

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

Working Party on Aid Effectiveness and Donor Practices

**BASELINE INDICATOR SYSTEM FOR THE ASSESSMENT OF THE STRUCTURE OF A
NATIONAL PUBLIC PROCUREMENT SYSTEM**

Joint Venture on Procurement

22 October 2004

This note is provided for COMMENTS to the Joint Venture on Procurement meeting on 22 October 2004. Comments will be accounted for in the revision of this paper, which will be submitted, for approval, to the participants of the Joint OECD/DAC - World Bank 3rd Round Table on Strengthening Procurement Capacities in Developing Countries to be held in Johannesburg, South Africa on 30 November - 2 December 2004.

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JT00171396



"Baseline Indicators System"
for the Assessment of the Structure of a
National Public Procurement System

1. INTRODUCTION

As a result of the harmonization discussions during the first High Level Forum held in Rome in February 2003, donors and recipient countries were encouraged to work together with the final objective of defining the conditions under which the fiduciary standards of donors could be met (totally or in part) through reliance on the recipient country's systems, including the public procurement system. To make progress against this agenda, a tool for the assessment and comparison using baseline standards of quality for procurement systems has been developed. The tool will provide the flexibility for use in the very diverse conditions and different levels of capacity of national, sub-national, and local systems in different countries.

2. BACKGROUND

During the first joint World Bank and OECD/DAC sponsored Procurement Roundtable held in January 2003, the participants (composed of representatives from client countries, donor organizations and interested international organizations) were introduced to four thematic areas considered to be of importance to the overarching theme of development of public procurement systems. Two of these themes formed the work program of the Working Group on Performance Measurement, Benchmarking and Monitoring and Evaluation of Public Procurement Systems. The participants of this Working Group agreed to focus on two deliverables: 1) the development of a system of baseline indicators for the assessment of the structure of country systems; and 2) a methodology for measuring the performance of the country system against the objectives of achieving economy, efficiency, transparency and equal opportunity to bidders.

Accordingly, this paper addresses the first deliverable and defines a set of baseline indicators for the assessment of the structures of a country system. This paper builds upon the comments and considerations of the Working Group as provided during the Procurement Roundtable meetings and comments provided through continuing consultations. The proposed system remains a draft and is a work-in-progress that will not be finalized until it reflects the concurrence of those participating through the Procurement Roundtable process. This process will include piloting, feedback and adjustment to the system.

3. OBJECTIVES AND EXPECTED RESULTS

The system of indicators is a tool to be used to assess the existing elements of a procurement system against a defined set of standards or baseline indicators that are derived from the "model system" as developed and agreed by the participants in the Roundtable process. Such a tool helps identify when an element of the national public procurement system meets or exceeds the baseline and where it needs improvement or modification in order to meet the baseline. Traditionally, such systems are used to help managers identify where to make changes in order to achieve better performance outcomes. Such a system can also help identify potential risk areas inherent in the existing system by identifying variances from the baseline. The system of indicators does not measure performance. It must be coupled with other management tools (like the performance measurement tool) in order to help guide actions on where to make changes and what changes need to be made. Determinations as to whether better performance outcomes are achieved as a result of changes implemented need to be based on, among other things, collection and analysis of actual performance data.

Under the Joint World Bank/OECD Procurement Roundtable initiative, the participants agreed that the development and application of such a system of indicators would contribute in the following ways:

- Governments would have a tool which would help identify needed changes and contribute to the development and implementation of a prioritized capacity development and change management strategy.
- Governments would be able to coordinate, prioritize and focus donor assistance on supporting the strategy
- Governments would be able to measure the impact of their strategy by comparing implementation progress against the indicators.
- The system of indicators will provide supporters of reform with clear arguments for change, to focus political attention and mobilise commitment;
- The system of indicators will support the harmonisation of public procurement rules and procedures around recognized standards;
- The output of the system of indicators for public procurement, as an integral part of the public financial management system, will provide valuable information to the overall assessment of the public finance system;
- The system will provide information to support strategic policy decisions with regard to each country and provide information on the structure of the national procurement system which can be used together with the other components (performance indicators and treatment of international competitive bidding) on the level of acceptability and reliance on the national procurement system (in part or in its totality) as compliant for handling donor financing, either being channelled as budget support or allocated for particular projects and programmes.

