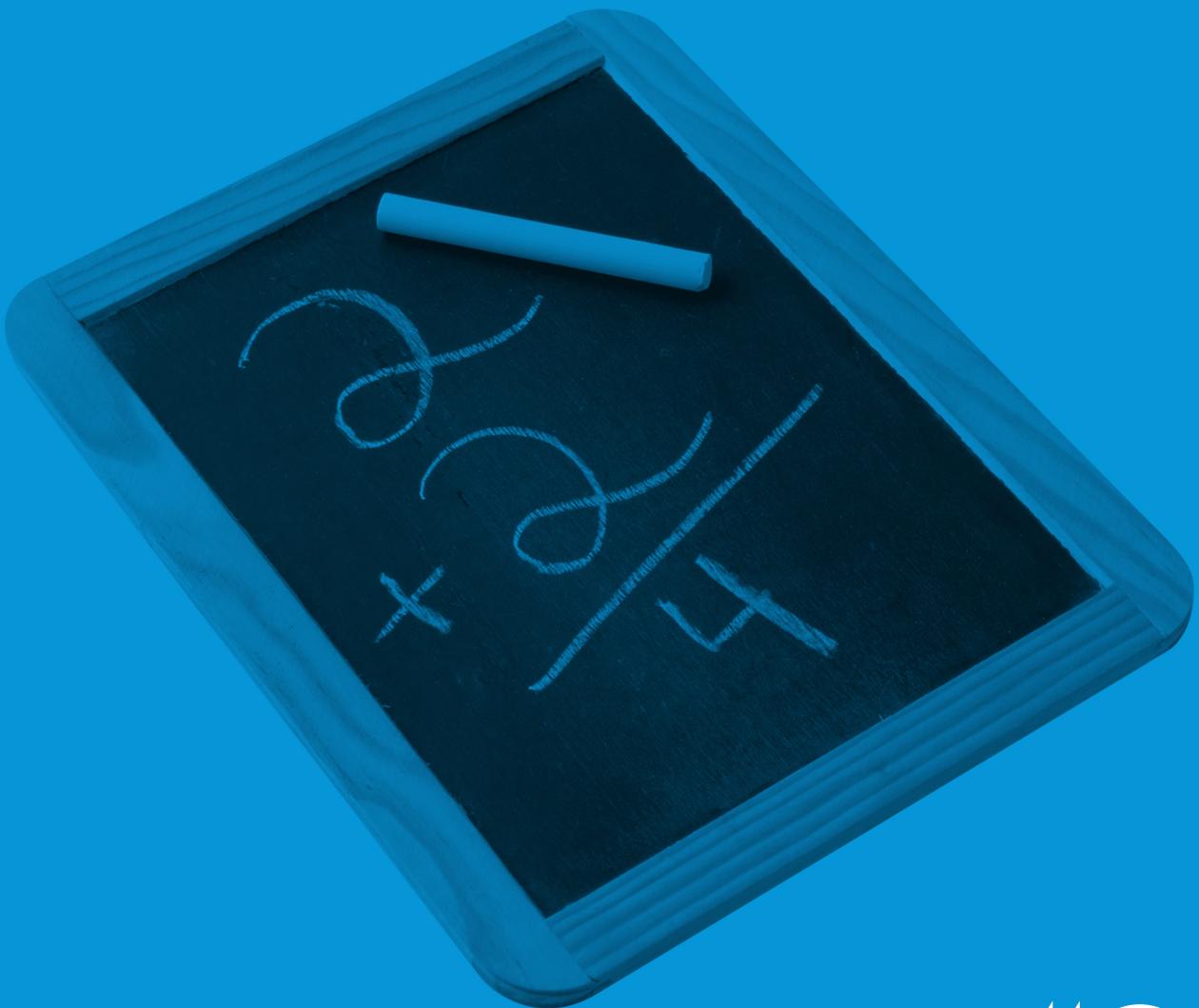




Compendium of Country Examples and Lessons Learned from Applying the Methodology for Assessment of National Procurement Systems

VOLUME I – SHARING EXPERIENCES



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Learned from Applying the Methodology for
Assessment of National Procurement Systems**

Volume I – Sharing Experiences



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Compendium of Country Examples and Lessons Learned from Applying the Methodology for Assessment of National Procurement Systems

Volume I – Sharing Experiences

Abstract: This paper presents the experiences and the lessons learned by 22 partner countries in Africa, Latin America and Asia related to the application of the Methodology for the Assessment of National Procurement Systems of the OECD/DAC Joint Venture on Procurement. The Methodology was developed and approved for field testing in 2006 as an input for implementing the Paris Declaration agenda and to assist in strengthening country procurement systems. It is the result of the joint efforts of multilateral and bilateral development partners and of partner countries from around the world. These experiences and lessons represent some early results achieved by a group of volunteer partner governments working in collaboration with national stakeholders from civil society, the private sector, the media, elected members of parliament and with their international development partners. The present document is limited to sharing experiences in using the Methodology. Country examples from the pilot exercises and from other applications are used as case studies. A mapping of various country experiences in using the Methodology is provided in Annex A. The present document seeks to provide useful background information drawn from various available sources.

Acknowledgements: This report was prepared by the OECD/DAC Joint Venture on Procurement, chaired by Jocelyn Comtois (CIDA), Henry Malinga (South Africa) and Bernard Becq (World Bank) and under the auspices of the DAC Working Party on Aid Effectiveness. The report was drafted by Rita Roos under the direction of Micheal Lawrance (OECD/DAC). The Joint Venture would like to acknowledge the many contributions received from officials of participating partner countries, donor countries and multilateral banks and international development organisations, as well as from other parts of the OECD such as the Public Governance Committee. Special thanks to Carola Miras for her fine English editorial expertise and to Sara-Jayne Moss and Claire Condon for their invaluable and timely administrative assistance.

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Foreword

In 2002, the OECD-DAC and the World Bank established the Round Table on Strengthening Procurement Capacities in Developing Countries with the aim to create better tools and techniques to strengthen public procurement in developing countries. Three Good Practice Papers were produced by the Round Table in 2004 that addressed Mainstreaming Procurement, Procurement Capacity Development and Benchmarking, Monitoring and Evaluating.

In 2005, the OECD/DAC Joint Venture on Procurement (“the JV”) was set up with a mandate to fulfil the Paris Declaration on Aid Effectiveness and its commitments to strengthen national procurement systems, support capacity development and support the use of local systems. In the context of supporting procurement reforms, the “Methodology for Assessment of National Procurement Systems” was developed as a tool to assess procurement systems¹ (“The Methodology”).

This report presents the initial experiences and lessons learned by volunteer partner countries in Africa, Latin America and Asia concerning the application of the Methodology for the Assessment of National Procurement Systems. The Methodology was developed and approved for field testing in 2006 as an input towards implementing the Paris Declaration agenda and to assist in strengthening country procurement systems as a component of a well-performing public sector. It is the result of the joint efforts of multilateral and bilateral development partners and of partner countries around the world. These experiences and lessons represent some early results achieved by partner governments working in collaboration with national stakeholders including civil society, the private sector, the media, elected members of parliament and international development partners. The report shares experiences in applying the Methodology, both country examples from the JV pilot exercises and from other applications by other partner countries.

¹ The Methodology for the Assessment of National Procurement Systems was developed under the OECD-DAC/World Bank Round Table on Strengthening Procurement Capacities in Developing Countries and the Joint Venture for Procurement with financial support of the OECD-DAC, the World Bank and the IADB. www.oecd.org/dac/effectiveness.

Abbreviations and Acronyms

ADB	Asian Development Bank
AfDB	African Development Bank
APPI	Agency procurement performance indicators
BLIs	Baseline indicators
CD	Capacity development
CPAR	Country Procurement Assessment Review
CPIs	Compliance and performance indicators
GDP	Gross domestic product
GPP	Good Practice paper
IADB	Inter-American Development Bank
JV	Joint Venture
KPI	Key Performance Indicators
MDGs	Millennium Development Goals
MoF	Ministry of Finance
NGO	Non-governmental organisation
OECD-DAC	Organisation for Economic Co-operation and Development: Development Assistance Committee
ODA	Official development assistance
PD	Paris Declaration on Aid Effectiveness
PE	Procuring entity
PEFA	Public Expenditure and Financial Accountability
PEMFA	Public Expenditure Management and Financial Accountability
PFM	Public financial management
PIU	Program Implementation Unit
PMU	Program Monitoring Unit
PPME	Public procurement model of excellence
SICP	Public Procurement Information System
TWG	Technical Working Group
UNDP	United Nations Development Programme
USD	US dollar
WB	World Bank

Background and Purpose of this Paper

In 2002, the OECD-DAC and the World Bank established the Round Table on Strengthening Procurement Capacities in Developing Countries with the aim to create better tools and techniques to strengthen public procurement in developing countries. In 2005, the JV on Procurement was set up with a mandate to fulfil the Paris Declaration on Aid Effectiveness and its commitments to strengthen national procurement systems, support capacity development and use local country systems. In the context of supporting procurement reforms, the “Methodology for Assessment of National Procurement Systems” was developed as a tool to assess procurement systems².

The Methodology has been field tested in many of the 22 developing countries (“pilot countries”). First, regional workshops were held in Kampala and Lima to expand the understanding and usage of the Methodology among African and Latin American countries. In early 2007, specific orientation and guidance workshops were organised in Nairobi, Jakarta and Yaoundé.³ for the pilot countries in Africa and Asia. A further workshop was held in Paris in September 2007, for any other potential adherents to the Paris Declaration. The pilot countries (and additional countries that used the Methodology) that have applied the Methodology have readily shared their experiences and recommendations on the process and the results of applying the Methodology. They each submitted a monitoring report to OECD-DAC and presented their country experiences at the JV on Procurement meetings in Copenhagen in September 2007 and in Arusha in May 2008. In this process, a variety of experiences, and initial lessons learned have been brought to light as well as some areas that still require further guidance.⁴

It is also useful to note the growing collaboration in strengthening good public governance through procurement reforms between the OECD Public Governance Committee and the OECD/DAC Joint Venture on Procurement. The OECD has taken a multi-disciplinary approach on this issue with the

² The Methodology for the Assessment of National Procurement Systems was developed under the OECD-DAC/World Bank Round Table on Strengthening Procurement Capacities in Developing Countries and the Joint Venture for Procurement with financial support of the OECD-DAC, the World Bank and the IADB. See www.oecd.org/dac/effectiveness.

³ These regional workshops were organised jointly by the OECD-DAC, the ADB, the AfDB, the IADB and the UNDP.

⁴ It has to be noted that the experiences and case studies presented in this paper are mainly based on reports received between May 2007 and June 2008 (interim reports, assessment reports and monitoring reports sent to OECD and posted on the OECD website) and experiences shared at the Joint Venture on Procurement meetings in Copenhagen (September 2007) and Arusha (May 2008). Some pilot countries are still in the process of finalising their assessment. Others may, in the meantime, have progressed in implementing their capacity development plans. Updates on the initial pilot country reports and capacity development strategies are expected, as well as additional country assessment reports of “non-pilot” countries. At the time of drafting the present paper, this information was not available. Therefore, the country cases presented may not always be complete or may not fully reflect latest developments. As information on the further progress is shared, the country case studies will be updated.

view to foster policy dialog and mutual learning between countries at various levels of development. In June 2008, the Public Governance Committee agreed to recommend the OECD Principles for Enhancing Integrity in Public Procurement for approval by the OECD Council end-2008. It is hoped this approval will also facilitate closer cooperation between the Public Governance Committee and the Joint Venture and with non-member countries to enhance integrity in public procurement. The OECD Principles form a backdrop against which the application of the Methodology occurs; they are attached as Annex C. While they are aimed at OECD member countries as an OECD recommendation, will also be offered to non-member, partner countries as a suggested input for consideration in their procurement reform processes.

The scope of this document is limited to sharing experiences in using the Methodology (Volume 1). Country examples from the pilot exercises and from other applications are used as case studies. A list of countries that have shared their experiences in using the Methodology together with an outline of the specific country context and certain national characteristics of the exercise is provided in Annex A. Useful background information drawn from various sources is listed.

Further volumes will be added to this document as more pilot countries complete the exercise, as a result more lessons will be learned and good practices will emerge.

The document has been revised on the basis of comments and suggestions received at the Third meeting of the Joint Venture on Procurement, which took place in Arusha, Tanzania, 5-7 May 2008, where a draft version was presented to and discussed with participants.

The Procurement Assessment Methodology: A Tool to Increase the Effectiveness of the Use of Public Funds

Increasing effectiveness, efficiency and transparency of public procurement systems is an on-going concern of governments and of the international development community. For public funding (including funds provided through official development assistance) to be used to the best effect, it is necessary to have a national procurement system that meets international standards and that operates as intended.

The Methodology is intended to provide a common tool, which developing countries and donors can use to assess the quality and effectiveness of national procurement systems. The understanding is that:

- The assessment will provide an analysis of the strengths and weaknesses of the system and a basis upon which a country can formulate a **capacity development plan** to improve its procurement system;
- Donors can use the common assessment to develop strategies **for assisting the capacity development plan and to mitigate risks** in the individual operations that they decide to fund; and
- In the long term, countries will improve their national procurement systems to meet internationally recognised standards enabling **greater effectiveness** in the use of funds to meet country obligations.

The Methodology's core objective is capacity development and progress is dependent upon country ownership and commitment to implement the capacity development programme. It was agreed with the Joint Venture on Monitoring the Paris Declaration that the procurement baseline indicators would be used to help monitor the qualitative procurement target of the Paris Declaration (Target 2b).⁵

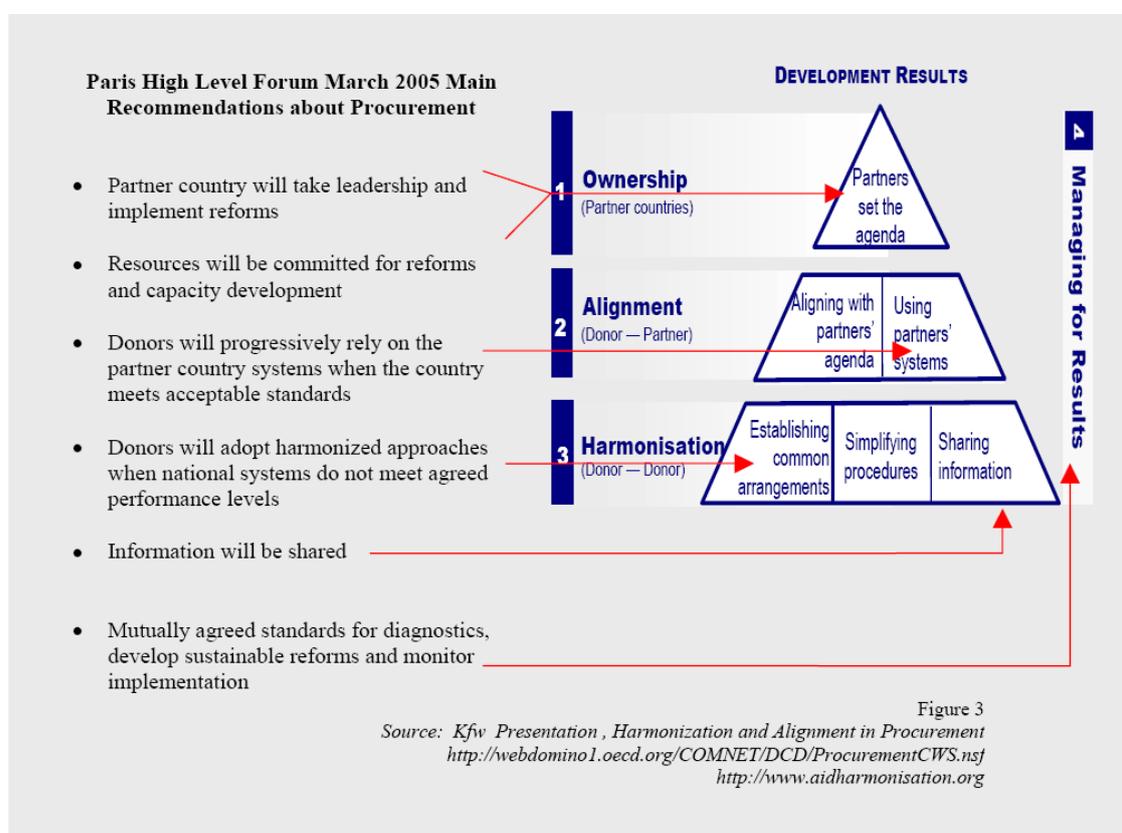
The Methodology follows a two-step approach. Part I covers the baseline indicators (BLIs) that deal with the formal and functional features of the existing system, while Part II covers the compliance/performance indicators (CPIs) that deal with monitoring performance data to determine the level of compliance with the formal system. The application of the BLIs is based on a review of the existing regulatory framework and the institutional and operational arrangements including the marketplace. The application of the CPIs relies on data obtained from a representative sample of contracts and information obtained from surveys or questionnaires with stakeholders of the procurement system. Since data and information for the CPIs may not be available, the extent of application of the CPIs is to be decided at the country level between the government and interested development partners. A list of suggested compliance/performance indicators is given in Part II of the

⁵ Indicator 2, Reliable country systems: 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 programme in place to achieve these. Target for 2(b) Procurement: one-third of partner countries move up at least one measure (*i.e.* from D to C, C to B or B to A on the four-point scale used to assess performance for this indicator).

Methodology, which also provides a defined scoring system. The evaluators assigning scores should justify the score with supporting evidence or should provide justification explaining the basis for the assigned score. A narrative, analytical report should be produced summarising the country context for the assessment, the characteristics of the procurement system and the roles and capacities of the main stakeholders. Furthermore, the report should contain an overall assessment of the weaknesses identified as well as the risks involved and links to other government reforms.

Figure 1 shows the relationships between the Paris Declaration recommendations on procurement and the main focal points for aid effectiveness: ownership, alignment, harmonization and results.⁶ It highlights mutual accountability for procurement reforms, *i.e.* partners taking responsibility for strengthening the system and development partners for increasingly using partner country systems when defined standards are met.

Figure 1. Paris Declaration: main recommendations on procurement



⁶ Nordic+ group (2005), Implementing the Joint Procurement Policy and Promoting the Use of Reliable Country Procurement Systems: A Guide for Program Directors, Managers and Officers

The Process of Preparing and Planning a Procurement Assessment

In 2007, the JV on Procurement pilot countries started to prepare the assessment of their national procurement system on the basis of the Methodology for Assessment of National Procurement Systems. In sharing experiences, many pilot countries refer to “roadmaps” or “action plans” which were developed to allow for a smooth workflow in implementing the assessment. Different approaches were chosen reflecting the specific country situation and resulting in different actions when planning the assessment. The key questions discussed at the planning stage can be summarised as follows:

- **Status of the assessment:** Self-assessment, joint donor/partner country assessment, external assessment?
- **Context of the assessment:** Stand-alone assessment using the Methodology, assessment in the context of a CPAR/CPAR update, combined PEFA/Procurement assessment, follow-up assessment?
- **Scope of the assessment:** BLIs and CPIs? National level/agency level? Degree of decentralisation?
- **Level of information available:** Availability of national procurement statistics, quality of procurement records?
- **Availability of expertise to conduct assessment:** Assistance of a consultant experienced in the use of the Methodology needed?
- **Budget/Timing:** costs involved? Funding? Sponsoring by donors? Time schedule?

The text that follows is structured along the following lines:

The section under Strategic issues discusses experiences in ensuring credibility and trust in the assessment results: local ownership, donor participation, and stakeholder involvement. **Planning the work** reflects more practical issues relative to planning the assessment process.

I. Strategic issues

Local ownership and donor participation

Background information

Aid is more effective when partner countries exercise strong and effective leadership over their development policies and strategies. This is why ownership is the fundamental tenet underpinning the Paris Declaration. In particular, country ownership is key to procurement capacity development, the core objective of the Methodology. The Methodology provides input into designing capacity development initiatives and serves as a baseline against which progress can be measured. A country’s commitment to strengthen the national procurement systems includes a political willingness to change.

In the Paris Declaration, donors have agreed to commit resources for reforms and capacity development to help achieve the 2015 Millennium Development Goal targets. Donors have agreed to use the common assessment to develop strategies for assisting the capacity development plan and as an input to risk assessments for the use of national systems.⁷

Country experiences

Based on the country assessment reports provided, it is apparent that a variety of different assessment approaches were used depending on the specific country situation. They highlight the above-mentioned principles of ownership and donor participation.

