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## Working Party on Aid Effectiveness and Donor Practices

### GOOD PRACTICE PAPER ON PROCUREMENT CAPACITY DEVELOPMENT

#### Joint Venture on Public Procurement

22 October 2004 - OECD, Room 4

*This note is submitted for COMMENTS to the 22 October 2004 meeting of the Joint Venture on Procurement. Comments will be incorporated in the next version of this paper. The revised version 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, which will take place in Johannesburg, South Africa on 30 November - 2 December 2004.*

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## FOREWORD

1. It is obvious that the challenges involved in successfully developing procurement capacities are difficult and that traditional techniques have not been always been effective in bringing about sustainable change. There are, however, a number of new theories and techniques that can enhance the chances of success for these programs. Those about to embark on a major capacity development initiative are encouraged to refer to the Round Table's *Strategic Framework for Mainstreaming and Strengthening Public Procurement* which provides a useful summary of some of the recent thinking on change management, open systems, conflict management and communication strategies that might help in designing more effective programs.

2. Before embarking on a programme of capacity development it is essential to have a clear understanding of the quality of local procurement system in comparison to internationally accepted standards and benchmarks. It is equally important to ensure that the objectives and timing of the capacity development programme are realistically linked it to the country's overall procurement strategy. Furthermore, during the actual implementation of the capacity development programme progress needs to be monitored to measure performance so that corrective actions can be taken, if necessary. Tools for these assessments and for monitoring and evaluating performance during the implementation phase have been developed by the Roundtable and are presented in the *Good Practise Note on Benchmarking, Monitoring and Evaluation*. These and the other tools produced by the Round Table will allow recipients and donors to identify specific needs for capacity development and on how to prioritise the various components in their capacity development programmes in order to maximise their impact.

3. Throughout the development of this GPP various sources of information on capacity development and related topics have been identified. This information is posted on the Round Table public web site for easy access. (See <http://webdomino1.oecd.org/COMNET/DCD/ProcurementCWS.nsf>)

**Box 1.**

*“Sustainable development...must be locally owned. The role of external partners is to help strengthen capacities in developing country partners to meet those demanding, integrated requirements for sustainable development, guided by the conditions and commitments in each country. To give substance to our belief in local ownership and partnership we must use channels and methods of cooperation that do not undermine those values....In a partnership, development cooperation does not try to do things for developing countries and their people, but with them...Paternalistic approaches have no place in this framework. In a true partnership, local actors should progressively take the lead while external partners back their efforts to assume greater responsibility for their own development.”*

*Source : from the DAC's shaping the 21st Century - 1996*

## I. INTRODUCTION

### 1.1 Background

4. Capacity development is a relatively new concept in the field of development and emerged in reaction to the perceived failures of earlier approaches. It has quickly gained acceptance, however, as the core objective of technical cooperation in the work done by aid agencies, as witnessed by the quote from 1966 DAC statement on *Shaping the 21<sup>st</sup> Century*. The creation of the Joint OECD/DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries also stems from this objective. The Round Table has produced this Good Practice Paper (GPP) on Procurement Capacity Development, as well as two other related documents: a Strategic Framework for Mainstreaming and Strengthening Public Procurement and a set of Benchmarking, Monitoring and Evaluation tools, all of which are closely interlinked and are intended to reinforce and strengthen efforts by developing countries to develop sustainable capacity. Experience shows that effective capacity development will not occur unless (i) it is based on careful benchmarking and assessment, (ii) “mainstreaming” is made an important objective and (iii) progress in implementing the resulting programme is closely monitored and evaluated.

### 1.2 Audience

5. This GPP (i) is intended to attract wide interest in the development community, (ii) recommends that its approach to capacity development efforts be followed and (iii) solicits generate feedback on what has worked, so this approach can be improved over time. It focuses primarily on organizations in developing country governments responsible for national procurement systems that need strengthening, but the recommendations also affect other stakeholders in procurement, including the donor community, who play an important role in the capacity development process. The need for a team-based approach is stressed and where appropriate, constructive roles of other stakeholders are highlighted.