Risks associated with a system of indicators

A system of indicators may also suffer from a number of limitations and unless very carefully managed, it may have some or all of the following undesirable effects:

- Be poorly understood at a national level thus leading to possible misuse and misrepresentation of the information;
- Be seen by the individual country as an imposition from outside rather than a tool for management and improvement, thus complicating the relationship with the international donor community on public procurement reform;
- Create an “indicator mentality” by which resources are pushed into areas that will improve the achievement of the baseline rather than the overall quality of the public procurement system.
- Be unable to capture all generic issues through indicators

4. ANALYTICAL APPROACH

Coverage of the system

This tool is predominantly based on *macro indicators*, which are intended to look at key elements of a public procurement systems. The work of the participants in the Roundtable has been to identify and agree upon these key elements and the appropriate indicators to define the well designed system.

There is parallel work going on to develop a framework monitoring system for monitoring performance data at the transactional (micro) level. A comparison between the two levels-- national vs. transactional levels-- will demonstrate how performance at the transactional level is linked to the elements of the procurement system at the macro level.

The following four key areas (Pillars) have been identified as a way of organizing the basic elements of a national public procurement system. Under these Pillars, a number of Indicators have been defined.

Pillar I. The Legislative and Regulatory Framework;

1. Procurement legislative and regulatory framework complies with applicable obligations deriving from national and international requirements.
2. Availability of implementing regulations, documentation and tools to support implementation.

Pillar II. The Institutional Framework and Management Capacity;

3. Degree of mainstreaming and integration into Public Financial Management System
4. Existence of a Functional Management/Regulatory Body
5. Existence of Institutional Development Capacity

Pillar III. The Procurement Operations and Market Practices;

6. Efficiency of Procurement Operations and Practices
7. Functionality of the Public Procurement Market
8. Existence of Contract Administration and Dispute Resolution Provisions

Pillar IV. The Integrity of the Public Procurement System

9. Existence of Effective Control and Audit Systems
10. Existence and Efficiency of the Appeals Mechanism
11. Degree of Access to Information
12. Existence of Ethics and Anti-corruption Measures

Methodological basis for the system of indicators

- a) The indicators defined are intended to evaluate procurement systems at a fairly macro level and are designed to give a broad, overview of the comparative strengths and weaknesses of the system concerned.
- b) Another important feature of the indicators is that a simple “yes” or “no” cannot answer most of the questions. In general, the questions are complex and require professional judgement in giving an answer that, fairly and objectively, assesses the national procurement system against the baseline.

Structure of the System

The system covers the following key components which are addressed in the following sections:

1. Defining the structure of a public procurement system (the 4 Pillars)
2. The twelve indicators
3. The baselines for the indicators
4. A proposed assessment guide
5. Methodology for use

5. STRUCTURE OF A PUBLIC PROCUREMENT SYSTEM

For the purpose of the system of indicators, the structure of a public procurement system with the definition of the four Pillars and the twelve indicators is based on factors and features agreed by the participants in the design process to be essential for defining the standard of a national public procurement system at the macro level.

Policy Objectives

The conceptual approach and basic assumptions on what should constitute a sound public procurement system are:

- The overriding objectives of a national public procurement system is to deliver **economy and efficiency** in the use of public funds while adhering to the fundamental principles of **non-discrimination and equal treatment, due process, access to information and transparency**. Performance and efficiency in procurement operations are ultimately measured at the transactional level of market interaction between public purchasers and suppliers and the delivery of the required goods, works and services to meet the obligations of the government to the citizens.
- The legal and institutional frameworks set the basic conditions for the manner in which procurement may be undertaken procedurally; the results that can be expected; and the potential efficiency gains that can be achieved. Within this environment, the commitment of public sector staff in managing and adhering to the requirements of the procurement process and taking advantage of the competition in the market is decisive to the outcome in terms of the overriding objectives of economy, efficiency, non-discrimination, equal treatment and transparency.
- That the development of any public procurement system, legally and institutionally, is formed and guided by a wide-spread and genuine understanding of the conditions and prerequisites needed for the creation of an efficient, transparent and credible public procurement system, capable of generating efficiency and cost-effective procurement in the best interests of the contracting entities and of the country as a whole.

Determining Baselines

The key activity is to define baseline levels against which the existing elements of the procurement system will be compared with respect to each of the agreed indicators. The baseline represents a desirable “**good practice standard**” under each indicator.