- Several countries conducted self-assessments (Tanzania, Sri Lanka, Zambia) and invited donors to discuss the scope and the approach of the assessment.
- In the Philippines, Paraguay and Indonesia, a review or update of a CPAR was upcoming. The procurement assessment was therefore integrated in this comprehensive process. In these three countries, joint assessments were done involving government and active donors.
- In Ghana, procurement capacity development was already part of a comprehensive public financial management development programme. The government of Ghana and the World Bank, as well as representatives of the Multi Donor Budget Support Group and other stakeholders, therefore conducted a joint PEFA/procurement assessment.
- In Afghanistan, a post-conflict country, the legal framework was put in place only recently and a snapshot assessment focusing on the baseline indicators and on a few important ministries was conducted. It was highlighted in the monitoring report that the assessment so far has been independent and that the same practice will be ensured throughout the process. The World Bank supported the assessment; other donors will be increasingly involved.
- In many of the pilot countries, national procurement statistics and data on procurement transactions were not readily available. Data for performance and compliance measurement needed to be collected for the purposes of the exercise. In these cases, pilot countries usually limited the data collection process to key agencies - mainly at the national level - and decided to include only a limited number of indicators to keep the cost for undertaking such an assessment under control. In the Philippines and Ghana, existing tools were used to evaluate performance at the entity level.
- Cross-country sharing seems to have worked well. Many countries involved procurement specialists, donor representatives, consultants experienced in the Methodology or representatives from other partner countries who have successfully used the Methodology in their country to add value relative to facilitating the process, independence and credibility.
- Regional initiatives such as UEMOA (l'Union économique et monétaire ouest africaine) have initiated regional public procurement reform programs encouraging and assisting member countries in using the Methodology (for example Senegal, Niger).

The Mongolia procurement assessment experience illustrates how high-level political support can be demonstrated and how donor participation can facilitate the exercise.

⁷ The Paris Declaration on Aid Effectiveness, www.oecd.org/dac/effectiveness.

Box 1. High-level political support and donor participation in Mongolia

A working group was formed to carry out the pilot exercise comprising the Director General and three other members of the Procurement Policy and Coordination Department (PPCD), the Ministry of Finance and two members from the country offices of the World Bank and the Asia Development Bank. Following the Asia Regional Orientation Workshop in Jakarta, Mongolia developed an action plan for the implementation of the pilot exercise. Both a domestic and an international consultant were recruited with ADB funding to assist with the implementation of the action plan.

In preparation for the data collection and assessment exercise, two fundamental activities were carried out:

i) **High-level political support:** The Methodology was translated into Mongolian and presented to senior government officials in order to get their approval of the exercise. As a result:

- The State Secretary of the Ministry of Finance expressly stated his support for it ;
- The Minister of Finance signed a letter introducing the BLI and CPI exercise to the public entities that have been selected to participate in the assessment and inviting their active participation. The pilot exercise thus has the endorsement and support of the government through the Ministry of Finance.

ii) **Stakeholder support:** PPCD conducted two workshops introducing the pilot exercise to the PIU/PMUs of ADB and WB-financed projects and to representatives of the 13 ministries, government agencies and Aimags (provinces) chosen to participate in the exercise.

Stakeholder involvement

Background information

As elaborated in the publication on Procurement Capacity Development compiled by the Round Table on Strengthening Procurement Capacities in Developing Countries,⁸ developing a country's procurement capacity should be viewed from the perspective of the dynamics of change. A procurement system is a multilevel "organism", where every level and its actors interact and are linked with other organisations and actors inside the system and in the enabling environment. To be effective, procurement capacity development needs to take account of these multiple levels and the relationships between important actors at each level in the system. One clear lesson from previous procurement capacity development programmes is the need to involve a broad range of stakeholders, encompassing both organisations and individuals.⁸

It is recommended that early in the assessment planning process, a mapping exercise should be conducted to identify key stakeholders and their relative influence and importance. These stakeholders should then be retained right through the assessment phase and finally, the validation process and the assessment results.

Typically, in public procurement key stakeholders include:

⁸ Harmonising Donor Practices for Effective Aid Delivery: Volume III, Strengthening Procurement Capacities in Developing Countries.

Table 1. Stakeholder involvement: a critical success factor

National institutions	Private sector	Civil society
Ministry of Finance	Professional organisations	Transparency/anti-corruption NGOs
Audit institutions	Training institutions	Media
Civil service	Business community	
Procurement entities	Chambers of commerce	Parliament
Key spending ministries and local government/agencies		
Development partners		

Country experiences

Based on the assessment reports provided, it is apparent that most countries have given considerable attention to the involvement of stakeholders in the assessment process. Contacts with donors and key ministries have usually focused on the planning and implementation stage. At the validation stage, stakeholder involvement has usually been broader, frequently including private sector and civil society organisation representatives. Sierra Leone, for example, conducted a perception survey collecting opinions in the private sector on the procurement system and processes.

Indonesia is a pilot country that faced a real challenge in mapping and involving stakeholders because the level of national autonomy (decentralisation) is very high. As a result of mapping potential stakeholders, a large number of stakeholders were identified at the national, provincial, city and district level as Table 2 illustrates.

In 2001, Indonesia implemented regional autonomy (decentralisation) measures. About one-third of central government expenditure was transferred to the regions. Regional autonomy laws dramatically increased districts' authority and responsibility. With decentralisation, the number and type of stakeholders involved in the national procurement system becomes more complex.

II. Planning the work

Background information

As highlighted in the Methodology,⁹ advance planning is needed to collect the information required and to identify stakeholders to be interviewed or surveyed. Advance planning is especially important if the assessment is sponsored by the government and interested donors to enable co-ordination of the work and agreement to be reached on critical aspects of the assessment such as the extent to which specific data for CPIs will be collected and if surveys and interviews will be employed.

The availability, reliability and integrity of records are issues that need careful consideration during the planning phase, the absence of which could impede a full assessment of the system. Some CPIs require quantitative reliable data that may not be available in certain countries. This alone is an issue that needs to be identified as a weakness of the system that might hamper the application of adequate control and monitoring or analysis of the system's performance.

⁹ Methodology for Assessment of National Procurement Systems, paragraph 18-20.

Table 2. Potential stakeholders in Indonesia's decentralised environment

STAKEHOLDERS IN PUBLIC PROCUREMENT	NATIONAL (CENTRAL)	PROVINCIAL	CITY	DISTRICT
OVERSEAS DEVELOPMENT AID (Donors – multi and bilateral)	•			
LAWMAKERS (Political – Parliamentarians)	•	•	•	•
ISSUERS OF DECREES, INSTRUCTIONS (president, ministers, governors, mayors, district heads etc.)	•	•	•	•
POLICY MAKERS (Civil service)	•	•	•	•
TRAINERS (training boards, tertiary educational institutions, academia)	•	•		
PROCURERS/ USERS (government entities at all levels)	•	•	•	•
SUPPLIERS/ PROVIDERS (business community, private sector suppliers of goods, construction companies, consultants etc.)	•	•	•	•
MONITORS (Inspectorates General, Audit Offices)	•	•	•	•
JUDICIAL AND ADJUDICATORS (Ministry of Justice, ombudsman, courts etc)	•			
GOVERNMENT ANTI-CORRUPTION AGENCIES	•	•		
BUSINESS PROFESSIONAL ASSOCIATIONS (chambers, associations, institutes)	•	•	•	•
PUBLIC WATCHDOGS (NGOs, academia)	•	•	•	•
MEDIA/ PRESS	•	•	•	•
THE PUBLIC	•	•	•	•

Identifying a qualified team of assessors is critical to the credibility and reliability of the exercise. Assessors should preferably be seasoned public procurement practitioners with ample knowledge of the institutional and operational aspects of the subject and of internationally accepted procurement practice. Assessors, if external to the government, should work with a counterpart team of the government to facilitate access to information and logistical support.

If the government carries out a self-assessment exercise, a verification process that involves government and active donors interested in the procurement system in the country will be needed in order to contribute to the transparency and credibility of the process. The verification exercise provides an opportunity to agree on assigned scores, reform priorities and a shared strategy towards capacity development initiatives to address key weaknesses in the system.

Country experiences

When planning the work involved in conducting the assessment, many pilot countries organised workshops. For example, in Vietnam, a technical workshop was held by the Department of Public Procurement and the Ministry of Investment and Planning to plan the internal government assessment process. The Public Procurement Regulatory Authority in Tanzania organised an implementation/ planning workshop for the institutions participating in the assessment exercise. In Sri Lanka, a stakeholder workshop was held with the public and private sector to explain the indicators, scope and the planning process. Planning workshops were also held in Paraguay, Indonesia, and Rwanda.

In Botswana, following a regional train-the-trainer workshop for assessors, the team carrying out the assessment met and identified resource and capacity requirements for undertaking the exercise. The team was then enlarged and agreed on a three-step approach. The first step of the project focused on the team and stakeholders due to carry out the assessment of the baseline indicators. The second step was to validate the results in a workshop setting. Since the team was also charged with carrying out the assessment of some performance indicators on the relevant pillars (step 3) and realising that this exercise would require additional data and time, the work to collect data for the CPIs was planned well ahead and a questionnaire was drawn up for this purpose. Questionnaires were also used as a tool by Cameroon and Malawi.

The assessment of the national procurement system in Ghana was divided into three sections: i) evaluation of the progress in implementing the recommendations of the 2003 CPAR; ii) joint government/donor assessment of the BLIs; and iii) independent review of the government's self-assessment on public procurement performance. The latter was carried out earlier in the context of the government's Three-Year Strategic Plan focusing on public financial management. The procurement assessment was planned in detail to cover the three aforementioned areas and followed a tight schedule. It included interviews with a variety of stakeholders and the presentation of initial results to high-level government officials and donors.

In the pilot exercise, many countries called upon external expertise. Uganda, for example, used a mix of government and UNDP expertise. Other countries involved procurement specialists from the World Bank, the Asian Development Bank or the Inter-American Development Bank (for example Afghanistan, Sri Lanka, Sierra Leone, Paraguay) or hired a team of international/local consultants (for example, Cameroon, Ghana, Mongolia, Tanzania, Senegal, Malawi, Niger, Lao, Vietnam).

The work plan

To summarise the planning results, Cameroon, Mongolia, Togo and Tanzania drafted activity plans which specified the necessary activities, time schedule and responsibilities. As an example, the roadmap of Tanzania's Public Procurement Regulatory Authority (PPRA) is presented in Table 3 below.

Table 3. Tanzania's - roadmap for its final report

	ACTIVITY	TIME PLAN	RESPONSIBILITY
1.	Send progress report to OECD-DAC	19 June 2007	PPRA
2.	Finalise data collection and verification <ul style="list-style-type: none"> • Within PEs • Other stakeholders 	20 June 2007	PPRA & consultant
3.	Data analysis and draft report preparation	14 July 2007	PPRA
4.	Draft report to stakeholders	23 July 2007	PPRA
5.	Validation workshop <ul style="list-style-type: none"> • PEs • Stakeholders 	6-7 August 2007	PPRA & consultant
6.	Review of draft report	8-13 August 2007	PPRA & consultant
7.	Send final report to OECD-DAC	31 August 2007	PPRA
8.	Preparation of presentation; presentation at Copenhagen Conference.	19-21 September 2007	PPRA

Based on the assessment reports provided, the following preliminary list of key considerations has been developed which will help in co-ordinating and planning work.

Scope of the assessment

Will baseline indicators and/or compliance/performance indicators be assessed? At which level will the assessment take place (national and sub-national government, government agencies)? If the sub-national level is to be covered, the Methodology has to be customised. How many/which compliance/performance indicators will be assessed?

Stakeholder involvement

How will key stakeholders be sensitised and engaged in the assessment process (*e.g.* letters, workshops, meetings). How many/which donors/stakeholders will participate/will be interviewed in the assessment of the baseline indicators? How many/which donors/stakeholders will be involved to gather data for the CPIs? Who are the key focal points within the stakeholder organisations?

Identifying a qualified team of assessors

Identifying a qualified team of assessors is critical to the credibility and reliability of the exercise. Assessors should have ample knowledge of the institutional and operational aspects of the subject and of internationally accepted procurement practice. They should be familiar with the assessment tool to ensure consistency in its application. Assessors, if external to the government, should work with a counterpart government team in order to develop its capacity to conduct future assessments and to facilitate access to information.

Interviews

Interviews will be needed to gather facts for assessing the baseline indicators. Interviews should be structured well in advance. For the BLIs, the preparation should include an overview of information to be collected. A matrix of sub-indicators containing the information required and potential informants could be useful. Interview appointments should be made with sufficient notice clarifying the objectives of the assessment (*e.g.* specifying that the assessment is not an audit). Evidence gathered in the interviews should be summarised and used later in the narrative report. Lastly, interviews or surveys are useful to collect opinions when addressing the CPIs.

Availability of data for CPIs

What are the best sources of data needed to measure compliance and performance? Is the required data available (statistics, procurement records)? What is the cost/benefit analysis of collecting the data? How much data collection is required and what sampling approach will be used?

Validation process

As stated in the Methodology,¹⁰ in the case of a government self-assessment exercise, a validation process that involves the government and active donors interested in the procurement system will be needed to contribute to the transparency and credibility of the process. The validation exercise provides an opportunity to agree on assigned scores, reform priorities and a shared strategy towards capacity development initiatives to address key weaknesses in the system.

¹⁰ Methodology for Assessment of National Procurement Systems, paragraph 20.

Assessment report

The Methodology suggests an outline of the assessment report.¹¹ It provides the context of the assessment as well as the assessor's evaluation of the entire system and of the status of progress of individual items addressed.

Time schedule, costs and funding

The time schedule, resources needed and costs involved need be estimated and allocated. As the pilot countries complete the exercise, information will be gathered to help with the planning process.

Obstacles likely to be encountered on the road

One lesson learned in the pilot exercise is that pilots underestimated the workload to carry out the assessment and needed more time to finalise the assessment than originally planned. Some of the obstacles that could be anticipated and could be addressed in advance are listed below.

Assessing the BLIs and its 54 sub-indicators takes time

Assessing the baseline indicators requires comprehensive knowledge in a number of different areas such as procurement legislation, operational procurement procedures and practices, country development strategies, financial management, audit, ethics and anti-corruption measures. Identifying and studying relevant documents, interviewing stakeholders and discussing the preliminary findings in the assessment team in order to have a solid base for scoring 54 sub-indicators just takes time.

Possible arrangements:

- To efficiently manage the wealth of information, share the load and assign roles among the assessment team members.
- Prepare questionnaires to gather evidence; plan the necessary meetings/interviews realistically.
- Allow sufficient time to explain the objective of the exercise and to ease the tension that may be a source for "defensive participation".
- Reserve time for sharing and discussing the preliminary findings in the assessment team.
- Enter the score, the justification, any references and trends into the Benchmarking Compliance and Performance Sheet immediately.
- To the extent possible, relieve the team members from their normal duties.

Performance data needs to be collected in a structured manner

Procurement management information systems providing data required for compliance and performance measurement usually do not exist. Samples need to be defined and data needs to be collected in a structured manner. In this context, record keeping proved to be a major challenge in almost all pilot countries. In some cases, pilot countries found that procurement entities were not

¹¹ Methodology for Assessment of National Procurement Systems, paragraph 22.

willing to participate in the assessment because they suspected an audit exercise was likely to be carried out.

Possible arrangements:

- When selecting the number of compliance and performance indicators to be monitored and when subsequently defining the representative sample, be realistic and not overambitious.
- If data is not available, consider undertaking a qualitative assessment of compliance and performance through interviews with procuring entities and other stakeholder groups, including private sector and civil society.
- To achieve value for money, the survey may be focused on a few key spenders according to the motto “less can be more”.
- Invest sufficient time in explaining the purpose of the exercise to participating organisations in a transparent way and in proper training of the assessors so as to obtain the full co-operation of the procurement entity.

Validating the results

Several pilot countries reported back that validating the findings was perceived to be difficult. With regard to BLIs, the aforementioned complexity of the indicator system and its scoring criteria requires comprehensive knowledge and a lot of time not only when doing the assessment but also in order to validate the results. Time and capacity however are limiting factors in the validation process. In cases where data for measuring CPIs was taken from incomplete contract files, uncertainties remained affecting the credibility of the validation process. In some countries, invited stakeholders did not participate in the workshops, or expressed some scepticism.

Possible arrangements:

- In the validation process, explain how the assessment was carried out.
- Provide sufficient information to explain the basis for the assigned BLI scores.
- Establish a built-in mechanism for quality assurance that ensures that data collected for CPIs is relevant, complete, accurate and representative and that it is aggregated correctly before interpreting the results. Consider the independent review of the assessment results (for example by an auditing firm).
- When validating the results, clearly distinguish between validation of the BLIs and validation of the CPIs:
 - The BLIs are qualitative and primarily based on existing (or not existing) elements of the system embedded in laws, regulations, documents, etc. The validation exercise needs to determine whether the scores assigned are substantiated and justified.
 - The CPIs are quantitative and mainly based on statistics or data collected on a sample basis for this purpose. In some cases, perception surveys may have been conducted. The validation exercise needs to deal with the relevance and reliability of data and its interpretation.

- Serious stakeholder involvement during the whole assessment process fosters active participation in the validation process. Validation workshops should be scheduled with advance notice, provide sufficient information and a proper setting for fruitful discussions.
- Consider whether all stakeholders should be included in one validation exercise (*e.g.* donors together with procuring entities, private sector, and civil society) or whether a number of validation events should be scheduled (*e.g.* first with the procuring entities and thereafter with other stakeholders).

Implementing a Procurement Assessment

The following section provides methodological background information and shares experiences on using the indicator system.

“**Baseline indicators**” presents the key elements of the Methodology and discusses some practical issues such as arriving at the “right score” and the importance of documentary evidence. “**Performance/compliance indicators**” introduces the Methodology and summarises experiences focusing on sampling, data collection and interpreting the results.

The assessment cycle is completed with sections entitled **Validation** and **Assessment Report**, during which high-level government officials, development partners and stakeholders are included for validation and reporting purposes.

Part I: Baseline indicators

As indicated earlier, the Methodology follows a two-step approach: Part I covers the Baseline indicators (BLIs) that deal with the formal and functional features of the existing system. Part II covers the compliance/performance indicators (CPIs) that deal with monitoring performance data to determine the level of compliance with the formal system. The two parts are designed to be applied jointly or separately depending on the intended purpose and scope of the assessment. The understanding is that the assessment will provide a basis upon which a country can formulate a capacity development plan to improve its procurement system as well as to establish a baseline against which future progress can be measured. It was agreed with the JV on Monitoring the Paris Declaration that the procurement baseline indicators would be used to monitor the qualitative procurement target of the Paris Declaration (Target 2b).¹²

The Methodology provides 4 pillars organised around 12 indicators and 54 sub-indicators with defined scoring criteria. The scoring system ranges from 3 to 0 for each baseline sub-indicator with the exception of 2 sub-indicators, which are pass/fail criteria (sub-indicator 4d and 10e).

The Methodology includes a User’s Guide, which is a “must read” when preparing for an assessment. Some key elements shall be highlighted as follows:¹³

¹² Indicator 2, Reliable country systems: 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 programme in place to achieve these. Target for 2(b) Procurement: one-third of partner countries move up at least one measure (*i.e.* from D to C, C to B or B to A on the four-point scale used to assess performance for this indicator).

¹³ Methodology for Assessment of National Procurement Systems, www.oecd.org/dac/effectiveness/procurement.

Purpose and use of the Methodology

- The Methodology provides a harmonised tool for assessing national procurement systems.
- The indicators are to be used in the assessment of the central government or national procurement system; they can be adapted for use in sub national or agency level assessments.
- The Methodology is designed for self-assessments, joint or external assessments.
- It supports design of harmonised capacity development and reform initiatives.
- It enables system performance and the success of reform initiatives to be monitored.
- It helps donors to determine risks to the funds provided to partner countries.

The indicators

- Baseline indicators (BLIs): BLIs present a “snapshot” comparison of the actual system against international standards.
- Compliance/performance indicators: CPIs assess what is happening on the ground by examining a sample of procurement transactions and other relevant information that is deemed representative of the performance of the system.

Application of the indicators

- BLIs are based on a review of the existing regulatory framework and the institutional and operational arrangements.
- CPIs rely on hard facts (representative sample) and interviews/surveys.
- Each baseline indicator contains a short explanatory text and four scenarios with scores associated to each scenario.
- For assessing the CPIs, the assessor obtains information from a sample of relevant procurement processes, from existing government statistics, surveys or interviews.
- Extent of application of CPIs should be a decision made at the country level in discussions between the government and donors.
- The Methodology allows for subjective professional judgments (to be minimised to ensure consistency and comparability).

Scoring system for baseline indicators

- Scoring ranges from 3 to 0 (only whole numbers):
 - 3 = indicates full achievement of the stated standard;
 - 2 = system exhibits less than full achievement and needs some improvements in area being assessed;

1 = areas where substantive work is needed for the system to meet the standard;
0 = indicates a failure to meet the proposed standard.

