, Bangladesh); development of tools for assessing the performance of procuring entities (Swiss Government, Ghana); procurement management systems (MCC, Tanzania); e-GP (Korea, Indonesia); and complementary forms of assistance through support of civil society and parliament or training of audit institutions to improve accountability (GIZ, Ghana). Moreover, bilateral donors engage in international harmonisation initiatives with MDB's such as the six Banks' Harmonization Initiative, Vietnam, and contribute to multi-donor support programmes for public financial management including procurement (Mozambique, Zambia, etc.) or trust funds (Netherlands, Procurement Reform in Fragile States).

Using country procurement systems

Scope

The Paris Declaration encourages donors to use country procurement systems and procedures to the maximum extent possible. While partner countries highlight this area as one of their top priorities to increase aid effectiveness, develop sustainable capacity, implement and account for its policies to citizens and parliament, progress in using country procurement systems has been mixed. The following definition is used for measuring Indicator 5b (Use of country procurement systems): “Donors use national procurement procedures when the funds they provide for the implementation of projects and programmes are managed according to the national procurement procedures as they were established in the general legislation and implemented by government. The use of national procurement procedures means that donors do not make additional, or special, requirements on governments for the procurement of works, goods and services.”¹⁰⁸

Potential benefits and risks

Using country procurement systems can bring important benefits but it can also present challenges and risks not only for partner countries, but for donor institutions as well. The potential

¹⁰⁸ OECD: 2011 Survey on Monitoring the Paris Declaration. Survey Guidance. Version 28-Sep-10

benefits focus on strengthening a country's ownership of policy and long term capacity to manage its development programmes including procurement, greater alignment of donor funds around the partner country's development priorities, greater accountability, improved efficiency of public expenditures, reduction of transaction costs, vibrant private sector and strengthened civil society that monitors performance, encourages transparency and demands results. The risks involved are usually categorised into development risks (development objective cannot be achieved), fiduciary risks (funds are not used for intended purposes or not properly accounted for), and reputational risks (donor reputation is threatened by perceived misuse of funds).

Critical factors for intensified use of country procurement systems

The root causes for not using country procurement systems have not been systematically assessed yet. Based on information collected for this publication and enriched by the TF Meeting held in Cuzco though, several factors can be flagged deserving further attention:

- **Donor's Systems and Procedures:** As described in detail above, many donors have invested a lot of effort to review their own systems, adapt their strategies and policies, and develop pilot and staff training programmes in order to increasingly rely on country procurement systems. However, it would be premature to state that everything has been put in place. On the contrary, maybe due to legal and policy constraints some initiatives have been put on hold, guidelines or tools have not been finalised yet, or strategies defined do not fully embrace the use of country procurement systems by excluding international competitive bidding from its application. Different policies have de facto set different standards and not having clear and comprehensive procedures in place makes it difficult for donor staff to work towards increased use of country systems.
- **Donor's Capacities and Incentives:** Given the fact that public procurement has traditionally not been one of the priorities on the international development agenda, there may be a disconnect between donors' staff at the strategic and at the operational level. Lack of expertise, experience or even interest in procurement reform will impact the quality of assessments and the interpretation of findings. As far as donors' own accountability is concerned, they have found it more difficult to oversee the implementation of programmes under multiple procurement systems than having all partners comply with a common set of procurement rules and procedures prescribed by the donor. In general, initiatives towards increased use of country systems have proven to be resource intensive and incentives are missing.
- **Information Sharing:** As highlighted in the publication, many assessments have been carried out at the national, sector and procurement agency level. This does not mean however, that the assessment results are accessible to all interested donors. With the exception of the piloting exercise of 2007 when several partner countries tested the OECD/DAC Benchmarking tool and agreed to post the assessment results on the OECD website, often disclosure policies apply which can result in time delays of more than a year until the assessment reports can be shared with other donors or even be published. In practice, this results in lack of information that could otherwise inform donors' decisions with regard to use of country procurement systems.