### 1.3 Definition of Capacity Development

6. Capacity development theory and practice are work in progress. The term still means many different things to many different people, such as institution building, institutional development, human resource development, strengthening management/administration, institutional strengthening, etc. However, the concept of capacity development has become the focal point around which many important ideas and lessons learned are coalescing around the definition that UNDP has been using since 2002. (See box 2).

#### Box 2. A Definition of Capacity Development

“It is generally understood that capacity is the ability of people, institutions and societies to perform functions, solve problems and achieve objectives, and that capacity development is the process through which capacity is conserved, created, strengthened, adapted and maintained over time.”

Source : UNDP: 2002

7. The approach to capacity development adopted in this GPP is one that relies heavily on two related features that play a central role in this definition:

- (i) the focus of the capacity problem is country-specific and multi-tiered ranging all the way from the society itself, down through the institutions in it to the individual level, and
- (ii) the process to be used is much broader and complex than just “strengthening”. It must also include: “creating”, “adapting” and “maintaining” capacity over time.

### 1.4 Structure

8. This paper aims to clarify how the Round Table applies this definition. It is structured as follows:

- Section X provides a discussion of the relationship between a country’s procurement strategy and its capacity development strategy [**to be drafted**]
- Section 2 elaborates some general principles of capacity development.
- Section 2 lays out the iterative process that should be followed to arrive at a “strategic plan” for capacity development, including its underlying principles.
- Section 3 describes the participants and stakeholders whose issues, needs, constraints, etc. need to be considered for capacity to be developed successfully.

### X. The links between Capacity Development and a Country’s the Procurement Strategy and Capacity Development [TO BE DRAFTED]

9. As stated in the Foreword, it is important that the objectives and timing of any capacity development programme, and its components, are realistically linked to the country’s overall procurement strategy. Without a clear policy of how a country wants its system to evolve, and what kinds of specific procurement demands their system is likely to face, it will be impossible to design a strategic programme

with the right level and kind of capacity to handle these requirements professionally. For example, if the government plans to decentralise its procurement operations (an approach considered by many to be best practice in procurement), the number of institutions, organizations and procurement staff involved will be rather large, particularly in countries like Indonesia, which has chosen to adopt a decentralization strategy. If a government wishes to pursue a Public Private Partnership approach to maximize private sector investment in infrastructure procurement, fewer institutions, organizations and individual staff may be affected, but given the complexities and risks posed by this kind of procurement a very different skill mix will have to be developed and maintained. Whatever choice is made, the capacity development program must be designed to support the country's ultimate strategy.

## II. PLAN FOR PROCUREMENT CAPACITY DEVELOPMENT

### 2.1 Introduction: Underlying Principles

10. This GPP proposes that those wishing to develop better procurement capacity follow a process based on some basic principles that will result in sustainable improvements over the mid- to long-term. This process or plan is not a blue print. The circumstances affecting any country wishing to improve its capacity are too complex and the natural opposition to change so variable that no rigid theory will apply to all situations. Therefore, an iterative process is proposed that will be pragmatic and self-correcting and which will create a viable institutional framework for developing and maintaining procurement capacity.

11. The principles on which this process is based are explained in more detail below. They are the structures as follows:

- Country Ownership
- Wide Stakeholder Consultation
- Open-eyed Assessment of Needs
- Careful Design of Flexible, Strategic Plan
- Close Monitoring during Implementation

#### 2.1.1 Country ownership

12. Without serious country commitment to a program for capacity development little meaningful capacity will result. Outside stakeholders, such as the donor community cannot make up for lack of country ownership and leadership. In fact to proceed with capacity development absent country buy-in could end up creating more damage than good. In such cases, political correctness often dictate the choice of targets for capacity improvements, diverting scarce resources from true areas of need, and generating cynicism within the procurement community and civil society that makes future reform efforts even more difficult to carry out.