If the baseline is considered the desirable standard, there is also a need to identify where, how and why the system under review fails to achieve this standard. In doing so, the system of indicators provides a profile or mapping of the existing system that identifies strengths (fully achieved) and weaknesses (fails to achieve) along with a descriptive analysis (the where, how and why).

Proposed Levels of Achievement

Procurement System Fully Achieves the Baseline (FA)

Procurement System Substantially Achieves the Baseline (SA)

Procurement System does Not Achieve the Baseline (NA)

A proposed guide for using the tool is provided below. This guide seeks to facilitate consistency in the application of the tool. However as stated previously, judgement must be used and explanatory notes are anticipated.

Proposed Assessment Guide

Level of Achievement	Assessment Key
FA	All baseline elements are substantially met
SA	More than 70% of baseline elements substantially met.
NA	Less than 70% of baseline elements are substantially met

It is clearly possible for users of the system to assign numeric or alpha scoring systems, for their own internal purposes and for tracking changes over time.

Weighting of Indicators

Users of the system of indicators may also wish to assign weights to the various indicators to reflect their own priorities regarding relative importance of the individual indicators and the defined baseline elements. Weighting will work best when applied against numeric scoring.

5. THE SYSTEM OF INDICATORS

The assessment of a public procurement system will be conducted on the basis of the following twelve (12) Indicators. These have been identified as the core components of a public procurement system and are grouped into the four Pillars.

Pillar I. The Legislative and Regulatory Framework

The legal and regulatory framework is often seen as the starting point for the development of a governance system. With regard to procurement, it sets the rules of the process and provides the legal basis for ensuring rights of participants and establishing their responsibilities. It is a fundamental element that links the procurement process to the overall governance structures within the country and defines obligations of the government to comply with internal and external requirements.

Indicator 1. Public Procurement legislative and regulatory framework achieves the agreed standards and complies with applicable obligations.

Baseline:

- a) Scope of application and coverage of the legislative and regulatory framework
 - Contracting entities at all levels, including government authorities, municipalities, regional authorities and utilities/state-owned enterprise, are covered.
 - All areas of procurement; works, goods and consulting services are included;
 - Procurement using public funds, irrespective of contract value, is included;
 - The applicable legislative and regulatory framework is structured, consistent, and accessible to users and all interested stakeholders;
- b) Procurement methods

- Stated preference for the use of open, competitive procurement unless otherwise justified in accordance with the legislative and regulatory framework
 - International competitive tendering methods defined for specified contracts (e.g. where monetary thresholds exist) that are consistent with international standards;
 - Defined basis for the procurement method, if other than open competition;
 - Negotiated procedures and Direct purchasing only under well defined and justified circumstance, subject to controls;
- c) Advertising rules and time limits
- Mandatory and accessible publication of opportunities for competitive procurement
 - Mandatory publication of result information on contract awards based on defined thresholds;
 - Minimum time limits for submission of tenders and applications, which should be consistent with method of procurement, national conditions and when applicable, international requirements.
- d) Rules on participation and qualitative selection
- Fair, predictable and defined rules for participation that rely on qualifications and ability to perform the requirement;
 - Limited and controlled use of price preferential clauses;
 - Debarment process if covered, on defined basis, allowing for due process and appeal
 - Rules for participation of government-owned enterprise that provide for equal treatment in competitive procurement
- e) Tender documentation and technical specifications
- The minimum content of the tender documentation is specified;
 - Neutral technical specification with reference to international standards where possible;
 - Content of tender documentation is relevant to meeting requirement and implementing the process.
- f) Tender evaluation and award criteria
- Objective, fair and pre-disclosed criteria for evaluation and award of contracts;
 - Clear methodology for evaluation of tenders based on price and other fully disclosed factors leading to award of contracts;
 - Requirement to maintain confidentiality during the evaluation process.
- g) Submission, receipt and opening of tenders
- Public opening of tenders in a defined manner that ensures the regularity of the proceedings;
 - Clear requirement to maintain records of proceedings and process that are available for review/audit;
 - Requirement to maintain security and confidentiality of tenders prior to bid opening;

- Submission and receipt modalities of tender documents are well defined.
- h) Complaint review procedures
- Inclusion of complaint and remedy procedures that provide for fair, independent and timely implementation.