- **Tools:** MAPS has been widely accepted as a useful basic tool for assessing procurement systems at the national level and several donors explicitly make reference to MAPS in their internal risk assessment guidelines. Most donors however have included additional criteria in their risk analysis such as a country's commitment to reform, overall quality of the public financial management system, risk of corruption or equivalence with their own standards. The concern that even with a good structure and proper regulations in place, a system can still operate inefficiently and ineffectively has led to the development and use of different diagnostic tools for procurement assessments at the sector and agency level which focus on compliance, performance and capacity issues. In short, there are no mutually agreed tools for donor risk assessments and interventions at the sector and agency level.
- **Safeguard measures:** To avoid "all or nothing" decisions, donors try to mitigate identified risks by applying a variety of safeguard measures. For example, certain donors accept only particular elements of the national procurement system (ex: excluding ICB, excluding complex contracts), mandate prior review procedures ("no objection") or define minimum requirements to ensure equivalence with their own procedures. Different levels of risk tolerance within a donor organisation, influenced by the current government, lead to different standard operational procedures adversely affecting transaction cost for donors and partner countries.
- **Structure, compliance, performance and capacity gaps:** Naturally, the existing structure of the procurement system (laws, institutions, etc.), the level of compliance and performance on the ground and resulting capacity gaps at the institutional, individual and societal level are factors impacting upon a donor's decision whether to use national procurement systems or not. A strengthened policy dialogue among interested donors and with the partner government aimed at increasingly supporting procurement reform and procurement capacity development should lead to a more country specific approach.
- **Development Effectiveness:** Benefits of procurement reform have been insufficiently assessed and communicated. While this compendium provides ample evidence on progress achieved in strengthening national public procurement systems, more needs to be done to systematically monitor performance of the system and even more importantly, to communicate the impact of good procurement on achieving development goals.

Conclusions

Donors have made enormous efforts to make their own systems "fit" for increased use of country procurement systems and have, to a different extent, found that providing general or sector budget support is the fast track solution to increased reliance on country procurement systems. To go beyond that, i.e. to increasingly use country procurement systems where the general policy conditions do permit budget support and aid is channelled through programmes and projects, has proven to be more challenging and the process of adapting internal policies, procedures, and tools is still ongoing.

Donors have supported procurement reform in many countries and in manifold ways. Activities encompass the facilitation of assessments, capacity development, knowledge products, procurement information systems, regional networks, technology, deployment of advisers, facilitating dialogue with private sector and civil society, etc. While progress and impact of procurement reform cannot

be measured at the level of donor intervention, throughout this publication ample evidence is provided that partner countries, with support from their development partners, have strengthened their procurement systems. An area that needs further improvement is the coordination among donors and with the government to ensure that all donor-funded initiatives are well aligned with government priorities and strengthen national ownership, leadership, and accountability.

The factors and underlying causes that impact the use of country procurement systems have not been systematically assessed yet. However, a number of issues that seem to affect donors' decision making processes have been flagged in the chapter and should be further evaluated. While quality and capacity issues at the partner country level remain areas of concern, risks requiring continuous support for procurement reform have been identified that require adjustment by donors to their own systems, procedures, capacities, and incentives to allow for pragmatic approaches. Such changes will enable increased reliance on country procurement systems and further engagement in harmonisation initiatives with regard to tools and safeguard measures to reduce transaction costs and to better communicate the benefits of sound procurement systems.

CHAPTER 7: CONCLUSIONS, LESSONS LEARNED AND RECOMMENDATIONS

A number of key themes and messages emerge throughout this publication. This concluding Chapter will try to summarise these themes and messages as well as highlighting areas for further work.

Links to wider governance reforms

One of the key messages emerging from this document is that technical fixes alone do not lead to sustainable transformation of public procurement systems. Public procurement is not only an integral part of public financial management (PFM), but is also intimately linked to wider Public Sector reforms which in turn are deeply political. This is reflected in the Cuzco Declaration¹⁰⁹ “Strong Procurement Systems for Effective States” which recognises that: *“efficient and effective public procurement is a fundamental component of good governance and is intrinsically connected and dependent on effective functioning of other parts of the broader public sector framework”*.