13. So the *critical first step* in the capacity development process is to verify that a minimum level of ownership and commitment exists. If there is some question about this in the minds of the government and/or other major stakeholders, it should have a major impact on the nature and design of any subsequent capacity intervention.

### 2.1.2 *Broad stakeholder involvement*

14. Developing a country's procurement capacity should be viewed from the perspective of the dynamics of change. A procurement system, like any system, presents a multilevel holistic "organism", where every organization at every level and their actors interact with and are interlinked with other organizations and actors inside the system and in the enabling environment around it. To be effective, capacity development needs to understand and address these multiple levels in the system and the power relationships between important actors at each level<sup>1</sup>.

15. One clear lesson learned from previous attempts at capacity development is that without involving the broad range of organizations and individuals that have a clear stake in procurement, capacity will not develop in any sustainable way. In other words, without broad stakeholder involvement serious capacity development is not possible. (See Box 3)

#### **Box 3. Lessons learned from procurement reform in Indonesia (Stakeholder involvement)**

- Reforms must be coordinated with other reform areas & supported by effective cross-government working groups
- Process must involve & mobilise different stakeholders
- Process must be lead and managed by central high-ranked procurement policy oversight officials

Stakeholders should include:

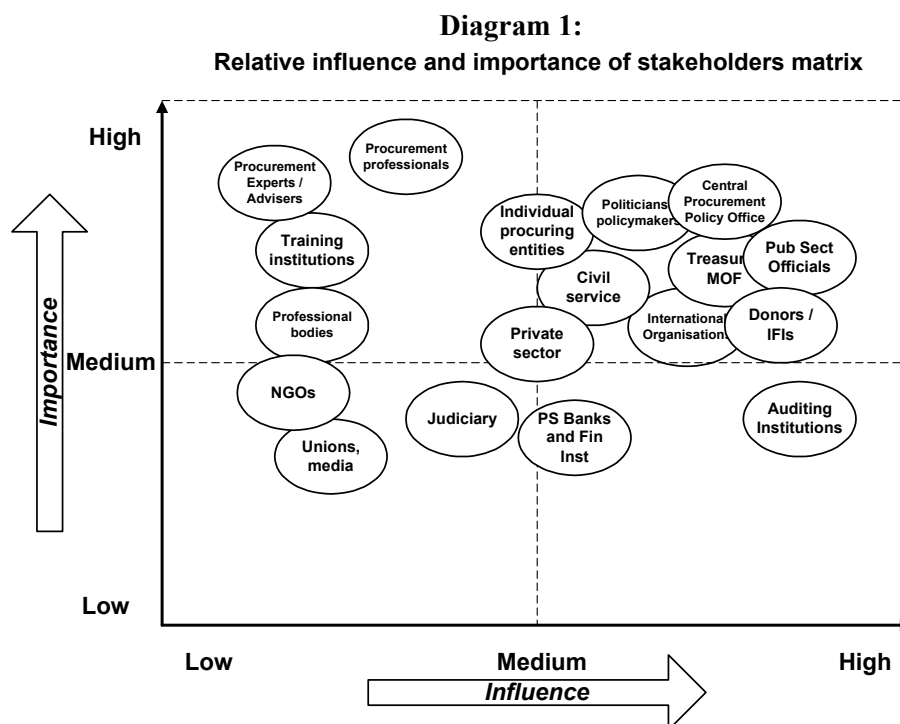
Top government officials  
Procurement Managers form agencies  
Business community  
Recipients of government services  
Civil Society Organisations

*Source* : 1st RT presentation

16. In other words, the *second critical step* in effective capacity development is to involve as many key stakeholders as possible. Ideally this would mean including them directly at the assessment, planning, design and implementation phases of any intervention, but failing that, they should at least be consulted frequently throughout. An overview of the stakeholders involved in procurement capacity development is provided in Diagram 1, which clearly shows which stakeholders in a particular country should be targeted (high importance) and those that are likely to have considerable influence. In each country, however, these positions will differ and there is no size fit all.

