



**DEVELOPMENT CO-OPERATION DIRECTORATE  
DEVELOPMENT ASSISTANCE COMMITTEE**

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For Official Use**

**Working Party on Financial Aspects of Development Assistance**

**STRENGTHENING PROCUREMENT CAPACITIES IN DEVELOPING COUNTRIES**

**(Note by the Secretariat)**

**30-31 October 2002**

*This note on Strengthening Procurement Capacities in Developing Countries is provided for CONSIDERATION by the Working Party at its meeting on 30-31 October 2002.*

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## STRENGTHENING PROCUREMENT CAPACITIES IN DEVELOPING COUNTRIES

### I. Introduction

1. The purpose of this note is to set out proposals, developed jointly by DCD and the World Bank, on how to carry forward work on strengthening procurement capacities in developing countries. The note first sets out the medium term objectives of this work – including the development of field-tested guidance/best practices for donors on procurement capacity building (Section II). It then develops (Section III) proposals and a draft agenda for a Roundtable meeting on 22-23 January 2003 in order to launch a two-year programme of work on this issue, with a strong focus on implementing a number of specific initiatives on a case study and pilot developing country basis. Section IV signals other areas where assistance from Members is requested. Annexes 1 and 2 set out, respectively a provisional agenda for the Roundtable and a draft letter of invitation to participants.

*Issues for discussion:* Members are invited to comment on medium term objectives of this work as well as on the specific proposals for the initial Roundtable on 22-23 January 2003, (e.g. agenda, participation, financial and other support requested from Members) in order to advance our preparations for that event.

### II. Medium term objectives and products

#### a) Background

2. The *DAC's 1986 Good Procurement Practices* already included an invitation for DAC Members to improve partner country procurement capacities and to respond positively to their requests to do so.

3. The *DAC's 2001 Untying Recommendation* states that reinforcing partner country responsibility for procurement is an intrinsic part of the Recommendation, seen as necessary to maximise the benefits of untying, to implement ownership-based approaches and to improve access of developing country enterprises to aid funded contracts. The proposed work is therefore a direct follow-up to this provision of the Recommendation. This work also will also complement that in the DAC's *Task Force on Donor Practices* on others issues as we look towards connections between capacity building and donor practices.

4. Although the proposed work focuses on a number of critical, systemic issues surrounding procurement (mainstreaming, benchmarking, capacity building, monitoring ad evaluation), the work and its outputs will be firmly anchored to key objectives on the mainstream development agenda – specifically poverty reduction, good governance and aid effectiveness.

**b) Modalities**

5. Key elements of the approaches to implementing the proposed work are that it should be timebound, partnership-based and developed on the basis of concrete and developing country level initiatives:

*Timebound initiative*

6. A two-year initiative is proposed, with three Roundtable events over that period. The first (on 22-23 January 2003) would launch the process. The subsequent ones would take stock of progress, address issues requiring a sequenced approach (e.g. donor practices), progressively expand developing country involvement in the work and prepare/complete practical guidance on procurement capacity building.

*A partnerships based approach*

7. To be effective, capacity building initiatives must be developed and implemented on the basis of full partnership between all stakeholders – bilateral and multilateral donors, developing countries and civil society, including the private sector. A Roundtable approach is proposed where all participants will be responsible for first setting and then implementing the agenda. At the present, planning stage, the initiative is a *DAC/World Bank joint venture*, which also has the support of the other MDBs through their Heads of Procurement. As we move into the work, it will take on more of a multi-stakeholder approach.

*Concrete and country level approaches*

8. We propose to use a pilot country/case study approach to promoting and testing deliverables in the field. We will therefore seek a limited number of partner countries to be the focus of specific initiatives. In each of these, we are also seeking a donor to take on the role of co-ordinating the efforts and actions of donors in that pilot country in support of that initiative.

9. To complement these pilot country/case study initiatives, and to develop broader principles and their implications for capacity building policies and instruments, specific task groups would be formed to develop these products.

**c) Products**

10. From this process, the following key products will be developed:

- Real measurable progress within the pilot countries on strengthening their procurement systems and capacities in priority areas.
- Field-tested and practical guidance to donors on procurement capacity building to assist in deepening and broadening initiatives in a fuller range of partner countries.

11. These products would also represent contributions to OECD and DAC follow-up to the *Monterrey Consensus*, which set out agendas for both donors and partner countries on untying and capacity building issues.

### III. Roundtable proposals

12. As indicated above, it is proposed to launch this initiative through a Roundtable meeting on 22-23 January 2003. This section addresses the preparations for that meeting.

