



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

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Working Party on Aid Effectiveness and Donor Practices

**2nd Joint OECD/DAC - World Bank Round Table on Strengthening Procurement Capacities in
Developing Countries**

Summary Report

4-6 February 2004 in Kampala, Uganda

*The documents cited in annexes 2-5 are available on the OECD/World Bank joint website on Strengthening Procurement Capacities in Developing Countries, which can be found at the following address:
<http://webdomino1.oecd.org/COMNET/DCD/ProcurementCWS.nsf>*

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I. Purpose

1. The purpose of this note is to summarize the results of the 2nd meeting of the Round Table on Strengthening Procurement Capacities in Developing Countries that took place in Kampala, Uganda on 4-6 February 2004, to document the program of Round Table activities planned for the coming year and to seek feedback from participants on some issues of mutual interest.

II. Background

2. As those involved in the Round Table process are aware, the objectives of this joint OECD/DAC – World Bank initiative, which is being co-chaired by Mr. Stephen Chard of the U.K. Government's Department for International Development, and Mr. Robert Hunja, Manager of the Procurement Policy and Services Group in the World Bank, are to strengthen partner country procurement systems and their ownership of the procurement process, and by moving towards greater and better harmonised international use of these systems, to improve aid effectiveness. The main instruments seen to be effective in achieving these twin goals, which were identified at the 1st Round Table in January 2003, are to

- bring procurement into the mainstream of the development debate, enhancing the awareness that it is an important core function of government,
- establish clear standards against which the performance of procurement systems can be measured or benchmarked,
- develop the necessary tools to monitor and evaluate this performance, and
- design an effective procurement capacity building strategy that yields sustainable results.

3. Ultimately, this process is intended to help developing countries put into place procurement systems that are recognised internationally as being sound and around which developing countries and the donor community alike can better achieve their common objectives of accountability, and effectiveness and satisfy their respective fiduciary requirements.

III. Results

4. The 2nd Round Table was hosted by the Uganda Public Procurement and Disposal of Public Assets Authority and opened by Mr. Isaac Muscumba, Ugandan Minister of State for Finance (Planning). Some 60 participants from partner countries (Ghana, Indonesia, Madagascar, Tanzania, South Africa and Uganda) and from the bilateral and multilateral donor community attended the meeting, most of whom are experts involved full-time in related procurement questions and issues. (The Attendance List is included in Annex 1.)

5. The agenda was designed to give participants the opportunity to (i) review the progress made by the subgroups working on the four core themes mentioned above¹, (ii) share important recent developments in partner and donor countries related to the core themes, (iii) rationalise and strengthen the linkages between and among these themes and the pilot projects related to each that are either already underway or under serious consideration, and (iv) through an intensive series of breakout sessions to develop concrete action plans for 2004 on each theme that will produce high quality results being produced in advance of the

¹ Given the fundamental link between themes of Benchmarks & Standards and Monitoring & Evaluation, it was decided to merge the Working Groups for these two themes.

final Round Table meeting on procurement which is tentatively scheduled for December 2004, and the Second High Level Forum on Harmonisation that will take place in Paris in March 2005.

6. Participants were pleased with the progress made during 2003 and generally optimistic that good quality results as identified in the breakout sessions can be produced by the time of the 3rd Round Table meeting on procurement tentatively scheduled for December 2004.