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1 . (More information about these new ideas and techniques that are driving current thinking about reform and change in the development context is available in the Round Table's Strategic Framework for Mainstreaming and Strengthening Public Procurement.)



### 2.1.3 *Open-eyed assessment of needs*

17. An area where previous experience has been disappointing is the lack of a connection between the expected improvements a capacity development program is designed to bring and the government's longer term needs. Assessments have generally been donor and demand driven and have focussed only on narrow areas where from the donor perspective capacity is lacking. This has led to programs with short term, "quick fix" solutions the beneficial impact of which quickly disappears. In addition, the design of these interventions has generally resulted in creating new capacities, rather than enhancing the ability of existing country resources to meet expected government needs, without much respect to internationally recognized system or standards regarding procurement capacity or quality

18. An additional weakness in previous programs is the failure at the assessment stage to clearly identify the various drivers for / and barriers against change that might impact the success of what was intended, and to take them into account in the design of the capacity development program. Against this background, *the third critical step* is to base capacity development programs on an honest assessment of existing country capacities and realistic future needs. Without use of the wide-angle lens required by these new approaches to change, without "open-eyes", the risk is that programs will be over- or under-designed and that existing capacities will inadvertently be bypassed and ignored. Thus, serious attention should be given to creating the ongoing capability to realistically monitor capacity trends. This is the aim of the tools created by the Roundtable for the GPP on Benchmarking, Evaluation and Monitoring.

### 2.1.4 *Cost-Effective assessment*

19. It is also important to keep the costs of capacity assessments under control. This can be achieved by not repeating country-wide assessments every time a capacity development intervention is considered. Maximum use should be made of existing material from previous assessments. New research should only be carried out to fill important information gaps concerning high risk areas of performance and where capacities are critical.



20. Ultimately, governments will need an inventory of: (i) the procurement resources currently deployed, and (ii) the volume and qualifications of potential entry-level procurement staff being generated by the local educational system, and (iii) the capacity needs for the government's anticipated program over the next three to five years (both in terms of numbers and skills levels). The Round Table tools on Benchmarking, Monitoring and Evaluation will provide this kind of resource information.

### 2.1.5 *Strategic plan*

21. The fourth step in developing better procurement capacity is to base one's efforts on a flexible plan focussed on realistic, achievable objectives, and implemented under the watchful eye of real performance indicators. The following characteristics are important in determining the success of a particular design approach.

1. The approach should be *entrepreneurial and opportunistic*. Even though the situation revealed during the diagnostic might be complex and may not at first suggest the shape of any possible viable longer term development of capacity, taking no action is not an option. It is better to proceed with one or more viable components than to do nothing. If sufficient country ownership is lacking, even smaller scaled efforts targeted at barriers in the enabling environment are still possible and worthwhile.
2. The design should always have an *institutional focus*. While developing the professional skills of individual staff is an important benefit of capacity development, the ultimate purpose of the process is to create a viable *institutional* framework for developing and maintaining procurement capacity. Actions should strengthen the institutions that are important to the long term viability of the overall procurement system, e.g. the local procurement professional organization, the public sector training institute, the body charged with handling procurement disputes or appeals, etc
3. To the degree possible, the design of a potential intervention should address issues of change management, communications and related disciplines. Good possible solutions are starting to emerge in these and related fields that will hopefully reduce the risk of failure.
4. The focus should be on long term and not impose unrealistic deadlines for achieving capacity development milestones. The context in which capacity development takes place is so complex that there is no guarantee that a plan will succeed, much less when. Early wins should be programmed, but failure should not result in derailment of the whole process.
5. Proposed steps to enhance procurement capacity should be sequenced with other ongoing public sector reforms, particularly in the public financial management sector. Even if it is possible to improve procurement performance itself, if the government's planning, budgeting or disbursements mechanisms are inefficient, optimal procurement performance cannot be achieved.
6. Keeping the program *cost-effective* is also important. If funding constraints exist (and they always do), starting with a limited program targeted at first a few procuring organizations has merit. It permits reform and capacity development approaches to be piloted, before they are broadly rolled out. If this approach is followed "high-spend" agencies should be targeted first and, among them, those that demonstrate the greatest willingness to change. This will maximize the impact of reform.
7. A flexible strategy may have to resort to the *use of outsourcing* during the early stages of reform to cope with serious skills gaps but these should only be considered as stopgap solutions until the results of long-term capacity developing efforts start to appear. Even well developed procurement systems should consider outsourcing as a possible cost-effective way of addressing some of its procurement operations. The only risk created here is one that can be mitigated by close supervision of the firm selected to deliver the outsourced services.