#### a) *Agenda and key systemic themes*

13. Procurement is a complex, multi-faceted area. A considerable amount of work on this theme has already been undertaken, and continues, by bilateral and multilateral donors. In order to focus initiatives in critical areas, we propose a concentration on the following key, systemic themes:

- *Mainstreaming procurement* as a strategic aid management function. Presently, procurement is often seen as a downstream, clerical, buying and selling function and therefore does not attract the political attention and resources it needs. Mainstreaming requires high-level government commitment and support, essential to the success of initiatives and for effective advocacy.
- Identifying and implementing the *benchmarks and standards* that constitute a good procurement system. The idea is to arrive at shared views of what constitutes a good procurement system. That, together with information from the World Bank's Country Procurement Assessment Reviews (CPARs), will help identify where capacity building efforts are most needed.
- *Professionalising* the organisations and individuals responsible for procurement through targeted capacity building activities. This is the central capacity building element of the initiative, addressing not only capacity building efforts at the level of agencies and individuals, but also to strengthen systems, transparency and to tackle corruption.
- *Developing indicators and monitoring and evaluation systems* to measure progress. Attention to this is required from the outset in order to develop the methodologies and tools for assessing progress and the extent to which objectives are being met.

14. The Roundtable should discuss each of these themes at two different levels:

- *Overall objectives and strategy*, with short, focused papers setting out the issues to lead off the discussion. For example, on the mainstreaming issue, such a paper should address issues such as what is mainstreaming, why is it important, what do we gain from it, how do we do it and how do we measure progress? Over the period of this work, products in these areas could be developed by specific task groups.
- *Specific initiatives* proposed under each of the main headings to be piloted in individual developing countries and supported by a "lead" donor, again backed up by a short note outlining the proposed initiative.

15. For each of these substantive sessions, the approach would therefore be to lead off with short presentations in each of these areas, with the main part of the session devoted to participants' comments and suggestions on the overall strategy and the specific initiatives. DCD and the World Bank will manage the preparation of the various strategy notes. In terms of notes on specific initiatives to be pursued on the pilot country/case study basis, discussions with the World Bank and with individual DAC Members are progressing well. In terms of those already in the pipeline, the following can be signalled at this stage:

- Tanzania/United Kingdom – capacity building.
- Ghana/Switzerland – transparency and corruption.
- Uganda-Zambia/World Bank – monitoring and evaluation.

16. Further possibilities are currently being explored with other donors. By the time of the Working Party meeting we should be in a position to set out more concretely the possible initiatives likely to be part of the broader strategy.

17. Finally, the issue of *donor practices* in the broader procurement agenda has been signalled in previous notes [see, for example, DCD/DAC/FA(2002)2, discussed at the Working Party's March 2002 meeting]. Progress in this area should not only make capacity building initiatives more effective and less expensive, but it will also provide an important incentive to strengthen the commitment and efforts of developing countries to implement essential reforms. At the same time, some Members have signalled that initial efforts should have a co-ordination rather than a commitment focus to harmonisation issues. In light of this we propose addressing such issues in a sequential manner, first focusing on getting a number of capacity building issues up and running and, on the basis of that experience and initial results, progressively bring in donor practices issues to subsequent stages of the process. For example, donor practices could be one of the themes to initiate at the second Roundtable meeting.

18. On the above basis, Annex 1 sets out a draft agenda for the Roundtable.

**b) Participants**

19. In addition to DAC Members and Observers (World Bank, IMF, UNDP), participants from the following areas should be invited – other multilateral institutions, developing countries, private sector and civil society.

20. For the other *international organisations/bodies* we suggest inviting representatives from the following:

- Regional Development Banks (where the Heads of Procurement Group have signalled a keen interest in our work).
- UN procurement-related agencies such as IAPSO and UNOPS.
- WTO (with an interest from the perspectives of its Government Procurement Agreement and transparency in government procurement – one the “Singapore issues”).
- ITC (which has done considerable work on procurement reform and capacity building).
- NEPAD.

21. For the *developing countries*, it is suggested that participation to the first Roundtable could largely, but not exclusively, focus on those countries likely to be involved as pilot countries for specific initiatives and/or in task groups to develop broader products. This suggest an initial participation of, say 8-10 developing countries A broader developing country involvement could be progressively developed over the course of the Roundtables to foster the wider involvement in and dissemination of products.

22. To the extent possible, we hope that those Members directly involved in the pilot country/case study initiatives could both identify the appropriate developing country participants and directly support

the costs of bringing them to the Roundtable. Where this is not possible, or to the extent that the Working Party wishes to extend invitations beyond the pilot countries, it may be necessary to request (at relatively short notice) voluntary contributions to this end.

23. Annex 2 sets out a draft letter of invitation to participants. The final version will be tailored to meet the circumstances of individual participants (e.g. invitation to be a keynote or lead speaker, participation expenses for developing country participants, etc.).

#### **IV. Getting organised**

24. With the Roundtable scheduled for January 2003, we need to move ahead rapidly with its preparation. In this connection, the United Kingdom has kindly provided a grant to permit us to engage a resource person and the World Bank has also devoted equivalent resources. Together, these resource persons will assist us in the preparations for the Roundtable as well as in assessing its results and directions for the next stages of the process.