Indicator 2. Existence of Implementing Regulations and Documentation

The existence and availability of implementing procurement regulations, such as operational procedures, handbooks, model tender documentation and standard conditions of contract is important for a correct and consistent application of the legislative and regulatory framework as well as for an effective undertaking of the procurement operations.

Baseline: The existence and availability of the following regulations or documents:

- a) Implementing regulation that provides defined processes and procedures not included in higher level legislation;
- b) Model tender documents for goods, works, and services;
- c) Procedures for pre-qualification;
- d) Procedures suitable for contracting for services or other requirements where technical capacity is a key criteria.
- e) User's Guide or manual for contracting entities;
- f) General Conditions of Contracts for public sector contracts covering goods, works and services consistent with national requirements and international requirements when applicable.

Pillar II. Institutional Framework and Capacity

Modernizing and maintaining a country's public procurement system is an on-going and very complicated process. It benefits strongly from the existence of focal points within the government administration with sufficient capacity and qualifications to manage the procurement system and the monitoring of public procurement implementation. All bodies with legitimate interest in public procurement, such as the contracting entities, private sector entities; the government and the judicial system will benefit from support of a varying nature. The Institutional Capacity section is designed to look at the central government institutional framework and examine capacity to oversee, manage and support efficient implementation as well as to provide leadership in modernizing and maintaining the public procurement system. This can be adapted to look at other levels of government, especially in highly decentralized systems.

Indicator 3. Mainstreaming Procedures into Public Financial Management

Public procurement should be an integral part of the overall public financial management and public sector governance systems in a country. A well functioning procurement system will provide information to support the process of budget development and execution and will benefit from the public financial management system with regard to timely appropriations and availability of funds to support the award and payments of contracts. Lack of integration between the budgeting process and procurement process can result in cancellations and/or insufficient funds to make timely payments, resulting in increased costs and inefficiencies in the use of public funds.

Baseline:

- a) Procurement planning and data on costing is part of the budget formulation process and contributes to multi-year planning;
- b) Budget law and financial procedures support timely procurement, contract execution and payment;
- c) No initiation of procurement actions without existing budget appropriations;
- d) Contract execution is subject to budgetary controls to ensure sufficient funding for contract.
- e) Budgeting system provides for timely release of funds to make payments against contractual obligations.

Indicator 4. Functional Management/Normative Body (the Body)

Most countries benefit from the existence of a management bodies within the central government to provide a range of functions that support the consistent development, maintenance and application of the legislative and regulatory requirements of a procurement system. The existence and capacity of such bodies becomes increasingly important in governments with higher levels of decentralization. Such organizations provide guidance on interpretation of rules and support training and capacity development. Increasingly such bodies need to develop and oversee the implementation of the use of technology to support procurement, including development and support to e-procurement solutions.

Baseline: The assessment is based on the following factors.

- a) The status and basis for the functional normative bodies is covered in the legislative and regulatory framework.
- b) The responsibilities address a defined set of functions which include, but are not limited to: the provision of advice to contracting entities; drafting amendments to the legislative and regulatory framework and implementing regulations; providing monitoring of public procurement; providing procurement information; managing statistical data bases; reporting on procurement to other parts of government; developing and supporting implementation of initiatives for improvements of the public procurement system; and providing implementing tools and documents to support training and capacity development of implementing staff.
- c) Organisation, funding and staffing and the level of independence and authority (formal power) of the bodies to exercise duties is sufficient and consistent with the responsibilities.
- d) Responsibilities provide for separation and clarity so as to avoid conflict of interest and direct involvement in the execution of procurement transactions.

Indicator 5. Existence of Institutional Development Capacity

The public procurement system is defined by a legislative and regulatory framework that can be complex and often requires the exercise of judgement in the application of the appropriate procedures. The performance of the system relies heavily on the capacity of the participants, both public and private sector, to understand and implement the procedures. Performance is also reliant upon the capacity of the various stakeholders who interact with the system.

Baseline: The assessment of institutional capacity is based on the following factors:

- a) A system exists for collection and dissemination of procurement information, including tender invitations, requests for proposals and contract award information.
- b) A sustainable strategy exists to provide training, advice and assistance to develop the capacity of government and private sector participants to understand the rules and regulations and the how they should be implemented.
- c) Systems and procedures exist for collection and monitoring of national procurement statistics.
- d) Quality control standards are disseminated and used to evaluate performance of staff and address capacity development issues.