- Narrative report should provide additional information on changes underway.
- In case of substantive or material gaps, evaluators have to use their professional judgment.
- In some of the sub-indicators, internal hierarchies have been formulated to focus on key principles of good procurement.

Aggregation of scores

- All baseline indicators have sub-indicators, which are individually scored, at the sub-indicator level.
- The assessor may want to aggregate the scores at the indicator level or pillar level to obtain a compact profile of strengths and weaknesses of the system.
- The need and method of aggregation is a decision left open to the user. For the most comprehensive understanding of the system's strengths and weaknesses, the sub-indicator view is the most informative.

Benchmarking, compliance and performance sheet

- Annex 1 to the Methodology contains a Benchmarking Compliance and Performance Sheet where the assessor can summarise the scores of each of the baseline indicators and enter the results of the performance assessment.
- A column is provided to include a brief description of the situation that justifies the score or where to explain the result of each compliance indicator.
- Assessors may also include recommended actions and assign priorities.
- The new marking sheet provides a broad overview of the system, the key weaknesses and strengths and the priorities for action.
- Scoring can be depicted graphically by way of Excel spreadsheets.

The following (generic) figures can easily be generated from the aforementioned Excel sheet. They enable the viewer to quickly see the strengths and weaknesses of the national procurement system.

Figure 2 presents the public procurement system at a glance. It compares the maximum available scores to those assessed for a country. **Figure 3** exhibits the twelve indicators of the Methodology, detailing the assessment results at the indicator level.

Figure 2. The four pillars of the Methodology

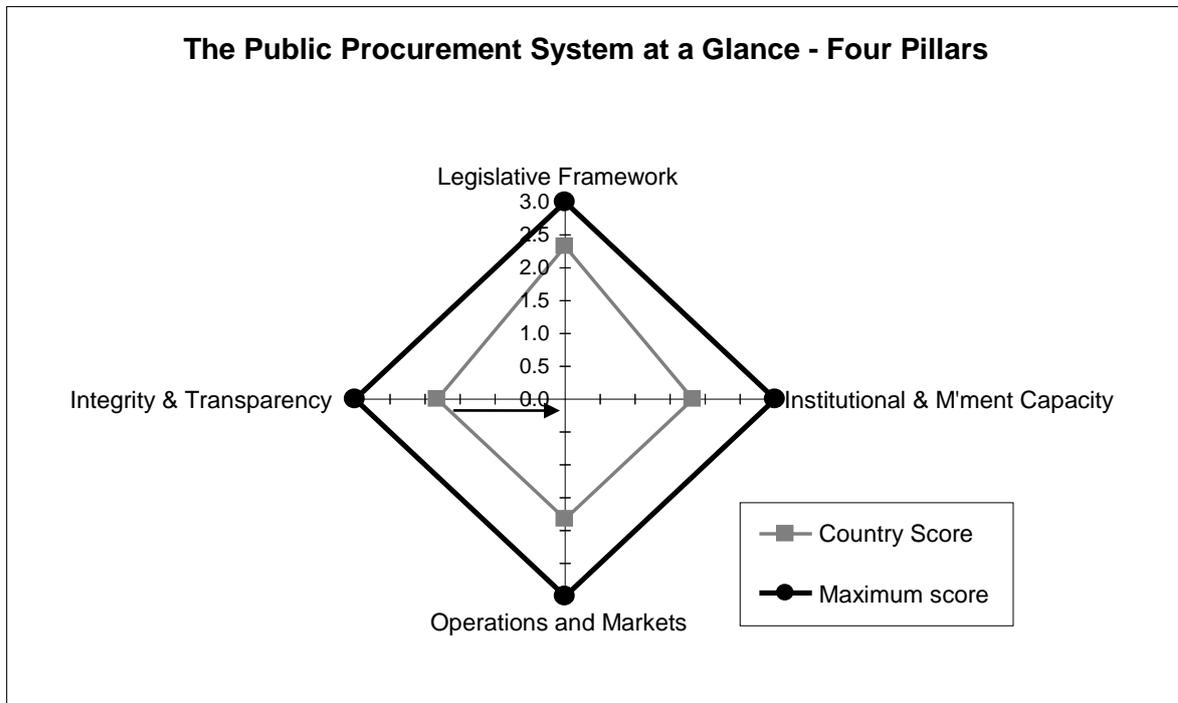
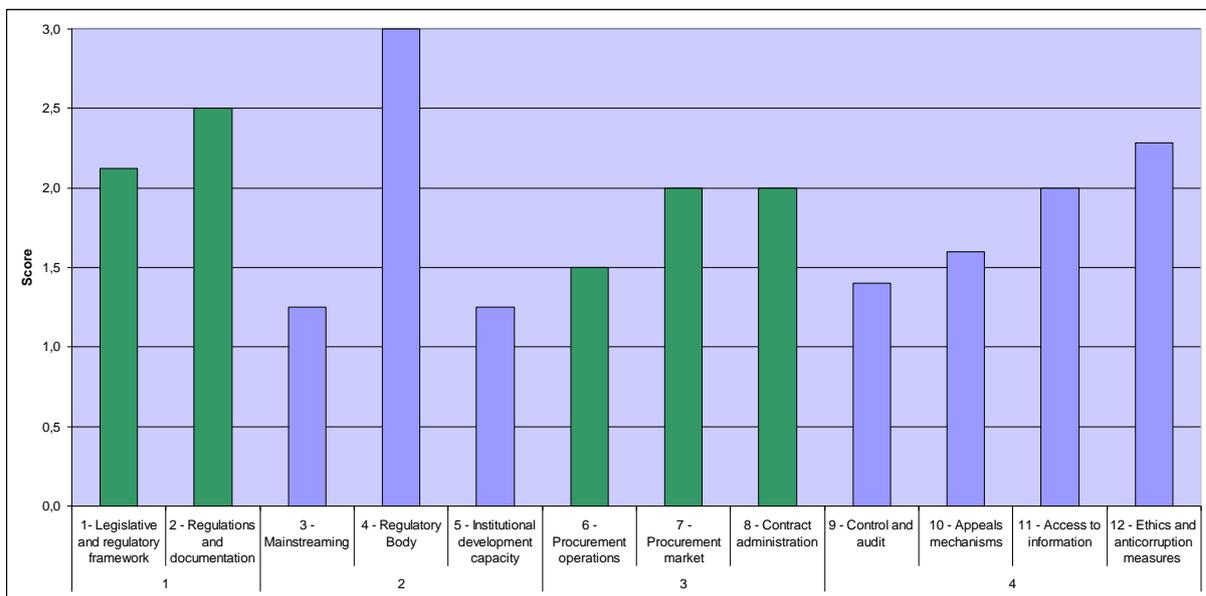


Figure 3. The Public Procurement System, Score aggregated by Indicator



Country experiences

Most of the pilot countries started with the Baseline Indicators and have begun to measure the CPIs as a second step. Application of the Methodology has indicated that both parts are needed to fully assess a national procurement system.

Methods to arrive at the “right score”

Pilot countries have emphasised that when conducting the BLI assessment, discussions ultimately focused on the scoring. Sometimes members of the assessment team did not have the same amount of information and consequently they arrived at different conclusions. In some cases, donors or other stakeholders questioned the evidence or reliability of data in order to arrive at an agreement on the scoring based on evidence. The following country examples illustrate a number of approaches applied to arrive at the “right score”. The examples can be grouped in three scenarios:

- **Scenario 1** Pure self-assessment
- **Scenario 2** Self-assessment with second independent scoring
- **Scenario 3** Joint government/donor assessment

Scenario 1: Pure self-assessment

In a “pure” self-assessment, the government itself - without involving development partners or other stakeholders - does the scoring.

Afghanistan and Sierra Leone, both post-conflict countries presently in a transition phase between the old procurement regime to a new national procurement system, have carried out self-assessments. The World Bank supported the assessment in Afghanistan, and no other stakeholders were included in the scoring or validation process. Sierra Leone has reported that the interest and participation of development partners has been ‘minimal’ so far, although they have been invited to participate. Yemen, a non-pilot country, conducted a self-assessment focusing on four key ministries.

Scenario 2: Self-assessment with second independent scoring

A few countries such as Botswana, Mongolia, Uganda, Vietnam, Niger and Zambia have chosen a two-step approach. Typically, one scoring was undertaken by the assessment team (self-assessment), a second independent scoring was provided either by an external assessor or a group of stakeholders. Then, the assessment results were discussed in a workshop and usually consolidated by determining the average score for each sub-indicator.

In Botswana, a comparative analysis was part of the scoring process. It was agreed during the validation workshop that the report should keep the two results separate (those from the workshop and those from AfDB public procurement team) so as to compare them and draw conclusions from the two. In Vietnam, the initial scoring of the pilot assessment was done by an external assessor and then compared with a second scoring done by 13 staff members of the Department of Public Procurement.

Scenario 3: Joint government/donor assessment

In some cases such as Paraguay, the Philippines and Ghana, joint assessments have been carried out either by establishing working groups consisting of government and donor representatives or by jointly conducting a full CPAR (Paraguay), a CPAR-update (in the Philippines) or a joint PEFA/Procurement assessment (Ghana).

In a joint assessment, not only intense discussions are likely, but they can constitute a rewarding opportunity for all involved. The approach of the partner country taking the lead and organising an assessment exercise in which donors active in this area participate in the entire assessment and in which civil society and the private sector also participate in the planning and the review of the assessment appears to result in more credible, useful outcomes.

If different perspectives remain on a limited number of sub-indicators, the approach chosen in Ghana may be a solution. As already done in an earlier PEFA assessment, government and donor representatives finally “agreed to disagree” in the scoring of a few sub-indicators. The rationale for the different views was made transparent in the Benchmarking, Compliance and Performance Sheet and the two perspectives were made public.

Documentary evidence

The main objective for assessing the baseline indicators is not the score itself but to establish a platform for designing a procurement capacity development strategy and to create a baseline against which future progress in implementing the reforms can be monitored. In this context, evidence of data plays an important role.

In Ghana, the procurement assessment exercise was aimed at thoroughly assessing the scoring criteria as defined in the Methodology. In the process of summarising lessons learned, a list of all documents studied during the BLI assessment was compiled and could serve as a checklist to collect evidence for the baseline indicators (Box 2).

Box 2. Checklist for collecting evidence for baseline indicators

Indicator 1 and 2: Legislative framework and regulations

- Public procurement law
- Proposed amendments to the law, if any
- Procurement regulations
- Procurement manual
- Model tender/contract documents for goods, services, works
- Model prequalification documents
- Procedures for contracting for services (including award criteria)
- Guidelines for margin of preference, if any
- Website of normative/regulatory body (example: Public Procurement Board)

Indicator 3: Mainstreaming

- Public financial management/public sector reform program/integration of public procurement
- Linkages between procurement and public financial management (in laws and regulations):
 - Provision of procurement plans (at the entity level)
 - Procurement planning and budget preparation
 - Allocation of funds and payment to suppliers/contractors
 - Business standards for processing invoices

Indicator 4: Normative and regulatory functions

- Information on status and funding of normative/regulatory body
- Functions of normative/regulatory body
- Annual report of normative/regulatory body
- Strategic plan of normative/regulatory body

Indicator 5: Institutional development capacity

- Procurement reform strategy, annual reports
- Procurement reform programs
- National aggregate procurement statistics (number and volume of contracts), if available
- Skills and training needs assessment
- Training strategy
- Statistics on training
- Quality standards for procurement staff

Indicator 6: Efficiency of procurement operations and practices

- Websites of procurement-related training institutions
- Training programs offered (formal education and short-term training)
- Career path for procurement professionals
- Document retention policy

Indicator 7: Functionality of the public procurement market

- Study on private sector/capacity development programs in particular for MSME sector
- List of private sector associations
- List of fora with private sector

Indicator 8: Contract administration and dispute resolution

- Manual for contract administration
- Guidelines for quality control firms and supervision engineers
- Arbitration law

Indicator 9: Control and audit system

- Audit act
- Regulations on internal audits
- Regulations on external audits
- Standards for procurement audits (internal/external; compliance and performance; follow-up)
- Specialized procurement audits
- Reports to parliament

Indicator 10: Appeals mechanism

- Procedures for complaints/appeals body
- List of decisions of the appeals body
- Publications, if any

Indicator 11: Access to information

- Website of normative/regulatory body
- Public Procurement journals/bulletins
- e-procurement system

Indicator 12: Ethics and anticorruption measures

- Legal background (definition of fraud and corruption, consequences)
- Anti-corruption programs (in general and specifically in procurement)
- Anti-corruption provisions in contracts
- Code of conduct for government employees
- Code of ethics for potential suppliers/contractors
- List of court decisions on corruption in procurement
- List of stakeholders and their procurement related programs
- Media clips

Part II: Performance & compliance indicators

Part II of the Methodology aims at measuring how well the established formal system works in practice. It covers a set of suggested compliance/performance indicators (CPIs) that are associated with the baseline indicators in Part I.

As there are no agreed standards for performance for each country, the short-term objective is to find out the degree to which the system is following its own regulations or what the perception of compliance is in those cases where data cannot be measured quantitatively. The CPIs help to identify areas where compliance or performance is weak and when a more in-depth review of deficiencies and their likely causes may be warranted. No scoring of compliance is proposed at the time of writing.¹⁴

The application of the CPIs relies on data obtained from a representative sample of contracts and information obtained from surveys or questionnaires with stakeholders of the procurement system. Since data and information for the CPIs may not be available, the extent of application of the CPIs is to be decided at the country level between the government and interested development partners. The User's Guide highlights the following aspects of compliance and performance measurement:¹⁵

Sampling for performance assessment and data collection

- Selecting an adequate sample of actual procurement processes for assessing performance is important for the credibility of the exercise.
- The reliability of information should be confirmed, based on reports or an evaluation of the information systems used to produce the reports.
- Assessor should disclose the sampling method used and the level of confidence with regard to the data collected or other techniques used to collect information such as surveys and interviews.

Planning and preparing the assessment

- The availability, reliability and integrity of records are issues that need careful consideration during the planning phase, the absence of which could impede a full assessment of the system.
- Non-existence of reliable quantitative data is an issue that needs to be addressed as a weakness of the system that might impede adequate controls and monitoring or analysis of the system's performance.
- If the government carries out a self-assessment exercise, a verification process is needed.

Part II of the Methodology provides a table that shows the compliance/performance indicator, the related baseline indicator/sub-indicator, the suggested source of information and a column titled

¹⁴ Methodology for Assessment of National Procurement Systems, Part II: Compliance and Performance Indicators, www.oecd.org/dac/effectiveness/procurement.

¹⁵ Methodology for Assessment of National Procurement Systems, Section I: User's Guide, www.oecd.org/dac/effectiveness/procurement.

“Considerations for assessment” designed to provide additional guidance for the assessor on the critical aspect to be examined.

The findings should be recorded in a short narrative report, which discusses the probable causes for data that do not show the expected degree of compliance.

As noted in the User’s Guide, the use of the CPIs will need to be determined on a country basis taking into consideration the specific capacities and issues that exist in the country and the decisions of those participating in the assessment including timing, resources needed, costs involved for collecting and analysing data and conducting interviews and surveys. However, the use of the CPIs is considered to be a critical aspect of monitoring the effectiveness of reforms that may be introduced to address weaknesses in the overall system.

Country experiences

When reflecting the experiences of the pilot countries on the assessment of the CPIs it was reported that the exercise has helped countries to identify performance issues and determine gaps in their systems. Keeping ownership in the implementation of the Methodology is essential for achieving the outcome and for future commitments. This is best assured by self-assessments and joint assessments.

However, it was suggested at the JV meeting in Copenhagen that further guidance, simplification of the CPIs and better alignment of the procurement assessment framework with the PEFA/PFM framework is needed. Consequently, at this very early stage of applying the compliance/performance indicator system, the following sections will focus on presenting useful background information and on sharing experiences and challenges faced.

The sampling phase

Background information

In order to obtain a valid picture of the performance of the procurement system, one of the most important steps is to carefully consider the sample of cases and procuring entities (PEs) to be assessed. The sample needs to provide enough information in order to be able to draw conclusions, which can be regarded as valid at an aggregate level and be generalised to the procurement system as a whole.

Different ways of sampling¹⁶

Should the distribution of cases be known (percentage of goods/services/works; method of procurement; contract amount; procurement at national and sub-national level, etc.) the method of “**representative sampling**” can be used by analysing a sufficient number of cases within each category.

It is also possible to draw a “**random sample**” which will need to be of sufficient size, so as to ensure that the data collected can be seen as representative. Random sampling is in many ways the most adequate type of sampling, given that it is possible to draw a large enough sample and that the population it is drawn from is known and defined.

¹⁶ To assist in carrying out the pilot assessments, the OECD Secretariat provided the OECD Guidance Note on Data Collection and Verification.

Another way of drawing a sample is “**strategic sampling**”, *i.e.* drawing a sufficient number of cases according to criteria that are considered to be particularly important or interesting such as contract amount.

Country experiences

For the purpose of assessing the CPIs, most pilot countries have chosen a sample at the national level. The approach chosen by Rwanda defining a strategic sample is illustrated in Box 3.

Box 3. Selection criteria for compliance/performance measurement in Rwanda

In Rwanda, the sample for compliance/performance measurement was defined as follows:

- 8 compliance/performance indicators to be evaluated;
- 30 key institutions to be evaluated (according to budget allocations);
- national and sub-national level considered (6/14 ministries, 1/5 provinces/the city of Kigali, 10/30 districts and 13/85 other public institutions);
- all contracts above the equivalent of USD 80 000 awarded in fiscal year 2006 to be evaluated;
- 12 assessors.

The Philippines have advanced the compliance/performance measurement system for use at the agency level. Ten key public procurement entities have been benchmarked applying agency procurement performance indicators (APPI). The APPI is a tool used to assess and compare the effectiveness of a government agency’s procurement system against that of the national public procurement system using 28 baseline standards and indicators based on the baseline indicators system. The results of the independent evaluation of 10 agencies were utilised to support the findings of the BLI assessment.¹⁷ A second assessment using the suggested CPIs is currently being undertaken by the Transparency and Accountability Network (TAN), a civil society organisation. (For more details, refer to Annex C Summary of agency procurement performance indicators (APPI), Philippines.)

Ghana has evaluated the performance of 213 procuring entities using its PPME tool (Public procurement model of excellence). The performance evaluation grid consists of 54 Key performance indicators (KPI) addressing the following areas: management systems, information & communication, procurement process, contract management.

One of the most common findings in the pilot assessments is that either the pilot countries do not have a system to generate nation-wide procurement statistics in place or that the system is not functioning in a reliable manner. The pilot countries’ progress reports recognised that the lack of a well-functioning statistical system imposes high risks and impedes the measuring and monitoring of compliance and performance. Consequently, the capacity development plans submitted with the assessment reports usually include an objective of developing or strengthening a system for generating and analysing nation-wide procurement statistics.

¹⁷ The Philippines procurement assessment report, Annex C: Summary of Agency Procurement Performance Indicators (APPI) as Validated for Ten Philippine Government Agencies.

Lao, for example, reports that national procurement statistics are absent and recognises the need to develop a data collection, monitoring and evaluation system. Zambia also noted that the country has no system or procedures for collecting and monitoring national procurement statistics.

In Uganda, Ghana and the Philippines, where a system to collect procurement data is in place, the assessment has revealed that ensuring that the system is applied in a complete, reliable manner is a task in itself. The following country examples give an impression of the challenges faced and on actions taken:

**Box 4. National procurement statistics:
The exemplary approaches of Uganda, Ghana and the Philippines**

In **Uganda**, procurement entities are required by law to submit monthly/quarterly procurement reports to the Public Procurement and Disposal Authority (PPDA). However, collected data is not very detailed and not considered highly reliable.

In **Ghana**, a new web-based procurement planning system is being introduced. The Public Procurement Board (PPB) is in the process of training the procurement entities to use the system and intends to expand the application for generating national procurement statistics in the future.

In the **Philippines**, the Philippine Government Electronic Procurement System (Phil-GEPS) is the single electronic portal for the collection and dissemination of procurement information and statistics. However, it has been noted that the information available on the Phil-GEPS has not been verified by audit yet. It has been recognized that the requirement to submit the required information to Phil-GEPS needs to be reinforced, and data needs to be analyzed.

Data collection

Background information

When the sample for the assessment has been defined, the next step is to ensure that the data collection is conducted in a way that is reliable and valid.¹⁸

Reliability in the data collection depends on

- appropriate guidance (manuals, guidelines, structured interviews and questionnaires)
- thoroughly trained assessors
- a common assessment approach to ensure consistency
- independence (example: peer review)

There is a need to ensure that the data collected is as valid as possible, *i.e.* that what is collected reflects reality. The validity of data can be enhanced by using different sources of information for acquiring the same data, so called triangulation of data. Triangulation can be done both in terms of Methodology (interviews, reviews, questionnaires) and target groups. Triangulation enables a comparison of results and this can help analyse findings.