- In the discussion on *mainstreaming*, the Working Group proposed to prepare a strategy paper outlining how best to communicate the message that procurement is important, what audiences need be addressed both at the international and the national levels, what messages might work best with each group, the “drivers” that must be present for procurement to be successfully mainstreamed and how the concept should be “operationalized”. The preliminary draft outline of a note describing what a mainstreaming strategy might look like and the schedule agreed to develop it are attached in Annex 2.
- In this connection, participants stressed in particular the need to forge better and clearer links between the Round Table work on procurement and the work being done elsewhere on the wider harmonisation agenda. To this end, it was agreed the DAC Secretariat should approach the Public Financial Management Joint Venture of WP EFF and the MDB Heads of Procurement group to explore ways to improve coordination and communications with them, as well as to make sure that higher level *fora* are kept better informed about recent developments and issues relating to procurement.
- GTZ updated everyone on the Public Procurement Reform Agenda in Indonesia for the years 2003 to 2005, highlighting in particular the challenges and uncertainties that are making reform difficult. These include, among other things the fact that government has yet to give public procurement a clear priority, as well as the complications it faces in implementing and enforcing the new Presidential Decree on Public Procurement due to decentralization, opposition from the Chamber of Commerce and disorganization within civil society. They argue that better mainstreaming messages need to be marshalled, procurement staff made more professional and civil servants made better aware of the benefits of good governance. The Presidential Decree contains some built in mainstreaming mechanisms, e.g. mandatory use of the “integrity pact”, establishment of a national public procurement office by January 2005, a requirement that all procurement professionals become certified by January 2006 and opening up public access to procurement plans and documents. (A copy of their presentation is also included in Annex 2.)
- The Working Groups on *benchmarks & standards* and *monitoring & evaluation* (which have now been merged) agreed to advance their combined work by producing a framework for benchmarking procurement systems, a strategy to implement it that includes extensive field testing and a companion monitoring and evaluation framework based on a set of quantifiable indicators. Various monitoring and evaluation pilot projects have already been launched in the Dominican Republic, Ghana, Madagascar, Morocco, Nicaragua and Uganda. These pilots will be subjected to mid-term reviews in 2004 and as soon as the second draft of the benchmarking system is complete and agreed, benchmarking will be initiated in those countries. A comprehensive advanced draft of this framework, incorporating the results of this early testing work will be made available to participants in advance of the 3rd Round Table meeting near the end of 2004.
- Copies of the presentation made by the theme leader of this Working Group and the 15 January 2004 draft Model for Performance Measurement (PM) of National Public Procurement Systems are attached in Annex 3. The proposed PM model will focus on four pillars: the legislative and

regulatory framework; central institutional capacity, procurement operations and market performance, and the integrity of the public procurement system. In addition, Annex 3 contains a copy of the presentation given by the Africa Region of the World Bank about the oversight system it introduced three years ago called the National Systems Performance “Observatory”. The Observatory measures the quality of public procurement systems in Africa in terms of 5 similar pillars: their legal, regulatory and institutional frameworks; the procedures and practices they use; the skills of their procurement staff; the efficiency and independence of their appeals mechanisms and how effective their anti-corruption measures are. While improvements are being made, particularly in Ghana, Kenya, South Africa, Tanzania and Uganda, the World Bank urged donors to strengthen their efforts to build programs designed to build procurement fiduciary management capacity.

- Representatives of Ghana and Switzerland also briefed the participants on the current status of procurement reform in Ghana and their joint pilot project, which is aimed at benchmarking, monitoring and evaluation of procurement systems at the entity level. After some delays, the new Procurement Bill was finally passed by Parliament and signed in December 2003. It became official in January 2004 and steps can now be taken to set up a Procurement Secretariat and the Public Procurement Board, the lack of which has delayed progress on the pilot. A publicity campaign and an awareness exercise will be launched to inform everyone about the new law and a comprehensive capacity building program must follow shortly to make sure that implementation of the reform is a success.
- The effort by the Working Group on *capacity building* was focused on how to prepare a comprehensive capacity building strategy document that will provide useful targeted efforts in specific areas. To reach this end, a scoping study will be carried out first to identify the guiding principles that should underpin such a strategy and the practical implementation techniques associated with each, building on the work already done by Crown Agents and GTZ. This scoping study, which will be based on an analysis of successful (and unsuccessful) examples of capacity building, will guide the process leading up to the preparation of a draft guidance/best practice note. Efforts will be made throughout to make sure that the lessons being learned by the other Round Table theme Working Groups are properly reflected in the resulting capacity building strategy and vice versa.
- Copies of the action plan prepared by this Working Group and a companion handout outlining how good practice guidelines will be developed for presentation at the next Round Table meeting in December, are included in Annex 4 to this Report. Copies of the Crown Agents and GTZ reports referenced above are also included, as well as copies of presentations made by the host for the Kampala Round Table, the Ugandan Public Procurement and Disposal of Public Assets Authority (PPDA) on its capacity building strategy and a status report on the Tanzania – DFID procurement capacity building project. The PPDA paper demonstrates in excellent detail the many issues that must be addressed to put into place a sustainable strategy, not the least of which is scarcity of adequate funds. The status of the Tanzanian procurement reform process is less advanced and therefore the full extent of its true capacity building problems and needs are not as well defined.
- Representatives from Ethiopia, Madagascar and South Africa, as well as the African Development Bank and the Danish Development Assistance Group (Danida) also briefed the participants on important recent developments in their governments and institutions. Their reports graphically demonstrated that real progress is being made on procurement reform in many parts of the world with important links to each of the Round Table themes. The intervention by Ethiopia described its efforts to improve procurement efficiency and stressed how important it is