### **2.1.6 Flexibility during Implementation**

22. Successful capacity development is impossible without close monitoring during implementation. Even if the plan adopted is “entrepreneurial” and “opportunistic” these features are of little use if implementation is not monitored closely enough to detect opportunities for improvements in the strategy adopted or worrisome negative trends noticed in time to take corrective action. Therefore it is necessary to make sure that *implementation is flexibly managed and closely monitored*.

23. Those responsible for capacity development initiatives need to welcome changes to the original plan where components can be added or dropped based on their chances of success. The process should be iterative i.e. one which monitors, adjusts, monitors, and then readjusts. The goal at each step is to sharpen the focus of the program and improve its chances of success. During the monitoring process, it is essential to communicate and celebrate early successes. 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 of success shared by a broad group key stakeholders are often more persuasive than the results of elaborate more costly communications strategies.

### **2.1.7 Close Monitoring**

24. Monitoring this process well, however, requires a solid reporting mechanism that enables the government to see what is really going on. To this end, during the planning phase, it is important to get agreement on and introduce a set of meaningful performance indicators. These indicators need to adequately capture performance of the capacity development program under consideration, but also feed into an ongoing government-wide monitoring and evaluation mechanism that will enable the government to detect positive and negative trends in capacity and take corrective action. The GPP on Benchmarking, Evaluation and Monitoring work has produced these tools.

### **2.1.8 Principles for Capacity Development**

25. Throughout the entire process, not just during implementation, one needs to keep in mind the important capacity development principles articulated by the UNDP<sup>2</sup>. These principles are not limited exclusively to procurement, but prove useful in determining how to react when issues arise during planning and/or implementation. (See the Box 4)

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2. UNDP *Ownership, Leadership and Transformation*, (2003)

#### Box 4. UNDP's 10 Default Principles for Capacity Development

1. Don't rush.

Capacity development is a long-term process. It does not respond well to delivery pressures, quick fixes and short-term results seeking. Engagement for capacity development needs to have a long-term horizon and be reliable.

2. Respect the local value system and try to foster self-esteem.

The imposition of alien values can undermine confidence. Capacity development requires respect. Self-esteem is at the root of capacity and empowerment.

3. Scan locally and globally; reinvent locally.

There are no blueprints. Capacity development means learning. Learning is a voluntary process that requires genuine commitment and interest. Knowledge transfer is no long seen as the relevant modality. Knowledge needs to be acquired.

4. Challenge mindsets and power differentials.

Capacity development is not power neutral and challenging vested interests is difficult. Frank dialogue and moving out from behind closed curtains to a collective culture of transparency is essential to promote a positive dynamic for overcoming them.

5. Think and act in terms of sustainable capacity outcomes.

Capacity is at the core of development. Any course of action needs to promote this end. Responsible leaders can inspire their institutions and societies to effectively work towards capacity development.

6. Establish positive incentives.

Distortions in public sector employment conditions are major obstacles to capacity development. Ulterior motives and perverse incentives need to be aligned with the object of capacity development. Governance systems respectful of fundamental rights are a powerful incentive.