¹⁸ OECD (2007), Guidance Note on Data Collection and Verification, www.oecd.org/dac/effectiveness/procurement.

Country experiences

Many pilot countries have frankly expressed their concern that the process of data collection has been complicated and expensive and that poor record keeping and incomplete files are major hindrances to collecting data. In many cases, time allocated to undertake the assessment proved insufficient because key documents were missing or kept at other government departments.

Zambia has identified record management as a major weakness of its system. Record keeping is reportedly very poor and there are no norms for the safe keeping of records and documents related to transactions and contract management. As a result, accessing information was a great challenge as there was no particular system in which procurement information was kept. In most ministries, only limited information was available at the Procurement and Supplies Unit as most of the information was passed on to the accounts department. The assessors therefore had to go through various departments in order to trace the process of a particular procurement. As many as 55.7% of the tenders had incomplete documentation. As a result of the poor record keeping, the time that was allocated to undertake the assessment at each institution proved insufficient. This imposed limitations on extensive collection and follow up on data. Zambia is implementing a major Public Expenditure Management and Fiscal Accountability (PEMFA) programme. The results of the procurement assessment will enable procurement-related issues to feed into this programme.

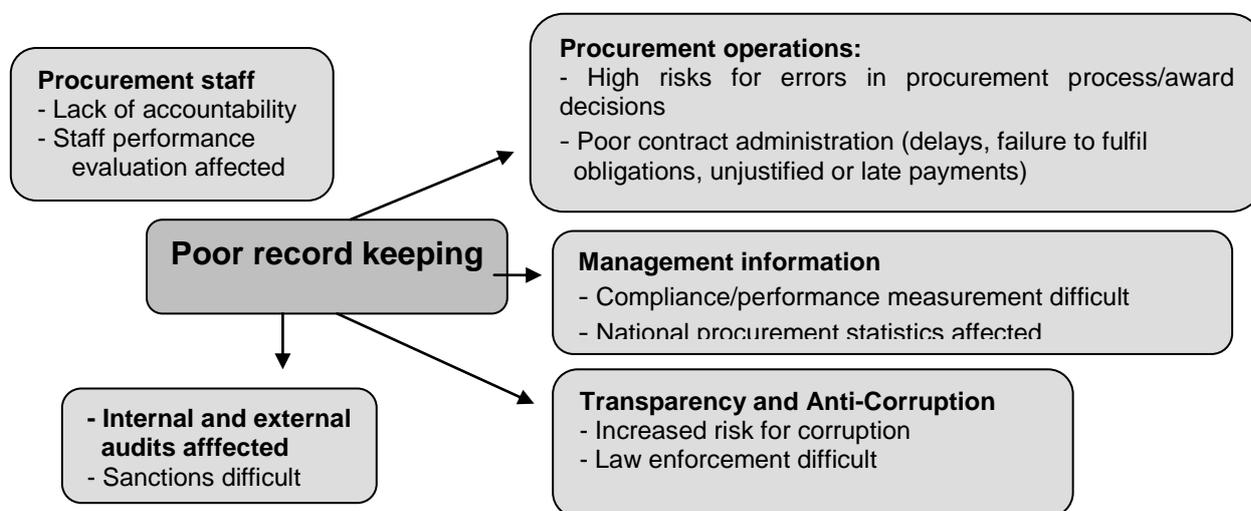
Lao similarly has stated that administrative systems on recording and documentation of procurement and contract transactions at the contracting entity level are absent. In Sierra Leone, an analysis of performance of public procurement contracts has not been made under the assessment because of the constraints associated with record keeping, at times non availability of records in the entities. Tanzania has noted that in most cases procurement documents are available but scattered in different files, taking a lot of time to locate for verification. In Uganda, it is specified that records are to be kept by the procuring entities for at least seven years, however there are no clearly-established security protocols to protect records, either physical or electronic.

Mongolia notes in their assessment report that in some cases, where the assessors conducted a review of procurement files in collaboration with procurement officers, some important documents which are key sources for gathering data under the relevant CPIs were missing or kept separately at another department thus making the CPI tables incomplete. These documents include bid evaluation reports, final signed contracts, contract administration evidences, completion reports or payment-related documents. Mongolia summarises that the lack of complete CPI information means that there is no way of demonstrating performance since the problem is one of incomplete information and not necessarily of performance.

Niger chose 15 procurement cases to conduct a compliance test. The existence of proper documentation was defined as “entry point”, and the completeness of the existing files was classified in 3 categories (good, acceptable, poor). As a result, 40% of the selected procurement cases were considered auditable, 27% were auditable with reservations and 33% were not considered auditable.

Often misconstrued as a pure administrative burden, poor record keeping in fact causes a multitude of negative impacts as Figure 4 illustrates:

Figure 4. Possible negative impact of poor record keeping



Good record keeping is characterised by the following elements:

- a) Legal/regulatory framework includes a list of procurement records that must be kept at the operational level
- b) Records include
 - public notices of bidding opportunities;
 - bidding documents and agendas;
 - bid opening records and bids;
 - bid evaluation reports;
 - formal appeals by bidders and outcomes;
 - final signed contract documents and addenda and amendments;
 - claims and dispute resolution;
 - completion certificates;
 - disbursement data including final payment.
- c) A document retention policy exists which is compatible with the statute of limitations in the country for investigating and prosecuting cases of fraud and corruption and with the audit cycles.
- d) Established security protocols exist to protect records either physical or electronic.

Interpretation of data

Background information

In the interpretation process, it is important to analyse and determine the validity and reliability of the results. Weaknesses in terms of sample, data collections and/or Methodology need to be discussed. Once preliminary results are available, a verification seminar could be organised involving stakeholders such as suppliers, civil society and donors. The objective would be to discuss whether the preliminary results seem to reflect reality in the eyes of the stakeholders.

As a good example of ownership and donor co-operation, the government of Ghana and the multi-donor budget support group agreed to have the country's self-assessment independently reviewed to validate the usefulness of the PPME tool to monitor public procurement practices at the entity level. After finalising the assessment, Ghana has summarised its lessons learned (Box 5).

Box 5. Compliance/performance measurement in Ghana

Lesson learned: Develop a sound strategy for performance measurement and pay high attention to quality assurance to ensure reliability of data (Compliance and Performance Indicators, Part II of the Methodology)¹⁹

In Ghana, a self-assessment covering 213 procurement entities was conducted to collect compliance and performance data. The public procurement model of excellence (PPME) was developed for this purpose. It contains quantitative performance criteria and qualitative performance measurement indicators, which are rated by assessors. In general the tool offers a good platform for tracking compliance and performance of the national procurement system; some areas need further attention to ensure the reliability of compliance and performance data:

- improve representativeness of sampling (to cover goods, services and works);
- strengthen qualification of assessors;
- provide more comprehensive instructions for assessors;
- allow for sufficient time for the assessment (considering the size of the procurement entity);
- implement quality control measures (double-checks);
- adjust formulae for accuracy and relevancy;
- disclose the average rating of each key performance criteria and improve linkages to the OECD/DAC baseline indicators ;
- prioritize key procurement entities (e.g. annual value of procurement operations) to achieve value for money and risk mitigation;
- sequence assessments with capacity development initiatives.

¹⁹ Assessment of the National Procurement System in Ghana – Lessons Learned.

Country experiences

The usefulness of the CPIs to measure compliance and performance of the national procurement system has been broadly recognised in the pilot exercise. The assessment results highlighted weaknesses in records management, data collection and analysis; reform programmes should focus on correcting these gaps. Once legal and institutional systems are right, there are still challenges to address at the implementation and performance level, especially in highly decentralised systems.

Since the goal of establishing a baseline on performance is to monitor, over time, whether performance improves or deteriorates, the need has been articulated to put a system in place that continuously measures performance. Kenya, for example, stressed at the JV on Procurement meeting in Copenhagen that it will develop strategic priorities and plans around the results of the country's empirical analysis of data. Indicators have been chosen for the most critical areas to provide information to management on how the procurement entities are performing. Kenya intends to focus on performance management and to stress the importance that it should be for the procurement entities to ensure leadership support for this in all relevant procurement entities. For example, the problems of good record keeping/document management and retention policy will be addressed for both issues. The e-procurement system will be interlinked with performance management indicator system and the involved procurement entities will be encouraged to put in place their own performance management systems.

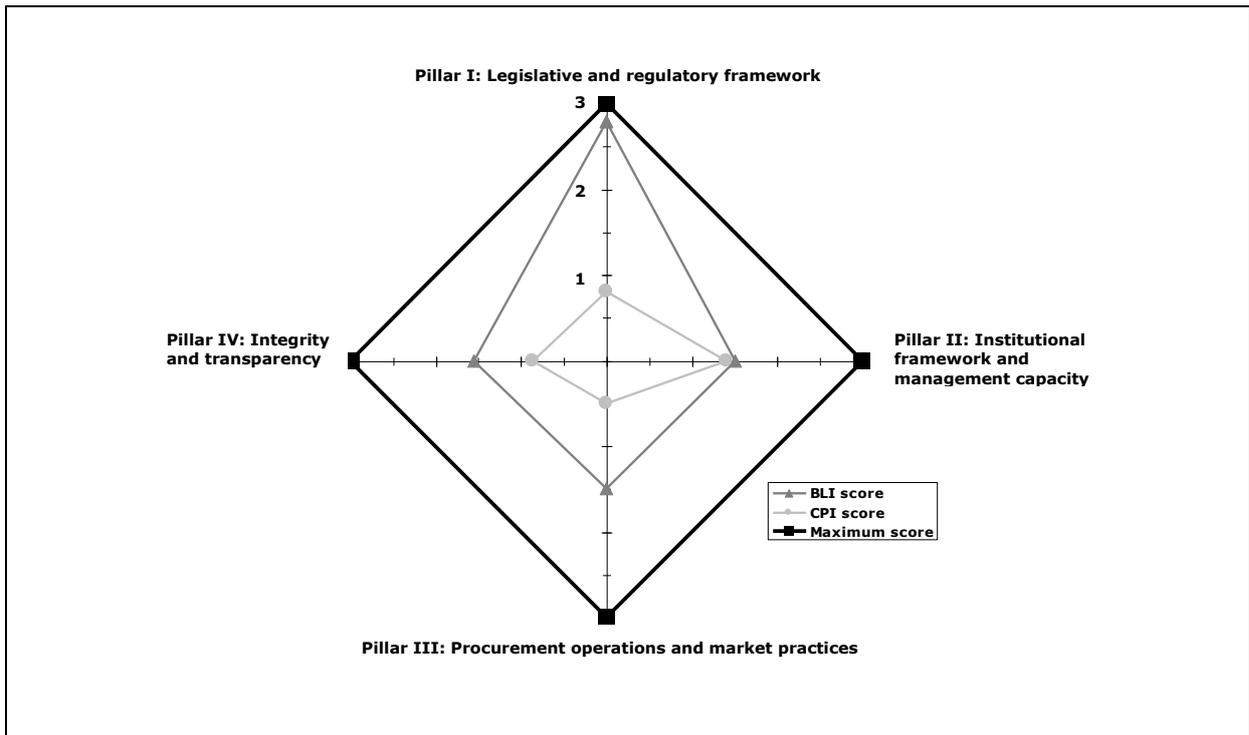
Malawi has tailored its performance and compliance measurement strategy to explicitly serve as a basis for subsequent capacity development considerations. A scoring system developed for CPIs was used to compare BLIs and CPIs, it visualized gaps between the way the procurement system is designed and the way it operates on the ground.

Box 6. Evaluation of gaps, Malawi

To facilitate the subsequent use of the assessment results in the broader capacity development process, the diagnostic approach of the Methodology was broadened to also include an explanatory dimension. In this way, the focus of the data collection was not only on "which" systems are in place and "how" these work in practice, but also on "why" this is so, hereby providing an important starting point when defining actual capacity development strategies later on in the capacity development process.

As a result of the explanatory focus, a qualitative data collection approach has been selected. In relation to this, a number of qualitative CPI indicators were developed. Furthermore, to illustrate the gap between BLIs and CPIs and allow for future benchmarking, a scoring system similar to the BLI scoring system has been adopted for CPI indicators, based on the scoring system already used in the country when monitoring compliance at procuring entity level.

The findings, i.e. the gaps identified between the standard defined in the Methodology (maximum score) on one hand, and the assessed scores for the BLIs and CPIs on the other hand, are illustrated in the following diagram for all 4 pillars:



Validation

Impact of validation

Background information

It is very important to ensure that the assessment process remains valid and credible. The OECD Secretariat prepared a guidance note on validation of assessment results²⁰ for the procurement assessment pilot exercise. It presents a governance perspective on validation and provides reflection and suggestions on how the effectiveness of the process can be strengthened.

Why is validation so critical to the Methodology?

When validating the assessment process from a governance perspective, the keywords are transparency, credibility and accountability. In other words, transparency throughout the process, credibility towards the key stakeholders in the procurement reform process and accountability toward the constituencies of parliaments and citizens in both partner and donor countries.

Involving the stakeholders during a validation process benefits:

- Stakeholders provide valuable input and information to the assessment, including a different perspective and more nuanced perspectives.
- They confirm or challenge pre-established findings.

²⁰ OECD (2007), Guidance Note: Validation of Assessment Process and Results, www.oecd.org/dac/effectiveness/procurement.

- They identify and correct mistakes or misunderstandings.
- Involving stakeholders in the validation of assessments becomes an important new management tool.
- Most importantly, involving stakeholders in the validation of assessments provides a valid mechanism for ensuring buy-in and commitment to the procurement reform agenda, thereby building a coalition for change.

Which stakeholders should be included?

The identification and selection of stakeholders for validation will vary from country to country. However, they will often coincide with representatives of procurement entities and the group of stakeholders generally understood to support procurement reform, such as:

- government line ministries;
- local government authorities;
- oversight institutions (ombudsman, audit authority, anti-corruption agency);
- parliamentary committees;
- civil society including academics, NGOs and the media;
- the private sector; and
- the international donor community.

How to involve stakeholders in the validation?

An important consideration when inviting stakeholders to assist in the validation of the assessment process and results is to ensure the stakeholder group is well informed about the assessment from the start and its purpose within the wider procurement reform. Information on the assessment process and results can be posted on the relevant web sites and through other, regular means of communication such as newspapers and community newsletters. Depending on the previous level of involvement and the knowledge within the stakeholder group, mechanisms such as those that follow could be applied:

- public hearings
- stakeholder meetings
- focus groups

It is important to specify from the beginning of the pilot exercise why stakeholders' involvement is critical and how the stakeholders' input will be used. Before involving different groups of stakeholders in the validation process, the appropriate approach for dealing with each group should be chosen and analysed *i.e.* perhaps using face-to-face workshops with a particular group, emailed questionnaires or structured telephone interviews with others. (Refer to section entitled "Stakeholder involvement", above.)

Country experiences

Many pilot countries have expressed the view that the validation of the assessment exercise and of the results of the assessment is a useful measurement of the transparency and credibility of the assessment exercise. Stakeholders of the procurement process, such as civil society organisations, the private sector, the development partner community, and both political and administrative government authorities have, in many cases, been consulted when reviewing the results of the assessment and, to a lesser extent, at the planning stage.

A few countries have expressed some disappointment with regards to the attendance at validation workshops. In Lao for example, representatives of six key ministries, two public authorities, 2 state-owned enterprises and the World Bank participated in the validation workshop. However, professional organisations and private companies who had also been invited to provide their views and comments on the assessment report did not attend.

Challenges also remain in addressing disagreement over scoring and understanding the significance of the score.

The following country cases of Botswana, Zambia and the Philippines illustrate different approaches chosen to validate the process and the results.

In the validation process, problems related to the procurement assessment exercise as a whole may become apparent and should be evaluated. For example:

- If there is no validation process at all, the credibility of the assessment results will be affected. Action should be taken to ensure stakeholder involvement.
- If civil society organisations or private sector institutions do not participate in either surveys or workshops, it is important to analyse and understand why.

Box 7. Validation process in Botswana

Botswana has chosen a three-step approach to assess the baseline indicators and validate the results:

1. scoring by Public Procurement and Asset Disposal Board (PPADB);
2. scoring by stakeholders as a group;
3. comparative analysis.

All stakeholders were given the Methodology for Assessment of National Procurement Systems for their independent assessment during Phase 1 of the project. This assessment took place in a workshop where all the participating stakeholders were invited to share their independent assessment results with others for the purpose of validation. The participants were divided into groups. Each group was assigned a pillar with the objective of reaching consensus on the scores. The scores, as agreed by each team, were then presented to the entire workshop that then endorsed the score as presented, or modified it accordingly. The PPADB team also shared their results with the workshop. It was agreed during the workshop that the two reports should be kept separate so that they could be compared and independent conclusions drawn up.

A comparative analysis of the results was made displaying the margin of variation and a conclusion was drawn from the entire assessment exercise. The margin of variation in the two results is only 3%, which is negligible. However, there is a need to reconcile the differences, which exist between the Procurement Board and its stakeholders, given that they have scored different marks in different aspects that the sub-indicators attempt to assess.

Box 8. Validation process in Zambia

After having finalized the assessment of baseline indicators and performance/compliance indicators, the Zambia National Tender Board (ZNTB) invited stakeholders to a validation workshop. Eight ministries, the Zambia National Farmers Union, Anti Corruption Commission, one supplier and one bilateral donor participated.

The findings were discussed and the topics can be characterized as follows:

- The stakeholders endorsed the findings as a fair reflection of the procurement system in Zambia.
- Concern on the credibility of the sample for the CPIs was raised and if it was representative. The stakeholders were told that the sample was selected on the basis of the size of the ministries and that it included both large and small ministries and provinces.
- Some ministries were not free to give information because they perceived the exercise to be an audit. Information was only given after reassuring the officers concerned that the information was to be used for purposes of the exercise only.
- Data verification could be a challenge because some of the invited representatives from civil society were not ready to provide feedback on some indicators and later on participate in the validation process.
- The workshop provided a chance for feedback from the participants, for example on how to make the role of the Zambia National Tender Board more neutral and on private sector problems in responding to tenders. Follow-up measures were agreed upon.

Box 9. Validation process in the Philippines

The Philippines implemented the assessment of the national procurement system as one activity of the CPAR 2006 and a follow-up to the 2004 BIS assessment. Agency procurement performance indicators (APPI) were applied to measure performance at the agency level; the assessment of the CPIs at the national level is currently being undertaken by the Transparency and Accountability Network (TAN), a civil society organisation.

“The final scores were arrived at after tedious deliberations of each of the indicators”:

The Technical Working Group (TWG) presented the preliminary results of the BLI assessment to the Interagency Committee of Government Public Procurement Board (GPPB) for initial confirmation of the scores.

The results of the BLI assessment were subsequently discussed at two workshops with the CPAR Working Group. Others involved were ministries, oversight agencies (e.g. Anti-Graft Commission), representatives of states and municipalities, the Philippine Construction Association and Confederation of Filipino Consultants, civil society organisations such as TAN, Procurement Watch, the Catholic Bishops' Conference and representatives of about 10 development partners and agencies. The scores were finalized after taking into consideration the final comments of the World Bank and the OECD.

- If procurement entities do not understand the purpose of the assessment or even expect an audit to be carried out, the collection of data for CPIs may be affected. Information sharing needs to be improved.
- If reliability or quality of data is challenged, high-level government officials or development partners may question the findings and recommendations. A quality assurance mechanism needs to be established.

Assessment report

One of the main objectives of carrying out the assessment, in accordance with the Methodology is to provide partner countries with a tool that can be used to formulate programmes to improve their national procurement systems and align them with internationally accepted good practice. The assessment process also provides a unique learning and capacity development opportunity for government and donor participants alike. A narrative analytical report, following the completion of the assessment, is useful to both partner governments and donors interested in supporting and strengthening procurement reform programs. A report of this nature provides the context to the assessment as well as the assessor's evaluation of the entire system and of the status of progress of individual items assessed.

Paragraph 22 of the User's Guide includes a suggested outline for the report to which relevant sections and chapters need to be added should an action plan or a reform strategy be proposed. Ideally, the report should contain the following elements:

- An Executive Summary, providing an overview of the assessment results in the light of the four pillars illustrated in Figure 2. The executive summary should highlight the strengths and weaknesses of the system, their relative importance, the major risks identified and their likely consequences for the efficiency of the system.
- An introductory section that presents the background of the assessment, its scope and nature, any specific assessment problems encountered and any other matters that are essential to understand the context and circumstances under which the assessment was carried out.
- A section that describes: a) the country context, including a brief review of the country's economic situation; b) the nature and scope of public expenditure; c) the role of the national government and other sub-national governments; d) the links with the budgetary and control mechanisms; and e) the procurement system and its links with the rest of the public sector.
- A section describing the characteristics of the procurement system and the key actors and their roles operating it.
- A section that discusses the assessment's findings in relation to each of the pillars and the indicators. This section also describes any programmes or initiatives that the government is implementing or that are being seriously considered, including whether they merit possible support by the international donor community. Finally, the section describes any progress made, the lack of it, or the deterioration of the system since the last assessment was carried out.
- A section on the assessment of outstanding weaknesses in the procurement system. These should be classified into high, medium and low categories with regard to the risk such weaknesses may pose to the system and suggestions as to how to keep these risks at an acceptably low level. Such suggestions may form the basis for a prioritised reform strategy intended to address identified weaknesses.
- The final section should describe other reform programmes that the government is implementing, or plans to implement in the near future, that may have an impact in the way the national procurement system operates.