to have measurable performance indicators in this respect. The participant representing South Africa also briefed participants about what has happened to its ongoing procurement reform process. The capacity building challenge faced by the South African system, which is organized around the extremely powerful concept of supply chain management the Government decided to adopt after studying the way procurement is carried out in the private sector, is substantial and much still remains to be done. (The new procurement policy framework was only issued in December 2003.) An area of immediate concern relates to the formal system by which disputes are presently handled. Given the current volume of cases, two staff members are forced to spend their entire time in court. An informal dispute resolution mechanism would most likely be more effective.

- The African Development Bank described how it is promoting a regional approach to procurement reform as demonstrated by its work with the COMESA, EUMOA and ECOWAS countries. Danida briefed the participants about a recent major change to its official Procurement Policy that reflects Denmark's its new interest in encouraging greater use of aid recipient partner country systems. It emphasized how important it is to keep such documents as short and unambiguous as possible and to provide for maximum flexibility in application. (Seven different approaches are now permissible, ranging from the optimal which allows full use of the partner country system through to Danida itself carrying out all procurement, based on an assessment of the respective risks presented by each system.
- Copies of the Danida and South Africa presentations can be found in Annex 5. (All of the documents described in Section III of this report will also be posted on the Round Table Web site: <http://webdomino1.oecd.org/COMNET/DCD/ProcurementCWS.nsf>).

IV. Issues and Next Steps

7. The developing country participants who were able to attend the Round Table were predominantly from Africa. The possibility of convening one or two interim smaller Round Table meetings in Asia and/or Latin America will be pursued so that the ideas and experiences in these other regions can be captured. Preparations will also begin in the near future for the important 3rd Round Table meeting on procurement capacity building.

ANNEX 1

PARTICIPANTS LIST FOR DAC-WORLD BANK: 2ND JOINT ROUND TABLE ON STRENGTHENING
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4 February 2004 - 6 February 2004

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**ANNEX 2
MAINSTREAMING**

1. Working Group 1st Draft Outline of Mainstreaming Strategy Paper
2. GTZ presentation on Public Procurement Reform Agenda in Indonesia (2003 – 2005)

**ANNEX 3
BENCHMARKS, MONITORING & EVALUATION**

1. Working Group Presentation: “The Four Pillars of Public Procurement Benchmarking
2. 15 January 2004 draft of Model for Performance Measurement (PM) of National Public Procurement Systems, complete with Annex 1, Performance Assessment Table; Annex 2, Procurement Statistics; and Annex 3, Complaints Data
3. Presentation by World Bank Africa Region on Performance of the World Bank National Systems “Observatory” and Procurement Performance in Bank-financed Projects
4. Ghana-Swiss Partnership for transparency and accountability in Public Procurement Pilot Project
 1. Presentation on Procurement Reform in Ghana
 2. Public Procurement Model of Excellence (PPME)
 3. Status Report “Benchmarking, Monitoring & Evaluation of Procurement Entities”.

**ANNEX 4
CAPACITY BUILDING**

1. Working Group Presentation: “Strengthening procurement capacities”
2. Working Group handout “Theme Two – Procurement Capacity Building”
3. Crown Agents paper “DAC Theme Two – Capacity Building Desk Based Study
4. GTZ Paper “Capacity Development for Sustainable Development – Partner and Donor Principles
5. Tanzania – UK Department for International Development Progress Report January 2004
6. Uganda Public Procurement and Disposal of Public Assets Authority Capacity Building Strategy for the Public Procurement Sector August 2003

**ANNEX 5
COUNTRY PROCUREMENT REFORM DEVELOPMENTS**

1. Procurement Reform in South Africa: “Introduction of an Integrated Supply Chain Management Function in Government
2. Presentation and Handout: Developing Danida’s Procurement Policy – Reflecting the need to Strengthen Partners’ Procurement Capacities