7. Integrate external inputs into national priorities, processes and systems.

External inputs need to correspond to real demand and need to be flexible to respond effectively to national needs and possibilities. Where such systems are not strong enough they need to be reformed and strengthened, not bypassed.

8. Build on existing capacities rather than creating new ones.

This implies choosing to use national expertise as the first option, trying to resuscitate and strengthen national institutions and protecting national social and cultural capital.

9. Stay engaged under difficult circumstances.

The weaker the capacity is, the greater the need for strengthening. Weak capacities are not an argument for walking away, or for forcing an external agenda. People should not left hostage to irresponsible governance.

10. Remain accountable to ultimate beneficiaries.

Even when national governments don't respond to the needs of their people, external partners are accountable to the ultimate beneficiaries and they should help persuade the national authorities also to take responsibility. Sensible approaches in concrete situations need to be openly discussed and negotiated with national stakeholders.

*Source* : From UNDP's Ownership, Leadership and Transformation

### III. STAKEHOLDERS IN PROCUREMENT

#### 3.1 Introduction

26. The point is made in Section 2.1.2 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. This section lists these stakeholders.

27. Implementing the Round Table Benchmarking, Evaluation and Monitoring tools described in the GPP on Benchmarking, Evaluation and Monitoring will produce the clear assessments of the capacity development needs of each stakeholder. **[To be developed]**

28. Furthermore, it needs to be kept in mind is that each stakeholder, each audience responds to different techniques and messages. A uniform strategy across stakeholders will not be effective. This means that the task of creating a viable communications strategy is all that more difficult. This issue is addressed in the Strategic Framework for Good Practice Paper on Mainstreaming.

#### 3.2 National Institutions

29. Given the institutional approach recommended in this GPP, the starting point for sustainable capacity **development** has to be institutions. If the national institutional framework for the procurement system is flawed in any significant way, its effectiveness will be restricted. Therefore, the strategy should look at practical ways to address these flaws. The ability to change many of these aspects may be politically difficult, but they should, nevertheless, be addressed in the “long list” of components for capacity development in the proposed reform program.

30. The various bodies at this level will vary from country-by-country, but a representative list would look like the following:

##### 3.2.1 *Procurement Oversight Body*

31. Good procurement systems tend to have institutions which are responsible for policy oversight, setting the government’s overall procurement strategy, monitoring the quality of ongoing performance, compliance with the existing regulations, etc. During the assessment stage the mandate of this body should be checked against internationally accepted benchmarks and a consensus should be reached whether it has the appropriate resources and capacity to adequately carry out its functions. Its position in the bureaucracy is also important. Ideally it should be an integral part of the government’s public financial management system. It should also be a high-level body (so that procurement is more mainstreamed) and it should be independent from political interference with regard to operational decisions. Finally an assessment needs to be made about the effectiveness of the reporting, monitoring and evaluation systems it operates to make informed judgments about the quality of procurement performance. Improvements here are of a high priority given the central leadership role of this body in the procurement system as a whole. It is suggested that the assessments of the quality of procurement oversight body are conducted by using the tools developed in the Good Practice Note on Benchmarking, Monitoring and Evaluation.

##### 3.2.2 *Body Responsible for Civil Service Administration*

32. This body should be considered for possible inclusion because the treatment of public service staff can create incentives that can affect day-to-day operations. Questions to address are: (i) how is the procurement function structured within the civil service, (ii) what are the entry level requirements for

procurement personnel; (iii) does the government recognize the various skill levels necessary to carry out procurement professionally; (iv) has a career development path been established for procurement; (v) is the current public procurement capacity known? It is difficult to generate public sector reforms as a consequence of procurement capacity development, but some other reform process may already be ongoing which could create the opportunity to introduce procurement specific considerations. (Integrating or at least closely coordinating procurement and public financial management reforms is considered best practice.)