Pillar III. Procurement Operations and Public Procurement Market Practice

A functioning and competitive private sector market is a key partner to the public procurement system in a well functioning system. The market must have confidence in the competence of the contracting authorities at all levels within the system to implement and administer the public procurement system in accordance with the legislative and regulatory framework in order for the market to be an effective partner.

Indicator 6. Efficient Procurement Operations Capacity and Practice

Procurement operations capacity and practices are at the core of a well functioning procurement system. They are dependent upon the staffing, knowledge, skills and capabilities of the human resources and on the incentives and controls in the system that influence human behavior and institutional performance.

Baseline: The assessment at the contracting entity level is based on the following:

- a) The level of procurement competence among government officials within the entity is consistent with their procurement responsibilities.
- b) The procurement training and information programmes implemented for government officials, as well as for private sector participants is consistent with demand.
- c) The existence of administrative systems for public procurement operations, and information databases to support monitoring of performance and reporting to and responding to the information needs of other related government systems.
- d) The existence and implementation of internal control mechanisms for the undertaking of procurement operations at the contracting level, including a code of conduct, separation of responsibilities as a check/balance mechanism and oversight/control of signature/approval authority.
- e) The existence of norms for safekeeping records and documents related to transactions and contract management.
- f) Provisions exist for delegation of authority to others consistent with capacity to exercise responsibilities.

Indicator 7. Functionality of the Public Procurement Market

Market performance is dependent upon the capacity and depth of the market in the country.

Baseline: The assessment of the public procurement market is based on the following:

- a) The public procurement market in the country has sufficient numbers of participants to provide for competition, when competition is on a domestic basis and comparative pricing is achieved for goods, works and services when compared to prices paid for similar requirements in the domestic markets.
- b) The quality and consistency of submissions by the private sector to the government enables the application of the process leading to the award and completion of contracts.
- c) The participation rate of tenderers in response to competitive tender invitations is consistent with the capacity of the marketplace.
- d) The private sector confidence in the legal and regulatory framework governing the procurement process is evidenced by their participation and their use of complaints or protests mechanisms.

Indicator 8. Existence of Contract Administration and Dispute Resolution Provisions

Contract administration is a key element of managing the outputs of a public sector procurement system. It provides oversight on quality, timely performance and provides for early access to information that is needed for good management. In the context of major public investment projects, contract administration is critical to successful implementation. During the process of implementation and administration of contracts, disputes commonly arise. Appropriate procedures to resolve such disputes fairly and in a timely manner become an important aspect of contract administration.

Baseline:

- a) Procedures are defined for undertaking contract administration responsibilities which include inspection and acceptance procedures, quality control procedures and methods to review and issue contract amendments in a timely manner.
- b) Dispute resolution procedures are included in the contract document providing for an efficient and fair process to resolve disputes arising during the performance of the contract.
- c) Procedures exist to enforce the outcome of the dispute resolution process.

Pillar IV. The Integrity and Transparency of the Public Procurement System

A cornerstone of a well-functioning public procurement system operating with integrity (fair, transparent, and credible) is the availability of mechanisms and capacity for independent control and audit of procurement operations to provide for accountability and compliance. Similarly, there must be a system for participants to lodge complaints and challenge decisions with administrative and judicial review bodies having appropriate levels of independence, that also have the legal power to impose corrective measures and remedies against contracting entities in breach of the legal and regulatory framework. Fraud and corruption, including the issue of conflict of interest, should be addressed in legislation as well as through special measures in order to create a sound and fair environment for public procurement operations.

Indicator 9. Effective Control and Audit System

Internal and external controls at the implementing agency level and an effective external audit system are key elements of a governance and public financial management system and are particularly important to the effective and efficient operations of the public procurement system.

Baseline: The assessment of the control and audit standard in public procurement is based on the following factors:

- a) A legal framework, organisation, policy and procedures for internal and external control and audit of public procurement operations exists and operates to provide a functioning control framework;
- b) Enforcement and follow-up on findings and recommendations of the control framework provide an environment that fosters compliance.
- c) The internal control system provides timely information on compliance to enable management action.
- d) The internal control systems are sufficiently defined to enable performance audits to be conducted.
- e) Auditors are sufficiently informed about procurement requirements and controls systems to conduct quality audits that contribute to compliance.