25. In addition to comments on the proposals for the Roundtable, Members are also requested to provide indications at the Working Party meeting on the following matters:

- Interest in taking on the role of “lead donor” in pilot country/case study initiatives. This will include seeking the engagement of developing country partners, supporting their participation at the Roundtable and working with them, in the first instance, to prepare a note on the initiatives to present to the Roundtable.
- Suggestions concerning participants, keynote speaker (who could introduce the theme from the broader perspective of poverty reduction and good governance) and lead speakers on the systemic issues.
- Willingness to provide financial assistance for the Roundtable (e.g. costs for developing country participants), as necessary.

**ANNEX 1:**

**STRENGTHENING PROCUREMENT CAPACITIES IN DEVELOPING COUNTRIES  
PROVISIONAL AGENDA**

**Wednesday 22 January**

9.00 - 9.30 Registration

9.30 - 10.00 Welcome address

Keynote Address

**10.00 - 13.00 Session 1: Mainstreaming procurement as a strategic aid management function**

Lead Speakers:

- Strategic directions .....
- Case study initiatives .....

Plenary discussion

13.00 - 15.00 Lunch

**15.00 - 18.00 Session 2: Priorities, Benchmarks and Standards for Good Procurement**

Lead Speakers:

- Strategic directions .....
- Case study initiatives .....

Plenary discussion

**Thursday 23 January**

**9.30 - 13.00 Session 3: Professionalising Procurement**

**a) *Capacity Building Needs and Tools***

Lead Speakers:

- Strategic directions .....
- Case study initiatives .....

Plenary discussion

**b)        *Transparency and Corruption***

Lead Speakers:

- Strategic directions .....
- Case study initiatives .....

Plenary discussion

**15.00 - 17.00    *Session 4: Measuring Progress – Indicators and Monitoring and Evaluation Systems***

Lead Speakers:

- Strategic directions .....
- Case study initiatives .....

Plenary discussion

**17.00 - 18.00    *Concluding remarks – Moving forward***

**ANNEX II: DRAFT LETTER OF INVITATION  
INVITATION TO THE DAC/WORLD BANK ROUNDTABLE ON STRENGTHENING  
PROCUREMENT CAPACITIES IN DEVELOPING COUNTRIES**

**OECD, PARIS, 22-23 JANUARY 2003**

Sound and efficient aid and public procurement systems have a central role to play in overarching development co-operation objectives such as poverty reduction, good governance and aid effectiveness. Procurement is a strategic component of aid management. But it is not always seen and managed that way. It is often regarded as a downstream, clerical and purchasing function and associated with weak procurement systems, capacities and staffing. The result of weak regimes and poor decisions can be a very significant reduction in value for money and aid effectiveness.

Much work on procurement has already been undertaken, and continues, by multilateral and bilateral donors, but the same time, it is evident that much still needs to be done, and on a priority basis.

The OECD's Development Assistance Committee (DAC) and the World Bank seek your involvement in defining and advancing this agenda. To be effective, this must be done in full partnership with all stakeholders. Equally, we want to move quickly to concrete and pragmatic initiatives at the level of individual developing countries on the basis of which we can strengthen procurement capacities and develop lessons of experience for all stakeholders.

**On that basis, we are organising a Roundtable meeting at the OECD Headquarters in Paris on 22-23 January, 2003.** The objectives of that meeting would be to define the agenda and key bottlenecks, to assess experience to date, to identify the concrete and pragmatic steps that stakeholders can take, and to set out the process through which, collectively, we engage in capacity building efforts and assess progress. A provisional agenda for the Roundtable is attached.

Our intention is to achieve significant deliverables in a two year period, and thus to follow up the Roundtable meeting with two others in 2003 and 2004. As part of that process, would also seek to identify a number of developing country pilot countries on which to concentrate efforts and individual donors that would take on the responsibility of co-ordinating donor actions with those pilot countries. Our expectation is that this process would not only achieve results in pilot developing countries but would also allow us to provide guidance to donors on the "how to" of procurement capacity building in order to reinforce and deepen these efforts in a broader range of countries.

With this invitation, we therefore seek your engagement in this work and your availability to participate in the Roundtable. Background documentation for the Roundtable (agenda, issues papers, case studies) will be distributed subsequently. Please contact William Nicol (Tel: 33 1 4524 9137; E mail [william.nicol@oecd.org](mailto:william.nicol@oecd.org)) or Pamela Bigart (1 202 458 4104; E mail [pbigart@worldbank.org](mailto:pbigart@worldbank.org)) concerning your availability and other questions you may have about the Roundtable.

Yours truly,

Jean-Claude Faure  
Chair  
Development Assistance Committee,  
OECD

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World Bank