### **3.2.3 *Public sector management training institute***

33. If such an institute exists, it should be consulted during the process of setting up an overall capacity development building strategy. They should normally be charged with the development of appropriate procurement programs focussed at the basic, intermediate and advanced levels and of awareness-raising programs aimed at other parts of the government, parliament, the business community and elsewhere. At the assessment stage a check should be made of the mandate of this institute and whether it has the ability to make reasoned decisions about procurement-related matters. (Academia could also be brought into the development process particularly regarding techniques for developing certain kinds of advanced capacity.)

### **3.2.4 *Ministry of Education***

34. This ministry should also be involved to the extent that it manages the curricula and programs developed for the national educational system. It is important to ensure that the appropriate level of education is provided to allow professionals at the entry, intermediate and higher levels to take up positions in the procurement system.

### **3.2.5 *Procurement Control or Enforcement Institutions***

35. These institutions play a vital role that can positively or negatively reinforce the integrity of the entire system. At the assessment stage, the government's internal audit agency, the oversight committee(s) in parliament that look at public sector budget, financial management and procurement issues, the judicial bodies involved in enforcing the current legal framework for procurement and disputes when they are referred to court, all should be examined. These organizations should have the capacity to understand the existing rules and regulations and to determine whether the ultimate objectives of procurement (e.g. "value for money", etc.) are being met, if the policies and procedures and other important features in the system are operating smoothly and if an acceptable level of compliance is being maintained.

## **3.3 *Procurement Entities***

36. Evidently, procurement entities are high priority targets for any capacity development program. Having qualified people working on procurement does not help if they are placed within organizations that are not properly staffed, are weakly managed, have not clearly delineated who is accountable for procurement decisions, operate in weak systems without proper internal and external checks and balances, are not made to comply with a strict official ethical code specific to procurement, etc. Therefore, during the assessment the following issues would need to be confronted and the answers may suggest some useful capacity development components for the "long list":

### **3.3.1 *Organizational Structure***

37. The structure of the procurement entity itself is important, as well as the position of the procurement function and its independence. (Checks and balances are necessary for good procurement to be carried out consistently in the long run.) If it is not highly enough positioned to gain the respect of

operational management, or if its professional judgments can be overruled unilaterally by this management, good procurement will not result.

### **3.3.2 *Staffing Profile***

38. These entities should have a staffing profile that enables it to cope with the volume and complexity of the actual procurement activities and needs. The assessment should extend beyond the staff labelled as procurement “officers” and also look at who carries out all the other functions that are necessary for and support the procurement activity. How staff handles bid evaluations, complaints, resolves disputes, monitor contract performance, organize their filing, handle invoices and whether they have access to technical, commercial and legal backup and assistance is also important. Weaknesses in any of these areas can cause serious damage. Having professional procurement officers alone is not enough to guarantee good procurement. This is a new area for procurement reform and little has been done explicitly aimed at this aspect of the procurement operation. One of the Round Table Benchmarking, Monitoring and Evaluation tools is producing a procurement entity assessment tool that should be useful in focusing attention on these issues.

### **3.3.3 *Involvement in Budgeting and Planning Process***

39. The issue of how well the procurement and public financial management functions are integrated was mentioned in connection with the discussion about the central procurement oversight body. It should be checked whether the budget cycle permits funding of multi-year contracts, which often represent the best way to achieve value for money. It is also important to examine how the procurement function and procurement operations are budgeted. Assurances should exist that long-term funding for the appropriate longer term level of staffing is available.

### **3.3.4 *Information Technology Infrastructure and Skills***

40. Information technology tools are increasingly becoming an essential basis for the operations part of any good procurement organization. They bring greater transparency to the procurement process and can lead to substantial efficiencies and cost savings. Accordingly, procurement entities should ideally be equipped with IT systems capable of collecting, storing and reporting all the data relating to their procurement operations. Furthermore, to improve the quality of their work staff should be able to undertake market and other research and share best practice. Finally, IT skills and infrastructure will eventually allow the use e-procurement. The benefits flowing from e-procurement in terms of enhanced transparency and improved efficiencies outweigh the front-end costs or other difficulties that might be anticipated. This area is often ignored when procurement capacity development programs are being designed, but they often can yield great benefits compared to their costs. (The Round Table Strategic Framework for Mainstreaming Procurement contains a good example of the benefits South Korea has obtained from its efforts in this area.)