Indicator 10. Efficiency of Appeals Mechanism

The appeal mechanisms, which include a complaint review and remedy system, provide an important contribution to the compliance environment and integrity of the public procurement system. Such a system must be seen to operate efficiently, fairly and providing balanced unbiased decisions.

Baseline: The assessment of the complaint review and remedy system is based on the following factors.

- a) The existence and operation of an independent complaint review system that gives participants in the public procurement process a right to file a complaint within the framework of an administrative and judicial review procedure;
- b) Decisions are deliberated on the basis of available information and the final decision can be reviewed and ruled upon by a body (or authority) with enforcement capacity under the law;
- c) The complaint review system has the capacity to handle lodged complaints efficiently and a means to enforce the remedy imposed.
- d) The system operates in a fair manner, with outcomes of decisions balanced and justified on the basis of available information.
- e) Decisions are published and made available to the public.
- f) Administrative review body, or authority is separate from the regulatory body, executing agency and the audit/control agency.

Indicator 11. Degree of Access to Information

Access to information is a key element of an open and transparent governance system. In procurement, the value and need for access to information is critical in all aspects of the system and to the many stakeholders that participate or benefit from the operation of the system. Although access to information is covered under various baselines, the importance of this element justifies a dedicated indicator. As governments move towards implementation of e-procurement solutions, access to information is critical to a successful strategy and solution.

Baseline:

- a) Access to information is supported by publication and distribution of information through available media with support from information technology when feasible.
- b) Systems exist to collect key data related to performance of the procurement system and to report regularly.
- c) Records are maintained to validate data.

Indicator 12. Ethics and Anti-corruption Measures

The procurement system should be perceived to operate with integrity, providing for clear definitions of unacceptable practices and stating the consequences to participants in the procurement system who engage in fraudulent, corrupt or unethical behaviour.

Baseline:

- a) The legal and regulatory framework for procurement, including tender and contract documents, includes provisions addressing the issue of corruption, fraud, conflict of interest and unethical behaviour and states actions which can be taken with regard to such behaviour (either directly or by reference to other laws).
- b) The legal systems define responsibilities, accountabilities and penalties for individuals and firms involved in fraud or corruption cases.
- c) Evidence of enforcement of rulings and penalties exists.
- d) Special measures by the government to prevent and detect potential fraud and corruption in public procurement is addressed in an anti-corruption programme;
- e) Stakeholders (private sector and civil society) support the creation of a procurement market known for its integrity and ethical behaviours.
- f) Existence of a secure mechanism to report fraudulent, corrupt or unethical behavior.
- g) Existence of Codes of Conduct/Codes of Ethics for participants that are involved in aspects of the public financial management systems that also provide for disclosure for those in decision making positions.

6. METHODOLOGY FOR USE OF SYSTEM

Note: This Section is new.

The baseline indicators system is a tool that enables the end user to compare elements of a public procurement system against an agreed set of baseline indicators that define what is considered to be necessary in any public procurement system, for that system to provide for "economy and efficiency in the use of public funds while adhering to the fundamental principles of non-discrimination, equal treatment, due process, access to information and transparency."

The baseline indicators have been determined in a multi-national process to define the "model system" in the most generic terms, consistent with the principles and objectives of a public procurement system with regard to the service it provides to the overall public financial management and governance of a country.

Proposed Methodology

- ***Starting the process.*** The first step in employing the baseline indicators system is to examine and compare the elements of a country's public sector procurement system against the defined elements of the tool. As each country is unique, differences or variances should be noted. The degree of difference can range from a total absence to minor variations in what exists in the country versus the defined baseline. A narrative report should accompany the assessment which can identify specific aspects of variance and the degree of variance from the defined baselines. The Assessment Guide provided as part of the tool can be used, but will lack depth if not accompanied by a narrative report. Users of the baseline indicators system should review the tool and determine if weighting of the various indicators will be useful to the process. The system is designed to enable weighting and scoring, but it is not an essential feature of the system.
- ***Who will conduct the assessment?*** The baseline indicators system is a tool that can be used by any country. However, in the context of supporting the decision making process by the donor community on reliance on the country system in a recipient country, one of the following three methods for conducting the assessment is recommended:
 - a) As a joint assessment by the concerned country and donor(s) active in the country
 - b) As a self-assessment by the concerned country, shared with donors
 - c) As an external assessment conducted by donor(s) active in the country and shared with the country
- ***Relationship to the CPAR.*** The indicators will become a key element of the existing Country Procurement Assessment Review (CPAR) process. The CPAR process has already been accepted by the broader donor community under the leadership of the Heads of Procurement (HOP) of multilateral development banks. Most of the participants in the HOP group are also participants in the Joint World Bank and OECD/DAC Procurement Roundtable process thereby facilitating a wide acceptance and use of the baseline indicators. The baseline indicators will improve the CPAR process by incorporating the set of agreed baseline indicators; something that has been missing in the past. As most recipient countries have already undergone a procurement assessment, the existing CPARs may serve as a basis of information to conduct an initial desk review using the baseline indicators. This will inform subsequent reviews to focus on key areas in the procurement system to better support any on-going reform efforts.
- ***How often will the baselines be assessed?*** The initial assessment provides a snapshot of the system at that point in time. This snapshot can be modified continuously as the country's system changes. However, current practice with regard to a full blown assessment is that these only need to be done