Making Use of the Assessment Results to Strengthen Country Procurement Systems

Background information

The Methodology was conceived in order to provide a basis upon which a country can formulate a capacity development plan to improve its procurement system. Donors can develop strategies around it to assist with the capacity development plan and to mitigate risks in the individual operations that they decide to fund. In the long term, countries will improve their national procurement systems to meet internationally recognised standards, thereby enabling greater effectiveness in the use of public funds to meet their country's development goals.

The following provides some useful background information on capacity development in general and procurement capacity development in particular. First, a definition of capacity and capacity development is given. This is followed by an outline of procurement-related international targets as expressed in the Paris Declaration on Aid Effectiveness and useful guidance on procurement capacity development.

Introduction to capacity development

In reviews of aid effectiveness, the development of capacity is invariably recognised as one of the most critical issues for both donors and partner countries. The 2005 Paris Declaration on Aid Effectiveness highlights the need for significantly enhanced support for country efforts to strengthen governance and improve development performance. In this context, the Declaration calls for capacity development to be an explicit objective of national development and poverty-reduction strategies. The reports of the UN Millennium Project and the Commission for Africa are among those challenging the world to treat capacity development with greater urgency. The OECD publication *The Challenge of Capacity Development: Working Towards Good Practice*²¹ offers a framework for thinking about capacity development, based on the main lessons of experience, both good and bad. It provides the following definitions of capacity and capacity development:

“Capacity” is understood as the ability of people, organisations and society as a whole to manage their affairs successfully.

“Capacity development” is understood as the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time.

Two related observations can be made:

- Country capacity is the key to development performance and thus to efforts to accelerate economic growth, reduce poverty and achieve the MDGs. This applies to both generic capacities (*e.g.* the ability to plan and manage organisational changes and service improvements) and specific capacities in critical fields (*e.g.* public financial management or

²¹ OECD (2006), *The Challenge of Capacity Development: Working Towards Good Practice*, www.oecd.org/dac/governance.

trade negotiation). Insufficient capacity in the public sector is a key bottleneck, among other reasons because of the way it affects the enabling environment for private enterprise and private sector capacity development.

- The cornerstone of contemporary thinking about aid and development effectiveness is country ownership. Yet country ownership of policies and programmes is premised on the capacity to exercise it. Ownership will not begin to emerge in the absence of sufficient local capacity. The relevant capacities include those that allow mediation among the plurality of interests and constituents within the country, so that compromises and shared commitments can be arrived at.²¹

The discussion so far suggests the following as the most important things learned about capacity development:

- Capacity – understood in terms of the ability of people and organisations to define and achieve their objectives – involves three levels: individual, organisational and the enabling environment. These levels are interdependent.
- Capacity development goes beyond “capacity building”. The stock of human capital and the supply of general and technical skills are important. However, a country’s ability to use skilled personnel to good effect depends on the incentives generated by organisations and the overall environment.
- Capacity development is necessarily an endogenous process of change.
- Appreciating the interactions between three levels of the capacity development process, means recognising the important role of systematic factors in enabling or blocking change.

The publication *The Challenge of Capacity Development – Working Towards Good Practice* gives more detailed elaborations and country examples.

Procurement Capacity Development: International Targets and General Approach

The Paris Declaration on Aid Effectiveness highlighted commitments made by donors and partner countries with regard to strengthening country systems and increasing donor reliance on the use of these strengthened systems. Targets for the indicators of progress have been set to reflect the idea that partner country systems will improve over time and that as they improve, they will be progressively utilised by donors.

The Paris Declaration specifies, under the heading “Strengthen national procurement systems”, the following:

Partner countries and donors jointly commit to:

- *Use mutually agreed standards and processes to carry out diagnostics, develop sustainable reforms and monitor implementation.*
- *Commit sufficient resources to support and sustain medium and long-term procurement reforms and capacity development.*
- *Share feedback at the country level on recommended approaches so they can be improved over time.*

Partner countries commit to take leadership and implement the procurement reform process.

Donors commit to:

- *Progressively rely on partner country systems for procurement when the country has implemented mutually agreed standards and processes (Indicator 5).*
- *Adopt harmonised approaches when national systems do not meet mutually agreed levels of performance or donors do not use them.*

As for procurement capacity development, the Paris Declaration makes reference to the OECD “Good Practice paper on Procurement Capacity Development (GPP)”²² that reflects the insights of procurement experts from developing countries and bilateral and multilateral donors. The GPP is structured in three parts and addresses the following issues:

²² OECD (2005), *Harmonising Donor Practices for Effective Aid Delivery: Volume III, Strengthening Procurement Capacities in Developing Countries* (unpublished), Chapter 2, Good Practice Paper on Procurement Capacity Development.

The capacity development context²³

The GPP discusses the context of the development of procurement capacities and in particular the relationship between a country's overall development and procurement strategies and the capacity development programme that should logically flow from these. In brief:

The objective, focus and timing of any procurement capacity development programme should be an integral part of a country's overall procurement strategy. A clear policy is required on how a country wants its procurement system to evolve over time and the kind of specific capacity demands it will face. The government should articulate a national procurement strategy that specifies what objectives it wishes to achieve, assign responsibilities, allocates a budget, identifies instruments and sets the time horizon for the reform process. This strategy also needs to strengthen linkages to other public sector functions and reform programmes, in particular those relating to public financial management, auditing, anti-corruption, public administration and/or civil service reform.

One of the core issues to be addressed in procurement capacity development is the need for better co-operation and co-ordination with other relevant public reform processes. For example, a country that is committed to decentralisation (such as Indonesia) consequently needs to transfer autonomy for procurement decisions from the national to the provincial and district level.

The national procurement strategy should reflect the role of the private sector. Should private investment in the public sector be maximised? Should procurement be outsourced to private service providers? The private sector can provide valuable assistance in areas such as knowledge management, technical and commercial analysis and assessment, project preparation, project implementation and procurement monitoring and evaluation, as well as audits.

Professional institutions/associations and academic bodies play a key role in the development of procurement capacity by providing a framework for education and the sharing of good practice.

Another core issue to address is corruption and bribery. Procurement should be considered as an integral issue in governance and anti-corruption strategies. Accountable, transparent and ethical procurement practices and processes help to reduce the environment within which inefficiencies, including corruption, thrive.

Principles for Capacity Development

The GPP presents UNDP's 10 Default Principles for Capacity Development.²⁴ It emphasises that the process or plan for capacity development should not be considered as a blue print. An iterative process is proposed, aimed at creating a viable institutional framework. The principles on which this process should be based are captured by the concepts of country ownership, broad stakeholder involvement, realistic need assessment, strategic procurement capacity development planning and closely monitored and flexibly managed implementation.

²³ OECD (2005), *Harmonising Donor Practices for Effective Aid Delivery: Volume III, Strengthening Procurement Capacities in Developing Countries* (unpublished), Chapter 2, Good Practice Paper on Procurement Capacity Development, Part I.

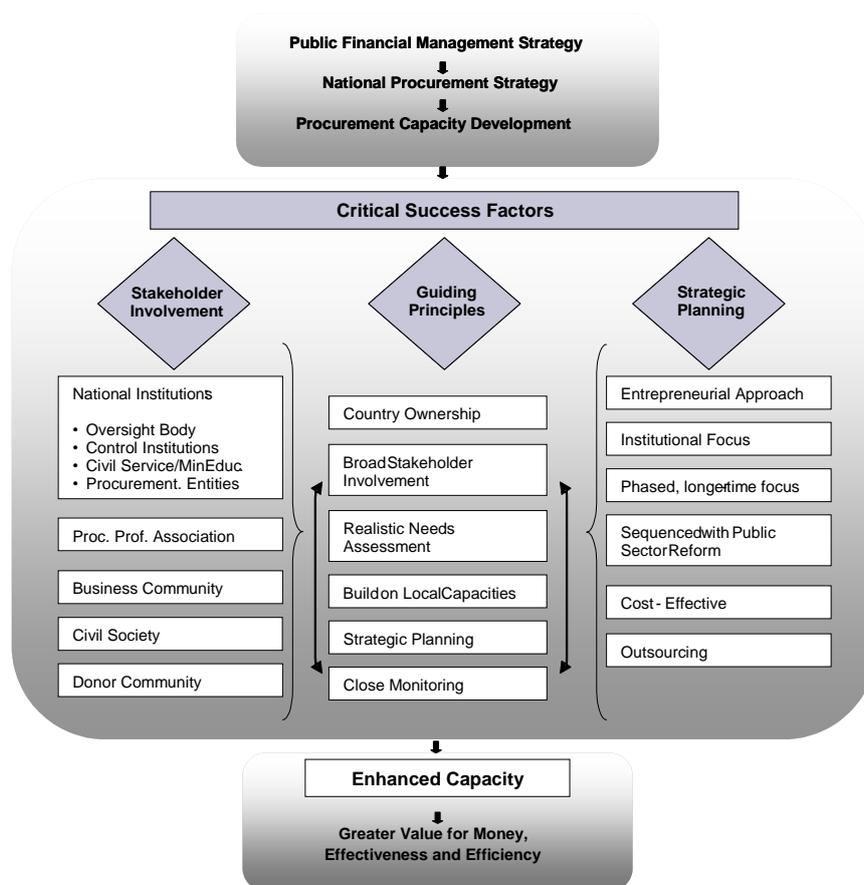
²⁴ OECD (2005), *Harmonising Donor Practices for Effective Aid Delivery: Volume III, Strengthening Procurement Capacities in Developing Countries* (unpublished), Chapter 2, Good Practice Paper on Procurement Capacity Development, Part II.

Stakeholders

The GPP argues that as many key stakeholders as possible should either be involved in or consulted during the assessment, planning and implementation stages of any capacity development initiative.²⁵ It lists some of these stakeholders and highlights their respective roles in strengthening procurement capacities.

The following figure illustrates the critical success factors for procurement capacity development.

Figure 5. Critical success factors for procurement capacity development



Another guide that broadly covers the field of procurement capacity development is UNDP's Procurement Capacity Assessment User's Guide. Capacity Assessment is defined as an analysis of current capacities against desired future capacities; this assessment generates an understanding of capacity assets and needs which in turn leads to the formulation of capacity development strategies. In particular, a capacity assessment needs to explore "why" compliance and performance are not satisfactory in order to identify appropriate strategies²⁶.

²⁵ OECD (2005), *Harmonising Donor Practices for Effective Aid Delivery: Volume III, Strengthening Procurement Capacities in Developing Countries* (unpublished), Chapter 2, Good Practice Paper on Procurement Capacity Development, Part III.

²⁶ UNDP (2006), Draft Procurement Capacity Assessment User's Guide.

Experiences in Using the Assessment Results for Procurement Capacity Development

In the pilot assessment exercise, most of the pilot countries have performed best in the Legislative Framework pillar (Figure 2). In the majority of pilot countries, the legal framework is in place and can be elaborated. This result reflects the fact that traditionally procurement reform focused on establishing new national procurement legislation, guidelines, templates and manuals accompanied by training of procurement staff in applying the new rules.

This section presents experiences from the pilot exercise on how to use the assessment results for capacity development in a broad sense such as: identifying strengths and weaknesses, prioritisation; developing a procurement strategy and making it an integral part of the country's overall development strategy; establishing procurement as a profession; involving the private sector and civil society; and monitoring the outcome of capacity development initiatives.

Strengths, weaknesses, prioritisation

The Methodology is very useful in identifying the strengths and weaknesses of an existing national procurement system.

In many pilot countries such as Afghanistan, Cameroon, Lao, Mongolia, Sierra Leone and Vietnam, the assessment results have been used to establish a prioritised list of areas of weaknesses. As articulated in the report of Vietnam, what is important and should be prioritised does not only depend on a low indicator score. It also depends on the country context and funding.

Some countries such as Indonesia, Zambia and the Philippines went a step further and deliberately assessed risks associated with identifiable weaknesses in the system. Indonesia developed a risk matrix outlining the risks involved, the effect, the cause (and link to baseline indicator) and short-, medium- and long-term recommendations for risk mitigation.

Zambia used the list of CPIs assessed, and highlighted high-risk areas in red. In the validation process, causes for unsatisfactory ratings were discussed. Actions will be defined in the context of the Public Expenditure Management and Financial Accountability (PEMFA) programme and are expected to include records management/norms for the safe keeping of records and, with regard to the private sector, facilitating access to credit, which today inhibits participation in tenders. The box below shows some CPIs assessed as high-risk areas in Zambia.

Table 4. Compliance and Performance Indicators in Zambia: a high risk area

Sub-Indicator	Compliance and Performance Indicator	Compliance and Performance Data
1 (c)	Percentage of invitations for open tenders publicly advertised	36.67%
1 (e)	Percentage of tenders rejected in each process.	77%
1 (g)	Percentage of open tenders opened publicly and recorded.	66.66%
6 (c)	Percentage of contracts found with incomplete records as per the list given for this sub indicator keeping.	56.67%

The Philippines summarised all existing and proposed initiatives and recommendations to address the areas for improvement based on the BLI assessment and included other actions from earlier CPAR studies. High risk areas were identified and prioritized in the Proposed Capacity Development Plan, as shown in Table 5:

Table 5. The Philippines' proposed Procurement Capacity Development Plan

High risk area	Proposed Capacity Development Plan
There are no established norms at the national level for record keeping and document retention for the conduct of procurement audits or for investigating and prosecuting cases of procurement-related fraud and corruption.	The Capacity Development Plan will include a programme for the establishment of policies and procedures for record keeping and management for procurement, contract and financial management-related transactions for government agencies.
The absence of an administrative complaint body to handle appeals that has full authority and independence for resolution of complaints. There is no independent administrative body or special court established to review procurement-related complaints and appeals outside of the courts.	A review of policies and procedures for procurement-related complaints and appeals will be conducted with the following options: a) to study other countries' best practices; b) to create, possibly, an independent administrative review body; c) to mine the expertise of an existing administrative body with the appropriate mandate; or d) to review the reasonableness of the protest fee.
In the proposed Procurement Capacity Development Plan, medium risk areas and low risk areas were also addressed. The plan indicates a key result area and recommended action/measure. On an action/measure base it specifies the following: BLI indicator; specific weaknesses; responsible entity; funding source; schedule.	

Establishing a capacity development plan

Many pilot countries have used the assessment results to draft a capacity development plan.

Recommended actions address the individual level, the organisational level and the enabling environment. Box 10 gives an exemplary list of capacity building measures which correspond to the different levels as presented in the individual assessment reports on hand.

Box 10. List of selected capacity development measures tackling different levels

Individual level

- Certification programmes for procurement professionals (Computerized Procurement practitioner's proficiency certificate, Indonesia; Ghana, Paraguay).
- Leadership Code which requires ministers and senior officials to make periodic financial disclosures (Uganda).
- Code of Ethical Conduct in Business must be signed by public officers engaged in procurement (Uganda).
- Training for procurement officials at all levels and stakeholders (Botswana, Cameroon, Ghana, Rwanda, Sierra Leone, Tanzania, Afghanistan).
- Training of local trainers (Afghanistan, Sri Lanka).
- Job descriptions (Malawi, Paraguay).
- Staff performance evaluation (Rwanda).
- Issue rules to encourage stability among key policy personnel of normative/regulatory body and prevent their removal, demotion or suspension for reasons not related to their professional performance or ethical questions (Paraguay).

Organisational level

- Creating country-wide training facilities for diploma and degree programs (Sri Lanka, Uganda).
- Conduct of training needs assessment and development of a training program with 25 modules for stakeholders (Ghana).
- Instructions on recruitment procedures for procurement officers (Malawi).
- Provision of e-procurement tools and equipment and web-sites to improve publication of information (Rwanda, Uganda, Malawi, Sierra Leone, Tanzania, Indonesia, Sri Lanka).
- Norms for record keeping (Mongolia, Zambia, Philippines, Sierra Leone, Tanzania, Uganda, Malawi, Paraguay).
- Establishment of procurement units (Ghana, Rwanda).
- System for Checking and Monitoring (Tanzania).
- Make direct payments to suppliers from Treasury to reduce payment times (Paraguay).
- Establishing/enforcing a procurement information system for collecting and monitoring national procurement statistics (Zambia, Ghana, Uganda, Lao, Botswana, Cameroon, Rwanda, Afghanistan, Indonesia).
- Create/Transform Procurement Board to a purely regulatory body (Indonesia, Zambia).
- Establish an independent body for administrative review of complaints (Philippines, Indonesia, Paraguay).
- Provide international language version of the procurement bulletin and web site (Vietnam).
- Specialized workshops/seminars and manuals on procurement monitoring and audit for external monitoring agencies including National Audit Office, State Inspection Department, Anti-Corruption Agency and civil society organisations (Mongolia, Ghana, Malawi, Sri Lanka).
- Systematic monitoring of areas identified as critical in assessment (Malawi).

Enabling environment

- Establish/review procurement legislation, regulations, manuals, standard bidding documents, etc. (Vietnam, Afghanistan, Togo, Ghana, Malawi, Rwanda, Tanzania, Indonesia, Mongolia, Paraguay).
- Involve civil society in procurement reform (Philippines, Benin).
- Donor co-ordination on reform program (Ghana, Zambia).
- Definition of a career path for procurement professionals (Ghana).
- Review salary structure (Indonesia).
- Involve private sector in procurement reform, offer training (Philippines, Ghana, Malawi).
- Facilitate access to credits for private sector to enhance competition (Sri Lanka).

- Engage banks in a dialogue to secure bid bonds without creating high risks (Sierra Leone).
- Encourage partnerships with private sector (Sierra Leone).
- Abolish anti-competitive pre-qualification system for bidders which created market segmentation without fair and equal opportunities for all (Indonesia).
- Link the procurement process with the budget formulation and budget execution process (Ghana, Zambia, Mongolia, Botswana, Malawi, Sierra Leone, Uganda, Paraguay).
- Introduce specialised procurement audits including risk assessment and procurement performance audits, ensure follow-up (Uganda, Rwanda, Paraguay).
- Develop Anti-corruption strategy (Uganda, Tanzania).
- Develop Standards of Ethics, Incorporate procurement provisions in Code of Conduct (Malawi, Rwanda, Sierra Leone, Paraguay).
- Involve media in anti-corruption initiatives (South Africa).
- Consider a Whistleblower Act to encourage more reports on corruption (Uganda).
- Provide for alternative dispute resolution to increase foreign investments.

The implementation of a capacity development plan needs to be monitored closely and managed flexibly. The process should be interactive, *i.e.* one which monitors and adjusts repeatedly. The goal at each step should be to sharpen the focus of the programme and improve its chances of success.

Monitoring requires a solid reporting mechanism. Thus, it is important to agree on and introduce a set of meaningful performance indicators. Early successes should be broadcasted widely and celebrated. The ripple effect of even minor victories in capacity development can have a major long-term impact on the success of future bigger reforms. Word of mouth reports shared by a broad group of key stakeholders are often more persuasive than the results of elaborate and costly communication strategies.

Malawi has been in the process of systematically using the OECD assessment Methodology as an input to the country's capacity development strategy. With the assistance of UNDP, for each of the strategies defined, indicators have been identified against which to measure progress. These measures are quantifiable, distinct and well-defined to measure both the implementation of the capacity development strategies (*i.e.* output) as well as the impact on capacity (*i.e.* outcome). In addition, for each indicator the assessment has determined baselines and has set targets. The total cost will be calculated in order to realistically determine the extent of funding required for implementation.²⁷ A case study based on Malawi has been published as a way of sharing experiences.

²⁷ Using the JV Methodology as an input to capacity development strategy, "Procurement Capacity Assessment and Strategy Formulation in Malawi: A Case Study (presented at the JV in Copenhagen) and Procurement Capacity Assessment and Strategy Formulation in Malawi. A Case Study.

Box 11. Formulating Capacity Development Strategies, Malawi

The process in Malawi was divided into two overarching components: the actual assessment of Malawi's procurement system and the subsequent formulation of capacity development strategies based on the assessment findings.

The assessment was conducted using the OECD/DAC Methodology for Assessment of National Procurement Systems. To facilitate a smooth transformation of assessment findings into capacity development strategies, the UNDP Approach to Procurement Capacity Assessment was tested. While not directly linked to the Methodology, the UNDP tool offered a concrete guideline to identify and formulate capacity development strategies based on procurement assessments. As the tools were found to complement each other well, both of them were applied in conjunction.