### **3.3.5 *Human Resources Function***

41. This aspect has already been touched upon above in connection with the central body responsible for administration of the civil service. The human resources function in each procurement entity needs to be assessed to see how the procurement function is treated. Questions to address are: (i) what entry level qualification requirements are set for the full range of procurement openings; (ii) Are competitive selection techniques used; (iii) are the salaries offered and actually paid appropriate; (iv) are promotions based on merit or simply length of service; (v) is there a career plan for procurement officers; (vi) is the plan widely advertised and actually being followed in practice? All of these aspects are important in transforming procurement into a more professional function and creating positive incentives for better performance.

### 3.4 Individual Procurement Staff

42. The emphasis here would be to see whether the existing institutional framework for procurement at the entity and at higher levels is able over time to create and sustain a more professional class or cadre of procurement staff. That framework should include the oversight body itself, the public sector training institute or college responsible for government-sponsored procurement training, if possible a private university (to develop advanced level programs if appropriate). The best procurement systems have all of these elements, plus a local procurement professional association. Procurement professional associations usually keep inventories of existing public sector capacity. Furthermore, they typically have accreditation systems for procurement professionals to ensure that they have the right mix of experience and skills upon entry and promotion up to higher grades. They are also useful to help individual procurement experts or agencies troubleshoot specific cases and to find best practice solutions to problems they are facing. The accreditation process itself has the added value of creating a positive incentive for staff to improve. During the assessment and planning phases of capacity development initiative, these linkages should be explored so that better and more professional staff can be developed.

### 3.5 Other National Stakeholders

43. There are two large groups of other stakeholders that are equally important to the success of any capacity development program: the business community and civil society. Good procurement does not happen when the market does not operate properly. Civil society can be a positive force for improving procurement, but it can react negatively if the promised benefits from good procurement do not materialise. Both groups are important, but slightly different approaches have to be taken to effectively engage them in capacity development issues and activities.

- The Business Community  
Achieving value for money is impossible unless the market for public sector contracts operates effectively. Accordingly, the procurement oversight body should pay attention to the ability of local suppliers to compete for public contracts. Periodic awareness campaigns should be conducted to make sure suppliers, contractors and consultants know the policies and regulations and their rights and obligations under them, including how complaints and disputes will be handled. These campaigns should also address corruption-related issues. [***Box to be drafted after OECD GF on corruption in public procurement.***] Various programs to assist the business community are possible, but those that directly aim at improving the ability of firms to compete according to free market economy rules are likely to be more successful in the long run than the introduction of protectionist measure to protect local “infant” industries. In any event, the way that governments conduct their business should be generally consistent with the expectations and capabilities of local markets or they will lose out on the benefits they can bring.
- Civil Society  
Civil society can play a useful role in the field of procurement, particularly if it is made aware of the existing policies and procedures, and of what their rights to intervene in a government financed procurement process. Civil society is, after all, the ultimate beneficiary of the results of public procurement and it can be very useful in policing any irregularities (if it were only able to recognize them). To improve the capacity of civil society to carry out its responsibilities in this regard, the oversight body should make sure that regular awareness campaigns are carried out specifically targeted at this audience. Furthermore, all changes to the policies and regulations and periodic reports about the results of ongoing public procurement should be published widely. When details about procurement opportunities, contract awards and contract results are made transparent and the public is allowed to comment openly on it, the greater respect the national system is accorded. The role of certain specific NGOs can also be useful in the procurement

context. This might enable the government to enhance local respect for its local procurement system and its ability to resist corruption.

### 3.6 Aid Agencies [To be developed]

44. In short, developing procurement capacities is an iterative cyclical process that looks something like the one depicted in the following flow chart:

