

## **Working Group Exercise # 3**

### **Case Study : Supporting a government-led process of Procurement reforms in Latinlandia**

#### **General Instructions to Groups**

This case study contains background information on the on-going engagement on procurement reforms between Government and donors in Latinlandia. This case study has been prepared for a group composed of both government and donor staff, therefore looking at improving engagement both from a government and donor perspective.

The group work consists of **developing proposals for measures to improve engagement between the Government of Latinlandia and the donors**, based on the following questions:

#### **Engagement between government and donors around a government-led procurement reform agenda**

1. What are the main issues that need to be addressed?
2. What specific steps could be taken by donors to help government establish its own priorities and reform program for procurement reform?
3. What are the measures that Government could take to improve the reform process within government?
4. What specific steps could be taken to improve donor coordination, amongst donors? How could the Government contribute?
5. What are the challenges and risks associated with these steps?

## **BACKGROUND INFORMATION ON THE ENGAGEMENT BETWEEN GOVERNMENT AND DONORS ON PROCURMENT REFORMS**

### **Part 1**

#### ***The Political and Economic Environment***

Latinlandia has enjoyed almost a decade of moderate but steady economic growth since coming out of a period of civil war and intense social strife. Despite evidence of steady growth, the country remains one of the poorest in the region and heavily dependent upon external aid flows. Donors have had considerable leverage and the government has kept an open ear to the wishes of the donor community. Because of Latinlandia's high visibility in recent years as well as its geographic location many different donors are active in the country. In addition to the various UN organizations, there are two multilateral development banks with active portfolios in the country, the IMF and the EU both have programs ongoing, and over a dozen bilateral aid agencies are active with either financial resources or technical cooperation. Among the bilaterals some provide exclusively project assistance, but most have some combination of projects and general budget support.

#### ***The engagement between government and donors on reforms***

Recently, the importance of PFM issues in government-donor dialogue has increased, with a special interest in improving the quality, efficiency and effectiveness of the procurement system in the country. Although generally positive on the on-going number of initiatives related to strengthening the procurement system, both government and donors have increasingly expressed some concerns on how the work is organized and how the engagement takes place. The **Government** has begun to take a more assertive position with donors. The Minister of Economy and Finance feels that his staff is overloaded with donor demands and that TA and capacity-building activities delivered by donors is not well coordinated, and does not make use of local expertise and experience to the degree that he felt was necessary for reforms to succeed. Meetings with donors have tended to focus on government's slow progress not on what donors should do. The meetings often left government feeling on the defensive, as it responded to numerous queries from the donors.

Although there is no objective measure, there is a sense among **donors** of slow progress on procurement reforms. No one is quite sure why progress is slow. Some donors doubt government's ownership of the reform process and stress weaknesses on Government's part when it comes to effective coordination, information sharing and reporting. There have been frequent delays in budget support (or waivers granted) because of Government's lack of compliance with conditions and triggers. Some donors have also started to question some donor practices that may also have a negative impact on progress made in the country.

#### ***On-going reforms and donor technical assistance and capacity-building support***

There are a number of on-going reforms, including preparation of a new legislative framework for procurement and a plan to initiate e-procurement development activities in the near term to increase efficiency and improve transparency of the system.

Most of the on-going reforms have been initiated and are being implemented with **donor** financial and technical support. Donors are however concerned by what they consider of a lack of clear government leadership, which has led to a fragmented reform agenda. One example referred frequently by the donors is the conflicting recommendations that are being implemented, as advisors from different traditions present their different perspectives on what changes were needed. In addition, donors do not have a clear sense of what the government's reform priorities really are for procurement.

Knowing that there is considerable work to be done, **Government** officials rarely refuse a TA or capacity-building project. Another issue is the reliance by donors on their own national procurement experts, although those experts do not necessarily understand the traditional systems of Latinlandia. Lack of coordination by donors is also an issue. The result: an array of capacity building efforts that are largely uncoordinated and contribute to a fragmented approach to reforms.

### **The Role of Diagnostic Studies**

Efforts have been made to get government involved as a partner in carrying out work for a previous procurement review, but the staff costs associated with keeping government on-board during each step proved to be higher than budgeted. A joint donor-government workshop was organized once the report was published, but it was unclear even then how much the government really owned the findings. The pressure to generate additional diagnostics on procurement had not necessarily subsided. Now there is a new initiative to participate as a pilot country in multi-donor program under the OECD/DAC's Joint Venture for Procurement. Donors, as well as participating pilot countries are having difficulties understanding what this new initiative will mean and how it will be implemented.

### ***Donor Coordination and Alignment***

**Government** has grown increasingly frustrated with the dialogue with the donors as meetings have focused on what government should do, with little discussions on how donors could improve their practices. **The donors** have formed a Governance Subgroup with which to coordinate activities related to procurement and other PFM related issues. The donor group has initiated a few meetings with Government officials. Government participation has varied a lot, not enabling continuity in the discussion, as the new comers were not informed of what had been discussed last time and of the decisions made.