The challenge moving forward is to break away from a silo approach to procurement reforms, to raise the profile of procurement and to link it to other parts of the governance framework. This will mean increased examination of political economy issues in diagnostic work and identifying approaches that link and coordinate procurement reform efforts with wider governance reforms in ways that do not only tackle the technical issues.

“Generations” of reform

This theme is further developed throughout this publication through the idea of “first” and “second” generations of reform, a concept that was also widely discussed at the 2nd Meeting of the OECD/DAC Task Force on Procurement.¹¹⁰

A number of the country cases highlight that reforms happen in “waves” or “generations”. Most, if not all, of the cases presented describe a process that commenced with legal and regulatory reform with supporting tools and documents, establishment of institutions, such as a procurement normative and regulatory authority, training of officials, and initiatives to ensure transparency and access to information. These reforms are generally accompanied by initiatives to enforce and monitor compliance. This “package” is often referred to as “first generation reforms” and in most countries, has taken more than five years and generally up to ten years to complete.

While it is generally accepted that these reforms were necessary in building the basic structures upon which the system relies, it is recognised that they are not sufficient to meet the on-going demands for better governance and systems that will continue to address the needs of the country. As a result, a number of countries are moving to what is described as the “second generation” of reforms, often including use of technology to improve efficiency and effectiveness, focus on

¹⁰⁹ The Cuzco Declaration of the OECD/DAC Task Force on Procurement: “Strong Procurement Systems for Effective States”, May 2011

¹¹⁰ 2nd Meeting of the OECD-/DAC Task Force on Procurement, Cuzco, 4-6 May 2011

performance measurement and management and, in some cases, efforts to communicate to stakeholders the contribution of procurement to the achievement of government's priorities including improved public service delivery.

The evidence presented in the cases suggests that most countries continue to focus on consolidating progress, while simultaneously introducing new initiatives. For example, countries such as Brazil and Panama are using e-GP as a tool to improve efficiency and effectiveness and the Philippines case demonstrates simultaneous initiatives focused on improving compliance and improving efficiency as well as demonstrating accountability to stakeholders. Countries such as Rwanda and Sierra Leone faced with building a system from scratch in the aftermath of conflict have had to focus on introducing many changes quickly which places a strain on human capacity that struggles to keep pace with the reforms being introduced.

The concept of **Value for Money** was widely discussed during the 2nd Task Force on Procurement Meeting suggesting that many of the countries attending are now moving towards achieving good outcomes of procurement that cannot be described in a "one size fits all" equation of cost or cost versus quality, but is country (and most probably) organisation specific.

The issue of procurement developing into a policy tool was widely discussed during the 2nd Task Force on Procurement Meeting. Through its work in Sustainable Public Procurement (SPP), Mauritius is moving towards using procurement to support government policy objectives and many others of the countries are doing this to some extent through efforts to develop increased access to the market.

It would seem likely that this trend of countries focusing on introducing and consolidating compliance focused reforms, while simultaneously adopting reforms related to broader governance issues will continue as countries increasingly become inspired by each other. In the future we may see countries not waiting until the so-called first generation of reforms are complete before innovating with initiatives to simultaneously improve efficiency and effectiveness, accountability, value for money and support to government policy objectives. Perhaps most important, however, is to recognise that procurement reforms will never be "completed" but rather must be seen in terms of a process of ongoing and continuous improvement.

Other lessons from country cases

Small, fragile, and conflict affected countries: The Afghanistan and Sierra Leone cases demonstrate the early importance of procurement in a post conflict situation as well as the challenges that abound in such situations. Moreover, a number of the other cases touch on the challenges for small and fragile countries in implementing reforms that meet the principles of a good procurement system. The parallel Task Force publication "A Guidance Note for Application (of MAPS) in Small, Fragile or Post Conflict Countries" discusses these issues in more detail and provides practical guidance.