Preparing the ground for capacity development

One of the measures taken was to focus not only on identifying the weaknesses of the procurement system, but also on uncovering the root causes underlying these weaknesses. The root causes were later to form a starting point for formulating capacity development strategies. The assessment and strategy formulation process in Malawi roughly followed five steps: The 54 sub-indicators of the Methodology provided a useful framework for establishing Malawi's desired capacities in the field of procurement (Step 1). Using these indicators, Malawi's actual capacity could be assessed (Step 2). In a gap analysis, actual capacities were measured against desired capacity (Step 3). Next, root causes for each gap were identified (Step 4). This was done by exploring possible reasons for identified weaknesses among all relevant stakeholder groups, and by confronting stakeholders with contrasting explanations in order to uncover as many contributing factors as possible. Often capacity gaps appeared to have several root causes, which pointed to a need for multi-pronged capacity development strategies (Step 5).

Formulating capacity development strategies

The strategy formulation was composed of three main stages:

1. Identifying capacity development strategies
2. Defining progress indicators
3. Transforming strategies into a coherent plan

The presentation of each strategy in the Plan included a detailed description of the strategy, the root causes and gaps it addresses, and a proposal for its implementation; a clearly assigned lead institution and list of stakeholders to be involved in the implementation process; implementation timeframes; implementation priority (high, medium, low); progress indicators (output indicator, outcome indicator, baseline, and target).

Lessons learned

1. Expand the assessment focus from "what" to "why"
2. Ensure active participation of the procurement authority
3. Mobilise stakeholders from the outset of the process
4. Internalise the process in existing fora
5. Take a systematic approach to formulating capacity development strategies
6. Co-ordinate strategies that go beyond the control of the procurement authority
7. Maintain a strong focus on funding
8. Acknowledge that capacity development is a process of change

Linkages with Public Financial Management

Background information

Linking the public procurement process with public financial management is pivotal to the efficient planning and execution of procurement activities. Given the many direct interactions between these two public sector functions, it should be easy to create a “win-win story”.

Procurement plays an important role in implementing a country’s development strategy and in providing public services in general. In Ghana for example, the expenditures for public procurement in 2007 are estimated at over 17% of GDP and around 80% of tax revenue.²⁸ Consequently, effective budget preparation depends on the reliable forecast of expenses for public procurement. On the other hand, procurement can only be efficient if budget funds are allocated at the beginning of the fiscal year, if there are clear regulations on processing invoices and releasing payments to contractors in due time, to mention a few. Clearly defined and published procedures linking procurement and financial management also help to increase credibility, while clear responsibilities, internal checks and balances and transparency are useful to combat corruption.

Country experiences

The following obstacles that impede the integration of procurement in public financial management were summarised by pilot countries at the JV for Procurement meeting in Copenhagen. They are followed by possible entry points from which to deal with obstacles including a list of key drivers of change (Box 12).

Audits, Transparency and Integrity

Background information

The Methodology covers the efficiency of internal and external audits for procurement, bidders’ rights (publication of bidding opportunities, award decisions, complaints mechanisms, etc.) as well as procurement-specific aspects of integrity and anti-corruption in procurement. These are core issues to be addressed in a capacity development strategy in case of any gaps. A well-functioning national procurement system will depend on putting internationally recognised standards into daily practice.

In this context, two OECD initiatives, the OECD Working Group on Bribery and the OECD Public Governance Committee: Integrity and Transparency are referred to.²⁹ The OECD Working Group on Bribery has, inter alia, developed a typology on bribery in public procurement, which is recommended for use in strengthening anti-corruption and procurement laws and in awareness-raising and training programmes. Effective enforcement of a transparent regulatory framework is considered a key factor in combating bribery.

²⁸ 2007 External Review of Public Financial Management, Volume II: Public Procurement Assessment Report.

²⁹ OECD (2007), Integrity in Public Procurement: Good Practice from A to Z.

Box 12. Procurement and Public Financial Management³⁰

1. Obstacles to integration of procurement in public financial management systems

- a. The problem of “voice”: Many procurement systems are characterized by staff working in the area not having a “voice”. Few dedicated procurement officers exist. Public officials and civil servants working in procurement are often not well placed to take part in policy dialogues due to their position within organisational frameworks at country level. At the same time, the field of procurement is struggling against misconceptions and lack of awareness, which often cause procurement functions to be overlooked or assigned a low priority. The Round Table Session considers the problem of voice a main obstacle to integration of procurement in public financial management.
- b. Dissonance in reform efforts: Public administration reform efforts are in many cases characterized by dissonance due to the fact that different reform areas have different stakeholders and agendas, and move at different speeds. A co-ordinated reform agenda and synchronized reform efforts in the field of procurement and public financial management is required to integrate systems.

2. Entry points from which to deal with obstacles

- a. The budget planning/procurement planning process
- b. The budget preparation/procurement planning process (revision)
- c. The budget execution/procurement implementation process
- d. The budget execution review/procurement review process (control and audit)

3. Key drivers for change

The Round Table session identified a number of factors, which may serve as useful drivers for change when seeking to integrate procurement in the broader public financial management framework. The identified drivers include:

- a. Technology: Increase the use of technology such as Integrated Financial Management Information System (IFMIS), which offers opportunities for electronic interface of procurement and public financial management systems, may serve as key drivers towards ensuring communication between the two systems, while at the same time solving the potential issue of delegation. At the same time, such systems should not overlook the fact that technological solutions must be based on institutional systems and sound practices in order not to risk embedding bad practices in new systems. E-procurement offers another technological solution, which may assist integration, e.g. through e-contract management, electronic payment functions, etc.
- b. Training of senior staff: Upgrade procurement skills and competencies, particularly among senior-level staff, is necessary in order to obtain the support for change. Training needs to be continuous and sustainable.
- c. High-level stakeholder involvement: Involve high-level decision makers in the change process would lead to another key driver, as high-level involvement will provide the process with a “voice” that is likely to trickle down and generate lower lever support for integration processes.
- d. Use of available assessment tools: The tools available in the field of procurement and public financial management, including the PEFA tool and the OECD-DAC procurement assessment Methodology, also serve as important drivers as they motivate key stakeholders in both procurement and public financial management structures to further improve their systems in accordance with the best practices/indicators provided by the tools. Further integration of the two tools is needed, however, if they are to fully act as drivers towards integration.
- e. Marketing/communication of the value created by sound and well integrated procurement systems, e.g. through focus on successes.

The OECD Public Governance Committee: Integrity and Transparency has developed a Methodology followed by the OECD in mapping good practices for integrity in public procurement including non-member countries such as Brazil, Chile and South Africa. The study has produced several recommendations:

³⁰

JV on Procurement, Copenhagen, Round Table discussion on Procurement and PFM.

- Elements of transparency (transparency throughout the procurement process and especially focused on non-competitive procurement).
- Elements of management (ensuring funds are used as intended and professionalising procurement through common knowledge, skills and ethical standards).
- Elements of corruption resistance (risk maps, close collaboration with the private sector regarding integrity and quality and providing mechanisms for monitoring, detection and prosecution)
- Elements of accountability and control (establishing a clear chain of responsibility, resolving complaints in a fair and timely manner and enabling stakeholders to scrutinise the process).

Country experiences

With respect to audits covering procurement, the national systems are still at an early stage. Even if internal and external audit institutions exist and generally function well, usually they lack specialised procurement audit manuals, procedures and knowledge. Another weak point is the timely follow-up on audit recommendations and sanctions. In general, as elaborated earlier, poor record keeping limits the effectiveness of a national audit system.

Table 6 illustrates some of the challenges faced by partner countries conducting audits of procurement transactions and lists capacity development strategies recommended or implemented according to the country reports.

Table 6. Audits of procurement: Challenges and approaches (country examples)

Procedures as defined	Weaknesses	Capacity Development goals/activities
Mongolia		
There are internal and external audits. The State Inspection Agency is responsible for internal control and is adequately staffed. External audit is carried out by the National Audit Office. It is answerable to parliament and plans its audits based on its own plans and under the direction of a parliamentary standing committee.	Tendency of both 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. There is a tendency to confuse various types of audits with the result that none appears to be carried out properly.	Specialised workshops/seminars and manuals on procurement monitoring and audit for external monitoring agencies including the National Audit Office, the State Inspection Department, the Anti Corruption Agency and civil society organisations
Sierra Leone		
Adequate general audit mechanisms exist and audits are conducted by the Office of the Auditor General.	The report with the Auditor General's findings and subsequent remedial decisions are often delayed with the result that the Auditor General's recommendations are rarely followed up, leading to ineffective enforcement of the audit laws. Specialised procurement audits (as distinct from financial audits) are yet to be established as a discipline by the Office of the Auditor General.	The enforcement of the Procurement law at all levels in the MDAs and an audit system put in place to assist the proper functioning of procurement. It is envisaged that specific procurement audits will be carried out by the Office of the Auditor General in conjunction with the National Public Procurement Authority once the requisite training of staff has been carried out.

Transparency and integrity are crosscutting issues and it is of particular importance that reform initiatives in the domain of public procurement are synchronised with governance programmes at the national level if they are to be fully effective. The following are country examples of weaknesses identified in the planned capacity development strategies (Table 7).

Table 7. Transparency and Integrity: Challenges and approaches (country examples)

Procedures as defined	Weaknesses	Capacity Development goals/activities
The Philippines		
One of the responsibilities of observers in the bidding process is to prepare a procurement monitoring report, which shall indicate their observations including irregularities or anomalies in the process, if any.	Not all observers submit their procurement monitoring report, which limits the reliability of the system. Compliance with the submission of the reports and enforcement of follow-up activities are weak and are not monitored.	Development of mechanism for utilisation/optimisation of the observers' report.
Zambia		
There are no norms for the safe keeping of records. The appeals mechanism is inadequate.	56% of all tenders were submitted with incomplete documentation. Assessors had to approach various departments to trace the process of a particular procurement. 77% of tenders were rejected. Bidders normally do not know why they fail in the evaluation of tenders.	The Public Procurement Reform Programme is carried out under the Public Expenditure Management and Financial Accountability (PEMFA) programme. The goal of the procurement reform is "to promote and institutionalise a transparent, accountable and efficient public procurement system in order to improve expenditure management." The main outputs are: Revised legal and regulatory framework; enhanced procurement procedures and practices; decentralised procurement system; Zambia National Tender Board transformed into a more effective and transparent oversight body; independent procurement appeals tribunal established; and sensitisation of stakeholders.
Paraguay		
The Public Procurement Information System (SICP) is the basic public procurement support tool, both for the General Directorate for Public Procurement and for suppliers, contractors and consultants. According to the Law, its objective is to make publicly available, through mass electronic communications media, information on calls for tender, bases and conditions, the contracting process, awards, cancellations, amendments, and any other related information, including contracts awarded, regardless of the method or type of procurement used. The SICP has a procurement website	Paraguay has one of the lowest Internet penetrations rates in the world, at only 1,36% of the population. Moreover, the cost of Internet services is among the highest in the region.	A project has been launched to install Internet "procurement booths" in the municipalities and in other institutions where people without Internet can access the website without charge. In these premises, training is also offered. Website communications are expected to increase significantly as Internet use spreads more widely and connection costs decline. To bring greater transparency, publicity and security to public procurement, the government is also implementing a series of projects to enhance the use of e-commerce, including the development of a

which serves as the external information instrument.		catalogue of standardized products and services; electronic signature; and direct payments to suppliers.
Indonesia		
Ethics and anti-corruption measures are included in anti-corruption legislation and in Presidential Decree 80/2003.	“As long as there continues to be weak capacity, low salaries with no satisfactory career path for government procurement practitioners, no credible independent complaints handling mechanism and weak enforcement with no sanctions for corrupt behaviour, then corrupt behaviour is likely to continue to flourish”.	It is recommended that aspects relating to procurement are included in the wider anti-corruption strategy: <ul style="list-style-type: none"> - to incorporate appropriate controls it is necessary to understand the opportunities where corruption can occur at the various stages of the procurement process, - ensure that the procurement process is transparent, - empower procurement users and communities to assist in the control process, - strengthen the capacity of all stakeholders, including users, providers, auditors and the community, - build a partnership with civil society and the media in monitoring procurement processes, - establish policies that will mitigate against collusive rings such as transparency, good complaints mechanisms, and good enforcement, and - ensure that credible and enforceable sanctions are in place..
Sierra Leone		
The legislation prohibits fraudulent and corrupt activities by public officials and provides for sanctions.	Non compliance with the provision of declaring assets is prevalent across the public service. There appears to be no procedure in place to enforce its compliance. Within the period in which the assessment was undertaken, there were no direct procurement-related corruption prosecutions or reports of disciplinary action for procurement-related corruption.	MOF to make provision for National Public Procurement Authority to adequately inform the public on all decisions taken by the Independent Procurement Review Panel thus encouraging feedback from the public and to prevent repetition. Sanctions on corrupt public officials and private sector participants should be enforced and public reporting on every case of fraud, corruption and unethical behaviour.

In Uganda, procurement issues are integrated in the National Anti-Corruption Strategy. The PPDA (Public Procurement and Disposal of Public Assets Authority) is a member of the Accountability Sector Working Group and of the Inter-Agency Forum that implements the anti-corruption strategy. The Ugandan public procurement law describes the principles of ethical conduct expected of procurement practitioners and providers in carrying out public procurement. Provisions on fraud and corruption are included in the standard bidding documents comprising mandatory declarations for bidders.

PPDA monitors through regular reports, compliance assessments, procurement audits that contain agreed action plans for corrective actions and follow-up of their implementation and by involving civil society and the general public. Enforcement by PPDA includes the following measures: Investigations

of procurement cases where malpractice is suspected including recommendations for disciplinary actions; Submission of findings and recommendations from audits and investigations to the Auditor General for parliamentary oversight; Hearings of administrative review appeals (2 tier complaints system); Suspension of providers who breach the ethical code of bidders; Liaison with law enforcement agencies on investigation and prosecution of offences under the Act.

In 2006, a National Public Procurement Integrity Baseline Survey was carried out. The findings of the survey are outlined below.

Box 13. Findings of the National Integrity Survey 2006, Uganda, and Way Forward³¹

The Integrity Survey was conducted in 33 local government and 13 central government procurement and disposal of public assets entities by PPDA and the Office of the Inspector General of Government.

Findings:

- Losses due to procurement related corruption: approx. 7,2-9,4% of total contract values were identified as being paid by way of corrupt payments at both central and local government levels.
- Central government perception about corruption: 73-79% of the central government interviewees said corruption was non-existent or very limited in central government procurement while local governments perceived procurement corruption at the central government level to be most prevalent in the higher levels of management.
- Identified causes of corruption: Cultural reasons; lack of independent and effective judiciary; lack of effective incentive mechanism for public officials, such as lack of promotion on merit; economic policies; lack of effective reporting system; lack of transparent and accountable procurement processes.
- Effective anti-corruption measures: Permanent prohibition of a person convicted of corruption from holding any public office; restitution order to seize assets; payment of informers/whistleblowers on conviction of offender; increase salaries; change legal burden of proof and taxation penalties.
- Level of tolerance to corruption: 95% of the interviewees perceived corruption as a serious offence. This contradicted other assertions that Uganda is tolerant to corruption.

Way Forward:

- Need to establish an effective monitoring and evaluation of the public procurement systems to determine capacity gaps at individual, organisational and country levels.
- Need to determine the risks and vulnerable points at each stage of the procurement/disposal process and put in place strategies to mitigate them.
- Emphasise the importance of consistent political commitment and support from the highest levels of government.
- Build partnerships and establish linkages with civic organisations, oversight agencies and donor partners to accelerate the fight against corruption.

³¹ Procurement Capacity Strengthening Initiatives in Uganda: an Anti-Corruption Approach presented at the JV on procurement meeting in Arusha, Tanzania, 5-7 May 2008.

Next Steps

The Joint Venture on Procurement intends to eventually issue a guidance note based on a compendium of partner country examples in conducting assessments of national procurement systems, designing procurement capacity development strategies and monitoring progress in strengthening public procurement systems.

The present volume of the document is limited to sharing initial experiences in using the Methodology and to providing useful background information. It was presented for discussion and approval by the members of the Joint Venture for Procurement at the meeting in Arusha, Tanzania in May 2008.

As further countries complete the exercise, more lessons learned will be shared and good practices will emerge. They are intended to be reflected in additional sections or updates to this document.

Annex A

Mapping of JV Pilot Countries' Experiences

Part I: Reporting, Country Context and Status of the Assessment

Country	Latest progress report	Assessment report	Country context	Status (Self-, joint, external assessment)	BLIs	CPIs
Africa						
Botswana	June 2007	June 2007	<p>The Botswana Public Procurement and Asset Disposal Board (PPADB) undertook to participate in this pilot project in order to assess the procurement environment in Botswana. The motivation to undertake this exercise was to assist the country in establishing the weak areas in the procurement system in order to improve its performance and to inform plans to undertake rigorous procurement capacity development in all sectors.</p> <p>The Public Procurement and Asset Disposal Act entered into force in 2002.</p> <p>It is estimated that about 70% of the recurrent expenditure and all of the development expenditure will go through the public procurement system.</p>	Self-assessment with second independent scoring by stakeholders. A comparative analysis was made displaying the margin of variation and a conclusion.	yes	no
Burkina Faso	June 2007	-	No report received.	No report received.	-	-
Cameroon	June 2007, April 2008 (OECD Monitoring Report)	-	<p>The first assessment using a former version of the Methodology was conducted in August 2005 with the assistance of the World Bank. In November 2007 l'Agence de régulation des marchés publics (ARMP) organised a 2-day workshop to update the assessment results and evaluate the progress made.</p> <p>In the Report for Monitoring the Implementation of the Paris Declaration, the assessment results are provided at the pillar level.</p>	Self assessment	at pillar level	no
Cape Verde	-	-	No report received.	No report received.	-	-

Country	Latest progress report	Assessment report	Country context	Status (Self-, joint, external assessment)	BLIs	CPIs
Ghana ³²	-	May 2007	<p>Public Procurement accounts for 15-19% of GDP (2005 – 2007) representing about 70% of tax revenue. Recognizing that a more effective procurement system is critical for the achievement of the country's growth and poverty reduction goals, the Strategy and Action Plan for 2006-2009 of the Ministry of Finance and Economic Planning addresses the strict implementation of the Public Procurement Act of 2003 including harmonization and alignment of systems as an important expected output to account for public finances properly.</p> <p>In 2007, (i) the Government's self-assessment of public procurement performance was independently reviewed; (ii) a joint assessment of the formal and functional features of the national procurement system was carried out using the Methodology; (iii) progress in implementing the recommendations of the CPAR 2003 was evaluated and (iv) on the basis of lessons learned, future steps towards improvement of the quality and performance of Ghana's public procurement system were discussed.</p>	Joint assessment with assistance of team of consultants (international and local)	yes	no
Kenya	-	-	No report received.	No report received.	-	-
Malawi	Nov 2007 Presentation JV meeting in May 2008, The Malawi Case Study	April 2008	<p>Participation in pilot exercise with the following objectives:</p> <ul style="list-style-type: none"> • Measure progress since earlier diagnostic exercises (CPAR 2004) • Review existing procurement capacity and compliance/ performance • Establish a baseline against which to measure future progress <p>The Procurement Capacity Assessment was designed around the UNDP approach to capacity development.</p> <p>Public Procurement Act came into force in 2003. On-going public procurement reform program. The publication of the Public Procurement Act and its implementation are considered an important part in the fight against fraud and corruption.</p>	Joint assessment with the assistance of international consultants.	yes	yes

³² Non-pilot country.

Country	Latest progress report	Assessment report	Country context	Status (Self-, joint, external assessment)	BLIs	CPIs
Niger	Aug. 2007	April 2008	Niger has been engaged in public procurement reform for several years. In 2002, the "Code des marches publics au Niger" was adopted. In particular, certain UEMOA directives were integrated and increased autonomy and responsibility was given to procuring entities; ex post and ex ante control were improved; and an appeals system was introduced.	Self-assessment with second, independent scoring by international consultant.	yes	test data
Rwanda	Aug. 2007	Aug. 2007	Participation in pilot exercise.	Joint assessment.	yes	yes
Sierra Leone	Aug. 2007	June 2007	Participation in pilot exercise. Public procurement reform started in 2002. In 2004, the Public Procurement Bill was enacted and in 2005, the National Public Procurement Authority was established as regulatory and oversight body and to build capacity in procuring entities. About 50-70% of government expenditure and 16% of GDP is spent via public procurement processes.	Self-assessment by the procurement authority and a consultant.	yes	test data
Senegal ²	April 2008 (OECD Monitoring Report)	April 2008 (Summary of results at indicator level)	Senegal is a non-pilot country. The assessment report was provided in the context of Monitoring the implementing of the Paris Declaration. Senegal has transferred UEMOA's (L'Union monétaire ouest africaine) Procurement Directives into national law in 2006. The country is implementing an Action Plan based on the CPAR 2003.	Assessment was done by an external consultant.	at indicator level	no
Tanzania	July 2007	Sept 2007	Participation in pilot exercise. The assessment was intended to provide the basis for formulating capacity development plans to improve the procurement system. Public Procurement Act of 2004. On-going Public Procurement Reform Project.	Joint assessment assisted by a team of international consultants.	yes	yes
Togo	June 2007	-	No report received.	No report received.	-	-
Uganda	May 2007 Presentation JV meeting in May 2008	May 2007	Participation in pilot exercise. A similar exercise in compiling BLIs according to the Methodology then prevailing was undertaken in 2005. The Public Procurement and Disposal of Public Assets Act, no. 1 of 2003, governs all public procurement in the country. The Act is supported by Regulations, Guidelines, Forms and Standard Bidding Documentation.	Joint assessment (two-step approach).	yes	no

Country	Latest progress report	Assessment report	Country context	Status (Self-, joint, external assessment)	BLIs	CPIs
Zambia	Aug. 2007	Aug. 2007	<p>Participation in pilot exercise.</p> <p>Procurement Reform Program is a component of the Public Expenditure Management and Financial Accountability (PEMFA) Program.</p> <p>The successful implementation of the Country Pilot Program would complement the ongoing public procurement reforms the Government is undertaking.</p>	Joint assessment.	yes	yes
Asia						
Afghanistan	June 2007	March 2008	<p>Afghanistan is in a transition phase from the old procurement regime to a new national procurement system (Procurement Law of 2005). The reform activities are supported by the World Bank under the Public Administration Capacity Building Project (PACBP). The activities of PACBP were formulated in 2004 after an assessment of the then prevailing national procurement system.</p> <p>An emergency procurement unit has been put in place to facilitate rapid and transparent utilization of donor resources for construction through the employment of a specialized international procurement consultancy firm.</p>	Self-assessment by the Procurement Policy Unit (PPU), Ministry of Finance and a consultant	yes	partly
Bangladesh	-	-	No report received.	No report received.	-	-
Indonesia	-	July 2007	<p>In 2001, Indonesia embarked on a new era of reforms including implementation of regional autonomy (decentralization) measures when about one third of central government expenditure was transferred to the regions (today 40 % of public funds are spent by Indonesia's provinces and districts) resulting in a very complex stakeholder structure.</p> <p>Indonesia agreed to conduct a self-assessment of its existing system against international standards with the intention that this will lay the foundation for a subsequent CPAR update.</p>	Self-assessment.	yes	no
Lao PDR	-	March 2006	Assessment was carried out in 2006 using the 2005 version of the Baseline Indicators and the 2005 scoring method.	Self-assessment with assistance of a national consultant.	yes	no

Country	Latest progress report	Assessment report	Country context	Status (Self-, joint, external assessment)	BLIs	CPIs
Mongolia	Aug. 2007	Aug. 2007	<p>Participation in pilot exercise.</p> <p>Procurement expenditure accounts for 10% to 15% of the total budget.</p>	<p>Joint assessment with assistance of two consultants (one international, one domestic consultant).</p> <p>A two-step approach was chosen. One scoring was undertaken by the internal assessors of the Procurement Policy and Coordination Department, the second score was assigned by two external assessors (consultants). A combined score representing the average of the internal and external assessment was generated.</p>	yes	yes
Philippines	-	2006/2007	<p>The assessment was done in 2006 as one of the activities of the 2006 CPAR. Weights were assigned for each indicator and sub-indicator and its aggregation.</p> <p>In 2003, the new Government Procurement Reform Act (GPRA) and its Implementing Rules and Regulations became effective. The Government Procurement Policy Board (GPPB) was established and is assisted by an inter-agency technical working group in implementing the country's procurement reform.</p>	<p>Joint assessment as part of the CPAR (Interagency Committee of the Government Public Procurement Board).</p>	yes	at agency level
Sri Lanka	-	2007	<p>Participation in pilot exercise. Designed as a multi-year project, the initial phase was to assess the standing of the national procurement system.</p> <p>In 2004, the National Procurement Agency (NPA) was established. It performs in three main areas: Policy and Regulation, Monitoring and Capacity Building.</p> <p>In 2006, the National Procurement Guidelines were enacted.</p>	<p>Self-assessment by National Procurement Agency of Sri Lanka in collaboration with central and provincial government agencies and with guidance and support by key donor agencies.</p>	yes	yes

Country	Latest progress report	Assessment report	Country context	Status (Self-, joint, external assessment)	BLIs	CPIs
Vietnam	-	Dec. 2006 updated in June 2008	The 2006/2007 pilot assessment came at a critical juncture in the country's reform program, as a new omnibus law became effective in April 2006. Preliminary results of the 2008 Paris Declaration Survey show that there is a significant increase in the proportion of the ODA amount delivered through Government of Vietnam (GoV) procurement systems. However, donors are still expecting further reforms in the GoV legal and regulatory framework on procurement and in actual procurement practices. The assessment on the quality and performance of the national procurement system is considered an important exercise in order to map out its internal strengths and weaknesses, its external opportunities and threats, facilitate further dialogue between GoV and its development partners in developing an appropriate and effective strategy to push the reforms forward toward full implementation.	2006: Self-assessment by Department of Public Procurement and parallel assessment by international consultant. 2008: Self-assessment by working group with support by national procurement consultant.	yes	no
Yemen ³³		2008	The public procurement system in Yemen is regulated by Law No. 23 for 2007 on tendering, bidding and public storehouses. The development of the Standard Bidding Documents (SBDs) in 2007 was established in cooperation with the IDA the SATBC. These documents are applicable for all entities from the Government of Yemen carrying out procurement.	Self-assessment.	at ministry level	At ministry level
Latin America						
Paraguay	-	April 2007	The assessment formed an integral part of a joint update of the CPAR. Paraguay also agreed to serve as a pilot country for use of the Methodology. Paraguay approved a new Public Procurement Act in 2003. Procurement contracts are implemented by the municipalities, regional or provincial governments, autonomous entities, and dependencies of the three branches of State, totalling 307 bodies covering more than 1,000 contracting units. In 2005, about 18,500 contracts with a total value of 678,515,208 USD were awarded.	Joint assessment as part of the CPAR update. A base study was produced by a team of local/international consultants.	yes	yes

³³ Non-pilot country.

Part 2: Sampling for CPI, Stakeholder involvement/validation, Procurement Capacity Development Plan

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Africa			
Botswana	Results not provided yet. A questionnaire was developed to collect data through a survey.	Development partners, civil society and private sector actively participated from planning to final review of results. The Methodology was sent to over 80 institutions/departments to ensure the independence of the assessment.	<p>The analysis of the base line indicator scores and analysis of preliminary data and statistics on compliance and performance measurements have converged on far reaching conclusions for the procurement system in Botswana. There is consensus that it is necessary to:</p> <ul style="list-style-type: none"> • put in place a robust information system (generation and dissemination); • undertake capacity development in all sectors; • strengthen oversight structures; • strengthen performance audit mechanisms; • provide for role clarity so as to avoid conflict of interest and direct involvement in the execution of procurement transactions; • provide for procurement planning that informs the budgetary process; • make mandatory provisions for these requirements in the legislation. <p>Further areas will be addressed such as increasing open tendering procedures, improving contract management, and improving the outreach and sustainability of training.</p>
Burkina Faso	No report received.	No report received.	No report received.
Cameroon	No CPIs.	Development partners, civil society and private sector participated in the 2-day assessment workshop.	<p>Cameroon has outlined the following perspectives:</p> <p>L'ARMP (L'Agence de régulation des marchés publics) will focus on the performance of the system, i.e.</p> <ul style="list-style-type: none"> • optimizing the costs of the system; • establishing a system to collect procurement statistics and publish information in real time; • development of a CD strategy for procurement including training.
Cape Verde	No report received.	No report received.	No report received.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Ghana ³⁴	In 2006, 213 procurement entities were assessed using the PPME tool (Public Procurement Model of Excellence) and its Key Performance Indicators.	Development partners, civil society and private sector actively participated from planning to final review of results.	<p>Proposed key recommendations:</p> <ul style="list-style-type: none"> • supplementing the legal framework; • improving the assessment framework; • make operational web-based procurement planning tool; • build up sustainable procurement training programs with local training institutions; • establish national standard procurement certification system; • execute the developed training program; • decide on and implement career path for procurement professionals; • establish efficient mechanisms to delegate authority for procurement decisions; • strengthen private sector capacity; • make operational the Appeals and Complaints Panel; • strengthen procurement expertise among audit institutions; • publish regularly Procurement Bulletin; • supplement the website with information on contract opportunities, contract awards and procurement plans.
Kenya	No report received.	No report received.	No report received.
Malawi	The procuring entities selected to participate in the assessment were chosen based on the volume of their procurements. Besides, a small sample of district and city assemblies as well as the Central Government Store was included in the sample.	Development partners, civil society and private sector actively participated from planning to final review of results.	<p>A Procurement Capacity Assessment and Strategy Formulation was carried out. The diagnostic approach of the OECD-DAC framework was broadened to include an explanatory dimension. In this way, the focus of the data collection was not only on “which” systems are in place and “how” these work in practice, but also on “why” this is so, hereby providing an important starting point when defining actual capacity development strategies later, in the capacity development process.</p> <p>Procurement Capacity Development and System Strengthening Plan of November 2007 forms the coordinated basis for all capacity development initiatives in the field of procurement until 2012.</p>

³⁴ Non-pilot country.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
	<p>As a result of the explanatory focus, a qualitative data collection approach had been selected. In relation to this, the assessment team developed a number of qualitative CPI indicators. Furthermore, to be able to illustrate the gap between BLIs and CPIs and allow for future benchmarking, a scoring system similar to the BLI scoring system has been adopted for CPI indicators, based on the scoring system already used by the Office of the Director of Public Procurement (ODPP) in their work on monitoring compliance at procuring entity level.</p>		<p>In accordance with the UNDP approach, both short-term and medium-term CD strategies presented in this Plan are divided into the following four categories:</p> <ul style="list-style-type: none"> • institutional reform and incentives; • knowledge, training and learning; • leadership development; • accountability and voice mechanisms. <p>To allow for measuring the progress achieved as a result of the capacity development initiatives, each CD strategy has attached a set of output indicators, outcome indicators, baselines and targets.</p>
Niger	<p>A test analyzing compliance was conducted. It included 15 procurement cases handled by 9 different ministries with a total value equivalent of approximately USD 4.7 million. The test comprised the procurement of goods (8 cases), works (6 cases) and consulting services (1 case).</p>	<p>Self-assessment by l'Agence de Régulation des Marchés Publics (ARMP). Validation by international consultant and auditor.</p>	<p>Assessment report does not include a procurement capacity development plan.</p>

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Rwanda	<p>8 compliance/ performance indicators were measured in 30 key public institutions (according to budget allocations). National and sub-national level considered (6/14 ministries, 1/5 provinces/ city of Kigali, 10/30 districts and 13/85 other public institutions).</p> <p>All contracts above the equivalent of 80,000 USD awarded in fiscal year 2006 were evaluated.</p>	Development partners, civil society and private sector actively participated from planning to final review of results.	13 priorities were identified addressing the following areas: Procurement law, procurement manual, model invitation and tender documents including General Conditions of Contract, establishment of normative/regulatory body, system for generating national procurement statistics, sustainable professional training, staff performance evaluation, follow-up of audit reports, internal control, Code of Conduct, facilitate private sector's access to public procurement market, contract administration, establishment of procurement unit.
Sierra Leone	<p>CPIs were assessed on the basis of a questionnaire. A comprehensive list of selected entities (Ministries, Departments, Agencies (MDAs)) and private sector organisations was developed for the selection of interviewee sample. This list was made up of 18 key benchmark MDAs, 4 non-benchmark MDAs and 3 private sector organisations representing 17% of the target population. For 10 CPIs, quantitative data is presented, for others, qualitative comments are provided.</p>	Little stakeholder involvement.	<p>Outline of recommendations and recommended Action Plan summarized by pillars:</p> <p>Pillar I: Dissemination of legislative and regulatory documents/establishment of resource center for accessing information; Sensitization workshops for the public;</p> <p>Pillar II: Coordinated effort for multi-year budget and procurement planning to ensure timely payments; Improvement of NPPA website, mandatory use of NPPA designed data collection instruments by entities;</p> <p>Pillar III: Training of procurement personnel and private sector;</p> <p>Pillar IV: Enforcement and follow-up on findings of internal control systems, improvement of the practice of internal control procedures.</p>
Senegal ³⁵	No CPIs.	Little stakeholder involvement.	No information provided.

³⁵ Non-pilot country.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Tanzania	<p>The assessment was carried out in 20 randomly selected Procuring Entities (PE) according to the following categories:</p> <p>6 ministries, 6 parastatals/agencies/independent departments, 2 regional administrative secretariats, 3 municipal councils and 3 district councils.</p> <p>Selected PEs submitted a list of their procurements for the financial year 2005/2006. Random selection of projects was made based on the following criteria:</p> <p>All ICB's, 30 NCB's, 30 procurements under competitive quotation and 20 single source/direct contracting covering goods, works, non-consultancy services and consultancy services. In total, the selected sample was 498 cases out of which 388 cases were assessed and returned by the PEs.</p>	<p>Development partners, civil society and private sector actively participated from planning to final review of results:</p> <p>A kick-off workshop with all stakeholders and 20 PEs was conducted.</p> <p>2 validation workshops were conducted. The first group was for the PEs and was attended by 45 participants (accounting officers and heads of procurement management units). The second group was for stakeholders and was attended by 32 representatives of associations, development partners, academic institutions, regulatory bodies, ministries and local government authorities.</p>	<p>Initiative/Programs in future include:</p> <ul style="list-style-type: none"> • implementation of capacity building strategy; • system for procurement of common use; • preparation of procedural forms; • establishment of procurement professional board; • system for checking and monitoring; • procurement management information system; • procurement and contract audits; • anti-corruption strategy; • training of district executive directors; • establishment and maintenance of institutional linkages with entities, training institutions, local potential providers of training both locally and internationally. <p>The assessment report includes more detailed observations and recommendations for each pillar.</p>
Togo	No report received.	No report received.	No report received.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Uganda	No information provided	Development partners, civil society and private sector actively participated from planning to final review of results.	<p>No CD Plan provided in assessment report. According to the presentation given during the JV meeting in Arusha, the on-going procurement reform focuses on training based on capacity needs assessments targeting procurement entities and the private sector, links with public financial management, record keeping, national procurement statistics and integrity and anti-corruption.</p> <p>In 2006, a National Integrity Survey was carried out. The way forward:</p> <ul style="list-style-type: none"> • need to establish an effective monitoring and evaluation of the public procurement systems to determine capacity gaps at individual, organisational and country levels; • need to determine the risks and vulnerable points at each stage of the procurement/disposal process and put in place strategies to mitigate them; • emphasise the importance of consistent political commitment and support from the highest levels of government; • build Partnerships and establish linkages with civic society organisations, oversight agencies and donor partners to accelerate the fight against corruption.
Zambia	<p>Sample for CPI comprised 8 ministries and 2 provinces. The ministries were selected in order to include representation from big and small ministries.</p> <p>Data collection was restricted to procurements undertaken between June and October 2006.</p>	Development partners, civil society and private sector actively participated from planning to final review of results.	No information provided.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Asia			
Afghanistan	The sample data available was not considered representative because it presented the most ideal situation of procurement being conducted with facilitation and support of an international consulting firm. The sample data attempted from other procuring entities lacked coherence and assimilation of the purpose of the assessment. According to the report, the assessment of CPIs was therefore subjective and judgmental in nature.	Little stakeholder involvement.	<p>The Action Plan 2007-2010 comprises the following results:</p> <p>Legal Framework Preparation of standard bidding documents, procurement manual, secondary legislation, code of ethics; design and implementation of independent complains review mechanism including publication of procedures and decisions; accountability, awareness and disclosure measures.</p> <p>Institutional development Assessment and Training of Key procuring entities; Benchmarking system.</p> <p>Procurement capacity building Design and implementation of a sustainable nationwide procurement capacity building strategy; training needs assessments; identification of local trainers and conduct their training; Procurement capacity building and training programs conducted at all levels and for the private sector.</p> <p>Procurement MIS Develop a procurement MIS strategy; design data collection/dissemination/reporting system; develop computerized system for database and software programme operational in selected procuring entities; training to use the MIS for monitoring and reporting purposes; develop central procurement website.</p>
Bangladesh	No report received.	No report received.	No report received.
Indonesia	No CPIs. Indonesia is still deciding what CPIs should be collected and how they should be collected, aggregated and analyzed.	It was decided that the assessment was to be carried out by a relatively small inter-departmental working group comprised of suitable persons from central government oversight and line agencies, including a representative from the military, rather than a larger group including representatives from the regions. It was decided also that the assessment should focus primarily on the national regulation (Presidential Decree 80/2003) while taking into account of other relevant national legal instruments.	<p>Indonesia undertook a risk assessment and developed mitigation measures:</p> <p>1. Inefficient and uneconomic procurement Create national public procurement office; mandatory use of SBDs; production of supporting manuals; capacity building for all participants; monitor performance; set-up e-procurement system.</p> <p>2. Lack of integrity and inequitable treatment of suppliers/providers Mandatory use of SBDs, manual that specify implementation procedures including publication of information, unacceptable behaviour, contract dispute procedures etc; strengthening of audit system; set up independent mechanism to handle complaints/appeals with power to enforce decisions; improve information/advertising; improve effectiveness of auditors through inclusion in procurement CD; review salary structures.</p>

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Lao PDR	No CPIs.	To provide field data for the BIS assessment, 4 ministries, Vientiane and one state-owned enterprise were interviewed. In the validation workshop, 6 ministries, Vientiane, 3 state-owned enterprises and the World Bank participated.	<p>Short-term recommendations: Strengthen procurement monitoring office; professionalize public procurement; develop a data collection, monitoring and evaluation system; establish permanent tendering committee secretariats; provide adequate international standards for technical specifications; issue standard (harmonized) bidding documents and generic procurement manuals; undertake proper planning and require a certification on availability of funds; encourage a more pro-active participation from the national audit agency; enhance competition at the contracting entity level and establish blacklisting mechanisms</p> <p>Medium-term recommendations: Follow-through on professionalization; follow-through on harmonization and pilot-testing; develop a website for procurement monitoring office; require the posting of contract awards; strengthen the internal audit and control system within line agencies and local government units; develop a procurement records and management system for procuring entities; support the development of a pro-active civil society;</p> <p>Long-term recommendations: Fully utilize the harmonized procurement manuals and standard bidding documents; fully implement the internal audit and control system; fully implement the procurement records and management system for procuring entities and develop an e-procurement system</p>
Mongolia	<p>6 ministries, 7 provinces including the Capital Ulaan Batar, and 7 projects funded by the ADB or the WB were included in the CPI data collection exercise.</p> <p>Their current practices were reviewed for a sample of 218 contracts procured in 2006. Data for 12 key indicators are presented.</p>	Development partners and civil society actively participated from planning to final review of results.	<p>A draft improvement plan is proposed by the Procurement Policy and Coordination Department comprising the following activities:</p> <p>Revision of the public procurement law and the preparation of a single user manual; the development and implementation of a comprehensive CD program and introduction of quality control and performance evaluation methods for procurement processes; the creation of a specific civil services profile to improve the recognition of the function of procurement officers; introduction of specialized workshops and manuals for external monitoring and auditing agencies and collaboration mechanisms; introduction of social accountability mechanisms in collaboration with civil society.</p>

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Philippines	<p>The Philippines have advanced the CPI measurement system for use at the agency level. 10 key public procurement entities have been benchmarked applying Agency Procurement Performance Indicators (APPI). The APPI tool is used to assess and compare the effectiveness of a government agency's procurement system against that of the national procurement system using 28 baseline standards and indicators based on the BLI system. The results of the independent evaluation of 10 agencies were utilized to support the findings of the BLI assessment.</p> <p>A second assessment using the suggested CPIs is currently being undertaken by the Transparency and Accountability Network (TAN), a civil society organisation.</p>	Development partners, civil society and private sector actively participated from planning to final review of results.	<p>The Philippines have agreed on an Action Plan (the "Canyon Wood Agreement") that includes proposed actions from the BLI assessment as well as recommendations from various CPAR studies and activities. In total, 27 actions are outlined.</p> <p>High risk areas were identified such as:</p> <ul style="list-style-type: none"> • There are no established norms at the national level for record keeping and document retention for the conduct of procurement audits or for investigating and prosecuting cases of procurement related fraud and corruption. To ensure that this issue is addressed, the Proposed Capacity Development Plan will include a program for the establishment of policies and procedures for records keeping and management for procurement, contract and financial management related transactions for government agencies. • The absence of an administrative complaint review body to handle appeals that has full authority and independence for resolution of complaints. There is no independent administrative body or special court established to review procurement related complaints and appeals outside of the courts. <p>The GPPB and the CPAR Working Group agreed that a review of policies and procedures for procurement related complaints and appeals will be conducted with the following options: (a) to study the best practices of other countries; (b) possible creation of an independent administrative review body; (c) tapping of an existing administrative body with the appropriate mandate; or (d) review of the reasonableness of the amount of protest fee. Medium and Low Risk Areas are also addressed in the very comprehensive Proposed Procurement Capacity Development Plan which indicates:</p> <ul style="list-style-type: none"> • key result area; • recommended action/measure; <p>and on an action/measure base:</p> <ul style="list-style-type: none"> • BLI Indicator; • specific weaknesses; • responsible entity; • funding source; • schedule;