every 3-5 years or whenever it is known that a significant change has taken place in a country. Donor organizations may wish to initiate an assessment or update to an existing assessment to support the decision making process when updating a country strategy or changing its lending portfolio in a given country.

- ***Who will have access to the results of the assessment?*** It is recommended that all donors active in a given country be provided with access to the assessment results regardless of the method (see a-c above) used to conduct the assessment. This will avoid multiple reviews by different groups. In each of the options above, the assessment becomes an output which identifies areas where the country system does not meet the commonly agreed baseline. In countries not seeking donor funds, this output can be used simply to benchmark against the "good practice standards" and support government decision making. In other countries, it can be used to focus and coordinate donor support for an agreed reform program.

Linking the Baseline Indicators Assessment into the Country Dialog on Public Financial Management

- In a recipient country, the donor organizations and the country counterparts would use the assessment and accompanying narrative to open a dialog on the results. This dialog would contribute to the development of a prioritized and sequenced set of proposed actions that the country should take to address issues.
- Although the discussions regarding the outcome of the baseline process will likely take place initially in the context of those specifically concerned with procurement, it is recognized that developing a sequenced set of actions for the country to pursue will need to be viewed in the much broader context of the public financial management system as a whole to ensure that the final action plan is consistent with the country strategy and that individual actions are mutually supportive and do not drain limited resources and capacity. The procurement baseline indicators are designed to contribute to a broader set of indicators that look at the entire public financial management system.
- As a follow on process, donors will agree individually or as a group, in discussions with the recipient country counterparts, the level of reliance on the country public procurement system they are willing to accept based on current conditions in the country. Ideally, this would be done as a coordinated activity so that all donors would agree to the same acceptance/reliance level (recognizing that some donors may be willing to go beyond the agreed level.) Again, such actions will need to be fully integrated and supportive of the broader process taking place in the country surrounding acceptance and reliance on the country's overall public financial management systems.
- Donors should also agree upon a process for increasing levels of reliance on the country public financial management systems linked to implementation of the prioritized and sequenced action plan.

Performance Measurement

- Donors must also agree with the recipient country counterparts, upon a system to collect performance data that will enable the country to monitor performance and the impact of changes to the existing system. A framework and methodology for data collection to support monitoring of performance has been developed and includes key minimum data collection requirements needed to monitor performance of the system. In addition, it provides donors with a means of determining the implementation and impact of the prioritized and sequenced action plan. It is on the basis of monitoring actual performance data that donor organizations would increase their level of reliance on the public procurement system. Monitoring of actual performance data may be focused on central

government, local governments, specific sectors or even on individual agencies. The performance measurement methodology is specifically designed to be modified to the demand and can be implemented at several levels to serve various management and monitoring needs. The performance measurement methodology is described in a separate document.

Capacity Development and Donor Commitment

- A major objective of development of tools for assessment and performance measurement is to further the overall development of capacity within a country. The tools only help to identify strengths and weaknesses in a system. They feed into a decision making process within the country to develop a strategy to address weaknesses and develop and strengthen the system. A sustainable development strategy is dependent upon capacity development.
- Commitment on the part of donors in facilitating achievement of desired outcomes is as critical as commitment and ownership on the part of the client countries to achieving desired outcomes. Such commitment on the part of donors is demonstrated through resourcing and technical assistance to the country to achieve a well defined, sequenced and integrated development strategy.