Decentralisation: The issue of decentralisation is discussed in a number of the country cases. Ghana, Tanzania and Sierra Leone have experienced that decentralisation puts an extra strain on the procurement system by stressing the available capacity and putting enormous demands on being able to develop capacity and monitor compliance. The Rwanda case, on the other hand, describes the stresses that were put on their centralised system which has now led them to move towards

decentralisation and the Afghanistan case describes the planned approach to decentralisation built on gradual accreditation of procuring entities as their capacity is developed. At the other end of the spectrum, Brazil has successfully decentralised procurement allowing the states to develop effective and efficient procurement systems that remain within the broad coverage of the national framework. Mauritius, a small island state, is challenging whether full decentralisation is indeed the appropriate framework for them and is planning a hybrid model that suits their circumstances. It would seem likely that in the future there will be more challenges to the assumption that decentralised procurement systems are the only alternative, with approaches more often being tailored to specific circumstances, particularly in small and fragile situations.

Fighting Corruption: Corruption continues to be a critical issue for most of the countries in the Task Force on Procurement which means that the work to consolidate improvements in compliance and to develop tools and capacities to improve controls and increase the integrity of the system will continue. The discussion of corruption can be seen throughout the publication as a driver for change, a motivation to move towards increased transparency and an incentive to improve not only the details of the procurement system, but the environment in which it operates. The Afghanistan case also shows that corruption and the perception of corruption has actually slowed reforms and has a major impact on the willingness of donors to rely on country procurement systems. Both the Moroccan and the Tanzanian cases highlight the importance of coordinating procurement reforms with other national anti-corruption initiatives, while the Philippines case describes the value of using civil society organisations to provide third party oversight on procurement and improve perceptions relating to corruption.

Regional integration and south-south co-operation: Throughout the sections of this publication the need and value of sharing knowledge and learning has been demonstrated. Initially, most of the knowledge sharing was flowing from developed countries to those in the process of development through the interest of donors to improve country systems and increase efficiency and effectiveness in the handling of donor financing. Although this appears as a donor driven agenda, it actually reflects a process that most developed countries have personally experienced following major conflicts that stimulated redevelopment in many countries. Many countries are also connecting through regional networks that stop well short of formal integration initiatives, but provide the ability to share knowledge and experiences among a group of participating countries. During the Task Force meeting in Cuzco, discussions were initiated on creating a global network that might initially be built by connecting some of the existing regional networks through electronic means. As noted, the global trade agenda has stimulated development of internationally agreed standards and principles in procurement which facilitate cross country trade, development and growth. Many smaller groups of countries are seeing the benefit of creating regional markets and procurement regimes that help grow the capacity of their respective private sectors by exposing them to the benefits of operating in a competitive marketplace, but with some level of protection from global competition. WAEMU and CARICOM are two such regional initiatives, but many more exist. These regional initiatives have also proven to be effective incubators of capacity by providing countries with similar issues and often similar cultural backgrounds with a forum to learn from each other's success and failure and to build a common procurement framework based on good practice as a model for development and modernisation. We have also seen how regional initiatives such as the OECS procurement of pharmaceuticals have provided member countries with the ability to leverage buying power in the global market and to allow countries with a comparative advantage in a sector to cooperate with other countries that do not have the same capacity. Regional integration and South/South

cooperation are key growth areas that will benefit from support from donors and will continue to facilitate development in countries.

Private sector: The importance of having a well functioning private sector that is capable of accessing the public procurement market is highlighted in both the Mauritius and Kenya cases, as is the importance of dialogue between the public procurement authorities and the private sector. The Mauritius case also mentions efforts to promote the involvement of SME's in public procurement, which is also the case in Kenya.