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
Sri Lanka	It is planned to carry out the exercise in a number of stages, starting with 7 ministries and gradually expanding the scope to cover practically all ministries. In Phase 1, a sample survey using existing data of 2005/2006 focusing on the high end of the procurement range, i.e. ministries with total procurement above 0.5M USD was conducted. 7 compliance indicators were assessed. Additional indicators are intended to be assessed in the future.	Development partners, civil society and private sector actively participated from planning to final review of results.	<p>The recommendations and strategy address the following areas:</p> <p>Institutional Framework and Management Capacity Monitoring of contracts including contract completion procedures, Completion of NPA website for dissemination of information; establishment of independent training institution; development of quality control standards.</p> <p>Procurement Operations and Market Practices Introduction of procurement related cadres into state sector recruitment structure; train “trainers”; guidelines for public-private sector partnerships; contract administration procedures for goods.</p> <p>Integrity and Transparency Train audit general dept. staff in procurement procedures and emphasis on procurement and contract execution issues in audits; increasing publicity of appeals board decisions; improve websites of NPA and ministries to carry all information related to procurements; procurement procedures to include provision to prevent corrupt practices and actions to be taken.</p>
Vietnam	Vietnam intends to use the Agency Procurement Performance Indicator tool.	<p>Representatives from 9 ministries, the Central Project Office, state-owned enterprises and private sector participated in the planning and implementation of the 2006 assessment.</p> <p>The 2008 update was conducted using developed BLI questionnaire tables through a survey of procurement experts including representatives of the Vietnam regulatory body, procurement entities and donor agencies. In parallel, a national consultant was commissioned to conduct a desk study covering latest developments.</p> <p>The assessment results were presented and discussed in a national workshop with wide participation from line ministries, provinces and cities and state-owned enterprises.</p>	<p>The report makes a distinction among short, medium and long- term recommendations for next steps that are intended to reinforce the public procurement reform strategy.</p> <p>In the 2008 assessment report, recommendations are presented at a pillar basis, for example pillar 1:</p> <ol style="list-style-type: none"> 1. Review thresholds for direct appointment and shopping 2. Provide an English language version of the procurement bulletin and website 3. Develop and issue a Generic Procurement Manual 4. Continue to develop Standard Bidding Documents taking into account the comments from procuring entities, donor agencies, professional organisations and the public 5. Review discretion of using the Merit Point System and develop more specific guidelines, e.g. specify “pass/fail” criteria as compulsory for the procurement of goods and civil works 6. Strengthen dialogue and cooperate with the 6-banks group to develop standard bidding documents and contract forms, which harmonize procurement regulations and procedures between both parties.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
			<p>Further recommendations are outlined for Pillar 2, 3 and 4. They address issues such as:</p> <p>Integration between public financial management and procurement; guidelines on procurement records keeping; establishment of national procurement information system; development and implementation of a comprehensive procurement capacity building program focusing on procurement procedures, legal and administrative requirements, but also on modules dealing with procurement planning, cost estimation, budgeting, record keeping, and with ethical and performance standards and professionalism; procurement audits, etc.</p>
Yemen ³⁶	<p>Projects over equivalent of approximately 630,000 USD for the year 2007 of 4 key ministries.</p> <p>14 performance indicators assessed.</p>	<p>A non-official Arabic version of the Methodology was prepared to help the specialists understand the description of some sub-indicators or their criteria. Interviews with 4 ministries were conducted and scores were assigned at the ministry level. The procurement specialists of the relevant ministries received a copy of their assessment results.</p>	<p>No procurement capacity development plan included in the assessment report.</p>
Latin America			
Paraguay	<p>The following sample was used to assess the compliance indicators:</p> <p>For indicators 1b-1h; 2b, c, f; 3b,d; 6c; and 8b, a consulting firm specialized in auditing evaluated a sample of procurement transactions recorded in the DGCP database between Jan 2004 and Apr 2006.</p> <p>The selected procurements related to 7 entities (3</p>	<p>The assessment was conducted jointly by the national authorities and World Bank/IADB.</p> <p>In a workshop, representatives of the government, civil society, business and labour associations and the private sector reviewed each comment, finding and score initially awarded by the consultants, confirming or correcting them and adding recommendations for correcting problems and optimising the system. The assessment results were validated by the World Bank/IDB fiduciary assessment</p>	<p>The assessment report outlines a recommended action plan which was supposed to be detailed in a subsequent workshop in terms of priorities and needed cooperation for implementing it. The following actions are considered high in priority:</p> <ul style="list-style-type: none"> • require all procuring entities to use standard bidding documents; • substantially reduce resort to sole sourcing through better procurement planning and contract management; • consider introducing new procurement methods such as framework contracts; • incorporate into the SIAF all the autonomous entities currently outside the system, the municipalities and the provincial governments. Revise legislation to make the process mandatory;

³⁶ Non-pilot country.

Country	Sampling for CPI	Stakeholder involvement/Validation	Procurement Capacity Development (CD) Plan based on assessment results
	<p>ministries, 4 autonomous entities). 10% of the competitive bidding cases were evaluated and about 69% of the total value of transactions by these entities.</p> <p>For indicators 10b and 12c, a legal consultant accessed the DGCP databases.</p> <p>For indicators 1f; 5b and c; 7b; 8a,b; and 10b, a macroeconomist conducted interviews with DGCP and representatives of civil society and business associations.</p> <p>For indicators 4c and d; 7a; 8a; 10c; and 12d, a public opinion polling firm conducted qualitative and quantitative surveys including 250 public officials, 400 firms or business associations and 100 civil society representatives.</p>	<p>team.</p>	<ul style="list-style-type: none"> • for each institution, establish the necessary linkages in its financial system to the respective PAC, from real-time control over amounts paid and committed for each procurement, and crosschecking against the actual cash (and not merely budgetary) availability of each entity; • issue rules to encourage stability among key DGCP (General Directorate of Public Procurement) policy personnel and prevent their removal, demotion or suspension for reasons not related to their professional performance or ethical questions; • secure congressional approval of the Digital Signature Act; • simplify participation requirements to encourage public procurement bidding by micro, small and medium-size enterprises; • finalize the development of the voluntary registry of government suppliers; • develop, implement and maintain systems for monitoring findings and recommendations from audits in each contracting entity and in each of the audit units. Analyze and report periodically on the timely implementation of recommendations; • consider creating a National Transparency Office (or anticorruption office) to centralise all investigations; • develop and enforce a code of ethics for civil servants, applicable to all state employees, identifying cases of conflict of interest; the contents, periodicity and publicity of sworn statements of assets; and the explicit penalties for improper conduct.

Annex B

Summary of Agency Procurement Performance Indicators (APPI), Philippines

For the Compliance/Performance Indicators (CPIs), the Philippines employed two methods of assessment to evaluate the application of the procurement regulations and the prevailing procurement practices in the country.

The first method used the Agency Procurement Performance Indicators (APPI). The APPI is a tool used to assess and compare the effectiveness of a government agency's procurement system against that of the national public procurement system using 28 baseline standards and indicators based on the baseline indicators system. Ten key public procurement entities have been benchmarked applying agency procurement performance indicators (APPI). The results of the independent evaluation of 10 agencies were utilised to support the findings of the BLI assessment. The APPI results were applied to the following 16 indicators: 1b, 1c, 1h, 2b, 2c, 2f, 3a, 3b, 5b, 5c, 6a, 6d, 7b, 9a, 10b and 10c.

A second method of assessment used was the CPIs which comprise Part II of the Methodology. The CI exercise is currently being undertaken by the Transparency and Accountability Network (TAN), a civil society organisation.

Table 8. Summary of agency procurement performance indicators (APPI) in the Philippines

Major Criteria	BIS Indicator Name	BLI Indicator	Agency 1	Agency 2	Average Score
Strategy (6%)	1. Agency Procurement Reform Strategy (40%)	Indicator 1	2.40%	2.40%	2.40%
	2. Strategic policy initiatives outlined by the agency (30%)	None	1.80%	0.00%	1.44%
	3. Key/strategic procurement issues (30%)	None	0.00%	0.00%	1.08%
Total for agency strategy			4.20%	2.40%	4.92%
Professionalisation Measures (16%)	4. Human Capital (60%)	5(c)	9.60%	9.60%	2.88%
	5. Use of the Government Procurement System (G-EPS) (20%)	5(b)	3.20%	3.20%	3.20%
	6. Legal incentives to procurement officers and employees (20%)	None	1.40%	0.00%	0.92%
Total for agency professionalization			14.20%	12.80%	7.00%
Organisational Structure (16%)	7. BAC and BAC Secretariat (40%)	None	6.40%	6.40%	6.40%
	8. Hierarchical structure of agency (30%)	6(d)	1.60%	4.80%	4.16%
	9. Standard documentation and procedures (30%)	2(e), 2(b), 6(c)	4.80%	4.80%	4.24%
Total for organisational structure			12.80%	16.00%	14.80%

Procurement process (30%)	10. Method of procurement used Shopping (30% of 10%)	None	3.00%	0.00%	1.80%
	11. Limited source competition/ shopping (20% of 10%)	None	2.00%	0.00%	1.00%
	12. Direct contracting (20% of 10%)	None	2.00%	0.00%	1.00%
	13. Bidder's participation (15% of 10%)	7(b)	0.00%	0.00%	0.15%
	14. Time for preparation of bids (15% of 10%)	None	1.50%	1.50%	1.50%
Total for competition			8.50%	1.50%	5.45%
	15. Advertisement of bid notices and publication of awards (70% of 10%)	1(c)	7.00%	7.00%	7.00%
	16. Posting of all procurement opportunities/activities and contract awards in the G-EPS (30% of 10%)	5(a)	1.50%	0.00%	1.20%
Total for transparency			8.50%	7.00%	8.20%
	17. Procurements in APP (30% of 10%)	3(a)	0.00%	3.00%	0.9%
	18. Time for public bidding (25% of 10%)	6	2.50%	2.50%	2.50%
	19. Time for bid evaluation (15% of 10%)	None	1.50%	0.00%	1.15%
	20. Bidding process cancelled (15% of 10%)	None	1.50%	1.50%	1.50%
	21. Late payments (15% of 10%)	3(b)	0.00%	0.00%	0.55%
Total for efficiency			5.50%	7.00%	6.60%
Total for agency procurement process			22.50%	15.50%	20.25%
Effectiveness (16%)	22. Award prices lower than ABC	None	6.40%	6.40%	6.40%
	23. Contract amount increase (30%)	None	4.80%	4.80%	4.80%
	24. Number of protests (10%)	1(h)	1.60%	1.60%	1.60%
	25. Time to resolve protests (10%)	10(b)	1.60%	1.60%	1.60%
	26. Action taken on protest (10%)	10(c)	1.60%	1.60%	1.60%
Total for effectiveness			16.00%	16.00%	16.00%
Accountability measures (16%)	27. Internal audit units (60%)	9 (a)	9.60%	9.60%	6.72%
	28. Systems and procedures to hear and document administrative cases (40%)	10(b)	6.40%	6.40%	4.48%
Total for accountability measures			16.00%	16.00%	11.20%
TOTAL AGENCY RATING			85.70%	78.70%	74.17%

Annex C

OECD Principles for Enhancing Integrity in Public Procurement: The Context within which to Apply the Methodology

The following ten principles are based on applying good governance elements to enhance integrity in public procurement. These include elements of transparency, good management, prevention of misconduct, accountability and control. An important aspect of integrity in public procurement is an overarching obligation to treat potential suppliers and contractors on an equitable basis.

A. Transparency

1. *Member countries should provide an adequate degree of transparency in the entire public procurement cycle in order to promote fair and equitable treatment for potential suppliers.*

Governments should provide potential suppliers and contractors with clear and consistent information so that the public procurement process is well understood and applied as equitably as possible. Governments should promote transparency for potential suppliers and other relevant stakeholders, such as oversight institutions, not only regarding the formation of contracts but in the entire public procurement cycle. Governments should adapt the degree of transparency according to the recipient of information and the stage of the cycle. In particular, governments should protect confidential information to ensure a level playing field for potential suppliers and avoid collusion. They should also ensure that public procurement rules require a degree of transparency that enhances corruption control while not creating ‘red tape’ to ensure the effectiveness of the system.

2. *Member countries should maximise transparency in competitive tendering and take precautionary measures to enhance integrity, in particular for exceptions to competitive tendering.*

To ensure sound competitive processes, governments should provide clear rules, and possibly guidance, on the choice of the procurement method and on exceptions to competitive tendering. Although the procurement method could be adapted to the type of procurement concerned, governments should, in all cases, maximise transparency in competitive tendering. Governments should consider setting up procedures to mitigate possible risks to integrity through enhanced transparency, guidance and control, in particular for exceptions to competitive tendering such as extreme urgency or national security.

B. Good management

3. *Member countries should ensure that public funds are used in public procurement according to the purposes intended.*

Procurement planning and related expenditures are key to reflecting a long-term and strategic view of government needs. Governments should link public procurement with public financial management systems to foster transparency and accountability as well as improve value for money. Oversight institutions such as internal control and internal audit bodies, supreme audit institutions or parliamentary committees should monitor the management of public funds to verify that needs are adequately estimated and public funds are used according to the purposes intended.

4. *Member countries should ensure that procurement officials meet high professional standards of knowledge, skills and integrity.*

Recognising officials who work in the area of public procurement as a profession is critical to enhancing resistance to mismanagement, waste and corruption. Governments should invest in public procurement accordingly and provide adequate incentives to attract highly qualified officials. They should also update officials' knowledge and skills on a regular basis to reflect regulatory, management and technological evolutions. Public officials should be aware of integrity standards and able to identify potential conflict between their private interests and public duties that could influence public decision-making.

C. *Prevention of misconduct, compliance and monitoring*

5. *Member countries should put mechanisms in place to prevent risks to integrity in public procurement.*

Governments should provide institutional or procedural frameworks that help protect officials in public procurement against undue influence from politicians or higher level officials. Governments should ensure that the selection and appointment of officials involved in public procurement are based on values and principles, in particular integrity and merit. In addition, they should identify risks to integrity for positions, activities, or projects that are potentially vulnerable. Governments should prevent these risks through preventative mechanisms that foster a culture of integrity in the public service such as integrity training, asset declarations, as well as the disclosure and management of conflict of interest.

6. *Member countries should encourage close co-operation between government and the private sector to maintain high standards of integrity, particularly in contract management.*

Governments should set clear integrity standards and ensure compliance in the entire procurement cycle, particularly in contract management. Governments should record feedback on experience with individual suppliers to help public officials in making decisions in the future. Potential suppliers should also be encouraged to take voluntary steps to reinforce integrity in their relationship with the government. Governments should maintain a dialogue with suppliers' organisations to keep up-to-date with market evolutions, reduce information asymmetry and improve value for money, in particular for high-value procurements.

7. *Member countries should provide specific mechanisms to monitor public procurement as well as to detect and punish misconduct in public procurement.*

Governments should set up mechanisms to track decisions and enable the identification of irregularities and potential corruption in public procurement. Officials in charge of control should be aware of the techniques and actors involved in corruption to facilitate the detection of misconduct in public procurement. In order to facilitate this, governments should also consider establishing procedures for reporting misconduct and for protecting officials from reprisal. Governments should not only define sanctions by law but also provide the means for them to be applied in case of breach in an effective, proportional and timely manner.

D. Accountability and control

8. *Member countries should establish a clear chain of responsibility together with effective control mechanisms.*

Governments should establish a clear chain of responsibility by defining the authority for approval, based on an appropriate segregation of duties, as well as the obligations for internal reporting. In addition, the regularity and thoroughness of controls should be proportionate to the risks involved. Internal and external controls should complement each other and be carefully co-ordinated to avoid gaps or loopholes and ensure that the information produced by controls is as complete and useful as possible.

9. *Member countries should handle complaints from potential suppliers in a fair and timely manner.*

Governments should ensure that potential suppliers have effective and timely access to review systems of procurement decisions and that these complaints are promptly resolved. To ensure an impartial review, a body with enforcement capacity that is independent of the respective procuring entities should rule on procurement decisions and provide adequate remedies. Governments should also consider establishing alternative dispute settlement mechanisms to reduce the time for solving complaints. Governments should analyse the use of review systems to identify patterns where individual firms could be using reviews to unduly interrupt or influence tenders. This analysis of review systems should also help identify opportunities for management improvement in key areas of public procurement.

10. *Member countries should empower civil society organisations, media and the wider public to scrutinise public procurement.*

Governments should disclose public information on the key terms of major contracts to civil society organisations, media and the wider public. The reports of oversight institutions should also be made widely available to enhance public scrutiny. To complement these traditional accountability mechanisms, governments should consider involving representatives from civil society organisations and the wider public in monitoring high-value or complex procurements that entail significant risks of mismanagement and corruption.

Annex D

List of Referenced Resources

Internet

www.oecd.org/dac/effectiveness/procurement

Documents

Government of Ghana: External Review of Public Financial Management, Volume II: Public Procurement Assessment Report

Nordic+ group: Implementing the Joint Procurement Policy and Promoting Use of Reliable Country Procurement Systems: A Guide for Program Directors, Managers and Officers

ADB/OECD: Curbing Corruption in Public Procurement in Asia and the Pacific

OECD: Integrity in Public Procurement: Good Practice from A to Z

OECD-DAC: Guidance Note on Data Collection and Verification

OECD-DAC: Guidance Note: Validation of Assessment Process and Results

OECD-DAC: Harmonising Donor Practices for Effective Aid Delivery: Volume III, Strengthening Procurement Capacities in Developing Countries

OECD-DAC: Methodology for Assessment of National Procurement Systems (including User's Guide)

OECD-DAC: Procurement Capacity Assessment and Strategy Formulation in Malawi. A Case Study.

OECD-DAC: The Challenge of Capacity Development: Working Towards Good Practice

OECD-DAC: The Paris Declaration on Aid Effectiveness

OECD-DAC: Why is Procurement Important? (Factsheet)

UNDP: Draft Procurement Capacity Assessment User's Guide

Presentations

JV on Procurement meeting in Copenhagen, September 2007

Ghana: Assessment of the National Procurement System in Ghana – Lessons Learned

JV Procurement: Round Table Discussions

Malawi: Using the JV Methodology as an input to Capacity Development Strategy: Case of Malawi

UNDP: Linking Assessment to Procurement Capacity Development

JV on Procurement meeting in Arusha, May 2008

Uganda: Procurement Capacity Strengthening Initiative in Uganda: an Anti-Corruption approach

Available Progress Reports of Pilot Countries (2008)

www.oecd.org/dac/effectiveness/procurement/assessments

Compendium of Country Examples and Lessons Learned from Applying the Methodology for Assessment of National Procurement Systems

VOLUME I – SHARING EXPERIENCES

Strengthening a country's procurement system by implementing the commitments of the Paris Declaration on Aid Effectiveness will help the country reach its Millennium Development Goals. How could something as technical and bureaucratic as procurement contribute to “Achieve universal primary education: ensure that ... boys and girls alike ... complete a full course of primary schooling”?

The experiences described in this publication stem from a new self-assessment approach by partner countries and their development partners to international and domestic partnerships aimed at delivering timely, cost effective development assistance, such as printing and delivering school books or the construction of schools.

The *Compendium of Country Examples and Lessons Learned* recounts the experiences and lessons learned by 22 partner countries in Africa, Latin America and Asia as they apply the OECD/DAC Methodology for the Assessment of National Procurement Systems. The Methodology was developed and approved for field testing in 2006 as input towards implementing the Paris Declaration agenda and to assist in strengthening country procurement systems and building a strong, transparent public sector. It is the result of joint efforts by multilateral and bilateral development partners and of partner countries around the world.

This report will be of particular interest to procurement and capacity development practitioners in development agencies and partner countries. It will also inform the analysis and decisions of development planners and managers delivering governance and reform programmes, for example in the area of primary education.