Civil service reforms: The Morocco, Rwanda and Sierra Leone cases emphasise the importance of reforming conditions of service and remuneration for those working in procurement alongside other procurement reforms in order to attract and retain well-qualified officials to the profession, provide motivation for improved performance and reduce the likelihood of corrupt practices taking hold.

e-GP: Electronic tools to support procurement feature in almost all of the country cases and the application depends on the stage or level of maturity of the system. Most of the countries have achieved quick wins by establishing electronic sites to publish procurement related information thereby hugely increasing transparency and access to information. This is described in the Tanzania case. As systems mature, as in Albania, Brazil and Indonesia, applications focus on increasing the efficiency and effectiveness of the procurement system.

Funding: The Ghana, Kenya, Mongolia and Tanzania cases all highlight the challenges for many countries in accessing resources to fund their reform and capacity development initiatives in a comprehensive and sustainable way, not to mention the recurring costs related to adequate conditions for procurement officials which was mentioned above.

Capacity development

In 2005 when the predecessor to the Task Force, the Roundtable was developing Volume 3: Strengthening Procurement Capacities in Developing Country, the Good Practice Paper on Capacity Development advocated an approach that was country specific and multi-tiered, ranging all the way from society through its institutions down to the individual level, and that it was a process that was much broader than strengthening, but also included "unleashing", "conserving", "creating", "adapting" and "maintaining". This approach was based on more generic principles of capacity development that at that point had not widely been applied towards procurement reforms. It is therefore remarkable that in this current publication, written only six years later, the country cases provide many examples of how these principles have been applied in practice. Some of the key lessons are highlighted below. These have been drawn from both the Country Profiles and the Capacity Development cases.

National ownership and leadership are absolutely essential for successful capacity development. The Brazil and Albania cases illustrate how successful procurement transformation can take place when it is driven by the Government's own agenda. The Mauritius, Mongolia, Rwanda and Sierra Leone cases illustrate the importance of high level political champions and leadership to the success of capacity development efforts. Procurement regulatory agencies and procurement review bodies have the potential of being strong drivers for change. In most countries however, they still lack the desired level of independence, financial autonomy, status, staff, and capacity to fully play out their

role in spearheading the procurement reform initiatives including policy dialogue with procuring entities, other government agencies and with development partners.

The cases presented in this publication describe capacity development initiatives at regional (CARICOM and UEMOA), national (the majority of the cases), sector (Bangladesh) and individual (Bhutan) levels. All of these illustrate that an intervention at one of these levels is unlikely to be successful without interventions also at the other levels, for example, in Indonesia, where 40% of the state budget is provided to regional governments. To date most of the focus of capacity development and reform efforts has been at the national and individual levels, but the increasing focus on procurement performance means that more attention needs to be made to strengthening capacities at sector and entity level, including an increased focus on Supply Chain Management (SCM) issues.

A key principle of capacity development is that actions should be based on an assessment of the current level of capacity. The cases in this publication clearly demonstrate that MAPS has become a key diagnostic tool for assessing capacity at the national level and the Malawi case provides a specific example of how this was done. However, to date, no commonly accepted assessment tool exists for capacity development at sector or entity level and this may be an area for future work.

The Malawi case also highlights the importance of using assessments to uncover the root causes for capacity gaps and to design capacity development initiatives that address the root causes and not just the symptoms. This includes focusing on political economy issues that are blockers to procurement transformation.

Many of the cases illustrate that capacity development eludes quick fixes and cannot be rushed. The survey results illustrate that where the pace of change is slower than hoped for, the reasons are often political. The Albania case illustrates this very clearly, where after years of attempted technical fixes with no real improvement, the pace of reform took off due to political changes. The Afghanistan case provides a very frank description of an extremely complex situation where it is clear that significant change is going to take time. However, there are also examples of so-called “quick wins” where relatively simple initiatives can have a huge impact. The implementation of websites for publishing procurement related information is such an example.

One of the Capacity Development Principles from the Roundtable Good Practice Paper was “Scan locally and globally; reinvent locally” the point being that there are no blueprints. The Rwanda and Mauritius cases provide good examples of this, where due to strong national ownership and leadership, they have resisted adopting a template approach copied from other countries or institutions – for example the issue of decentralisation in Mauritius, or standard bidding documents in Rwanda. In Bhutan, this concept is demonstrated by the importance of adapting an international certification approach to fit the national context.

The parallel Task Force publication “Procurement Capacity Development Guide” draws on these lessons to provide concrete guidelines for procurement capacity development.

Monitoring and performance measurement

An emerging area of focus is that of Performance Measurement and Management and this relates both to being able to measure the impact of reform and capacity development initiatives AND to measuring the performance of the procurement system itself.

Perceptions are that the pace of reforms generally is moving slower than could be desired (although the Survey results suggest that most countries are satisfied with the pace of reform) and that “first generation” reforms haven’t had the desired result. However, there is a lack of data to be able to measure whether or not these perceptions reflect reality. Some promising approaches are presented in the case studies to measuring the progress of reform programmes. The Philippines have used the MAPS tool for this, while in Malawi the capacity development plan includes both output and outcome indicators.

Most countries are also now looking at implementing systems to measure the performance of the procurement system itself and the Chapter on Monitoring and Performance Measurement provides an overview and examples. The conclusion is that there is no “one size fits all” approach. What is measured will depend on the stage of development of the procurement system. A system that is focused on consolidating compliance will most likely want to have indicators that measure that, while more mature systems would include indicators relating to levels of accountability, to value for money, or contributions to broader government policy. Moreover, even within one country, the measurement of performance will primarily be focused at the entity level.

Donor systems and practices

Generally this publication is characterised by the enormous efforts that have been made by partner countries, with support from their development partners, to strengthen and improve their procurement systems. The paradox is that these efforts are not matched by the current extent of the use of these procurement systems by donors. The Bangladesh case study perhaps provides some insight into this phenomenon, where one donor has used the capacity development approach to systematically assess the capacity of all stakeholders (including its own) to be able to use the Bangladesh system for two sector programmes. What this case illustrates is that the capacity of country systems is only one of many factors that need to be considered.

Many donors are now engaging in supporting procurement capacity development initiatives at the country level, but as the Kenya Capacity Development case illustrates, when the efforts of multiple donors are not coordinated the result can be to undermine, rather than enhance, capacity. This is worrying when combined with the survey results which suggest that in the majority of partner countries there is no coordinating mechanism for the development partners that support procurement reforms. This is clearly an area that requires immediate action.

Other factors that seem to affect donors’ capacity to act and make full use of country procurement systems relate to the strategic level, unclear operational guidance, capacity constraints, lack of incentives for donor staff, and insufficiently coordinated risk management strategies. Further adjustments are required.

Methodology for Assessment of Procurement Systems (MAPS)

The collection of data for compilation of this publication depended heavily on review of country procurement assessments undertaken using the MAPS tool. However as the cases demonstrate, the usefulness of this tool goes well beyond facilitating this document. All of the cases presented had used the assessment results as a baseline on which they based their strategies for future reforms and capacity development. Just one example is Afghanistan who used an early version of the tool in 2005 to provide a clear road map for needed reforms.

The MAPS tool looks primarily at structural aspects of the procurement system, but not, for the most part, at how those aspects are being implemented in practice. However Malawi, amongst others, additionally assessed the associated level of compliance and performance for each of the MAPS sub-indicators on the same 0-3 scale allowing a comparison to be made between the BLIs and the level of compliance.

Future work

- **Revise MAPS indicators:** The MAPS tool has now been applied in more than 60 countries and ample information has been gathered that substantiates the value of this benchmarking tool and for some countries, the value of the CPIs that were part of the original OECD/DAC methodology. It has always been the intention of the Task Force and its predecessor organisations to evaluate the experience of countries using these tools and update the tool accordingly. Several rounds of discussion have taken place including during the Joint Venture on Procurement meetings in Copenhagen in 2007 and Arusha in 2008, the Task Force meeting in Nairobi in 2010 and most recently the Cuzco meeting in 2011. Each of these meetings confirmed that the basic tool is useful, but concerns have been raised about specific sub-indicators, especially with regard to language and how well they reflect current good practice; the usefulness of a numeric scoring criteria; the suggestion to "weight" sub-indicators to help sequencing and prioritisation of outcomes and the need to address emerging areas such as e-GP, socio-economic policy, use of framework agreements, and value for money. It is time to act on information and suggestions to update the MAPS and ensure that this tool continues to support the needs of countries by identification of good practices across the broad spectrum of areas and systems that together build the well functioning public procurement system.
- **Donor co-ordination at country level:** In some countries and to some extent, existing PFM Donor Coordination Groups have been used to address procurement reform issues among donors and with the partner government (Ghana, Bangladesh, Zambia, Mozambique, and Vietnam). Due to the positive impact of discussing procurement reform in a broader public financial management or public sector reform context, this may be an effective strategic approach to be pursued in the future. To further enhance the policy dialogue with the Government, ideally represented by the national Procurement Regulatory Agency; it should be considered at the country level whether to constitute a core group focusing on procurement reform.
- **Donors systematically assess the root causes for not using country systems:** Guided by the Paris Declaration indicators and targets to improve the quality of national procurement systems and to progressively use country procurement systems (Indicators 2b and 5b), donors have first and foremost focused on supporting government efforts to strengthening country systems and should, jointly with partner countries, be highly commended for the accomplishments outlined in this publication. However, the complexities and challenges of internal change management, different at each donor institution, have been underestimated and areas that require further donor coordination or other solutions have not been fully explored. The Cuzco Declaration encourages all countries and development partners "to work in a coordinated manner and to adopt a pragmatic approach in their progressive use of country systems". A joint systematic analysis of the root causes for not using country systems could establish the baseline for developing more flexible solutions.

- **Practical guidance on monitoring and performance management:** Good examples of monitoring and performance management that contribute to helping countries improve outcomes and results achieved through procurement have been emerging. This publication looked at specific examples in Brazil, Ghana and Uganda and also at emerging systems in Panama and the Philippines that are an outgrowth of the increasing use of e-GPGP which captures data and enables monitoring and performance management. More is being learned as countries continue to see the value of performance management to increasing the responsiveness, efficiency, effectiveness, and compliance of its governance systems to implementing the priorities of the government and in meeting its obligations to the citizens it serves. It has been acknowledged that collection, analysis, and use of performance management information can be costly, time consuming, and add little value if not done well. The Task Force meeting in Cuzco confirmed the interest of countries to develop practical guidance in this area and to contribute to the sharing of knowledge and experiences to support informed decision making.
- **More work on good practice at sector/entity level (assessment tool):** MAPS has proven not to be sufficient for assessments at the sector and agency level. Several donors have therefore developed procurement diagnostic tools, which are increasingly used to assess an institution's legal and regulatory framework, procurement organisation, procurement cycle, documentation practices, control mechanisms, and market operations. These assessments are usually done for capacity assessment or risk management purposes. Although donor specific, the individual tools feature a lot of similarities and in order to reduce the assessment burden for donors and partner institutions alike, a mutually agreed accepted tool could be developed. A modular approach could be considered to include both the capacity and the risk management perspective. Moreover, there is an increasing need for opportunities and forums to share knowledge and experience on what works in terms of developing capacity at sector or entity level as so far, the work of the Task Force has mainly been focused on national level capacity development.
- **More work on political economy and integration into wider public sector reforms:** One of the most important messages emerging is that political economy issues frequently are the drivers of procurement reforms, but also are the blockers that slow down the pace of reform. This is an area that requires further attention in terms of developing practical guidance and tools that support the examination of political economy issues in diagnostic work, and good practice in harnessing issues when they drive reforms as well as addressing challenges when they arise.

In conclusion, while considerable progress has been made since the creation of the "Roundtable" in 2003, important work remains to be done.

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