GOOD PRACTICE PAPER
ON
PROCUREMENT CAPACITY DEVELOPMENT

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Misty Hills Country Hotel
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FOREWORD

1. Finding effective ways to strengthen procurement capacities presents a daunting challenge. Traditional techniques have often been ineffective in generating sustainable improvements. There are, however, new theories and techniques that can enhance the chances of success. Those about to embark on a major capacity development initiative are encouraged to take note of the Round Table’s Strategic Framework for Mainstreaming and Strengthening Public Procurement, which provides a summary of recent thinking on change management, open systems, conflict management and communication strategies that might help in designing more effective programmes.

2. Before designing a programme for developing capacities it is essential to have a clear picture of the quality of the national procurement system in question as it compares to internationally accepted standards and benchmarks. Ensuring that the objectives and timing of the capacity development programme are coherent in the context of the overall country procurement strategy is equally important. Finally, progress with the implementation of the programme needs to be closely monitored so that corrective actions can be taken, as necessary.

3. Tools for these assessments and for monitoring and evaluating performance have been developed by the Round Table and are presented in the Working Group Paper on Benchmarking, Monitoring and Evaluation. These and the other tools produced by the Round Table allow developing countries and donors to identify specific capacity needs and prioritise the various components in the capacity development programmes they design.

4. Throughout the development of this Good Practice Paper (GPP) for Procurement Capacity Development various sources of information on capacity development and related topics have been identified. Links to this information are posted on the Round Table’s public Web site which can be found at the following address. (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

1. INTRODUCTION

1.1 Background

5. “Capacity development” is a relatively new term for a longstanding and difficult issue that those in the field of development co-operation have faced for years: the increasingly important need to strengthen government capacities. Use of this particular term emerged in reaction to the perceived failures of earlier technical co-operation activities and it has quickly gained acceptance as the core objective of donors’ assistance programmes, as witnessed by the quote from 1996 DAC strategy on Shaping the 21st Century contained in Box 1 above. The creation of the Joint OECD/DAC – World Bank Round Table on Strengthening Procurement Capacities in Developing Countries also stems from this objective.

6. The Round Table has produced this GPP on Procurement Capacity Development, as well as two other related documents: a Strategic Framework for Mainstreaming and Strengthening Public Procurement and a Working Group Paper on Benchmarking, Monitoring and Evaluation. These three documents are brought together by an Executive Summary which summarises the main suggestions in all three documents and shows how they are interlinked. The Johannesburg Declaration, which was discussed by Round Table participants and adopted on 2 December 2004 maps out a phased process for them to be used. Experience shows that effective capacity development will not occur unless (i) these close and mutually reinforcing links are honoured, (ii) careful benchmarking and assessments are carried out, (iii) “mainstreaming” is made an important objective and (iv) progress is closely monitored and evaluated during implementation.

1.2 Objective

7. It is hoped this GPP will attract wide interest in the development community given the vital importance of finding better ways to develop capacity in the area of procurement, which has been amply demonstrated and justified in Section III of the latest draft of Strategic Framework for Mainstreaming and Strengthening Public Procurement. The Round Table considers the recommended approach to be a viable method to develop sustainable procurement capacities. The GPP is primarily intended for governmental
organizations in developing countries that are responsible for procurement, but some suggestions are also provided for other concerned stakeholders. The need for a team-based approach is stressed throughout and for all stakeholders to play a constructive role. Donors, in particular, can play an important role in supporting local capacity development but they are encouraged to harmonise any conditions they impose and align their procedures around national procurement systems. All those who use this GPP are invited to provide feedback on what has worked and what has not, so this approach to capacity development can be improved over time.

1.3 Definition of Capacity Development

8. The theory and practice of developing capacity are work in progress. The term capacity development itself still means many different things to many different people, such as institution building, human resource development, management improvement, administrative streamlining, institutional strengthening, etc. Nevertheless, the interpretation being given to it by the UNDP, which has played a leadership role in this area, has become the focal point around which many important ideas and lessons learned are now coalescing. The Round Table has built its approach using the latest definition developed by an OECD/DAC task force charged with developing a generic Good Practice Paper on Capacity Development, which builds on the UNDP work and is included in Box 2 below.

<table>
<thead>
<tr>
<th>Box 2. A Definition of Capacity Development</th>
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<tr>
<td>&quot;Capacity is the ability of people, organisations/institutions and society as a whole to successfully manage their affairs. Capacity development is the process of unleashing, conserving, creating, strengthening, adapting and maintaining capacity over time.&quot;</td>
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<tr>
<td>Source: OECD/DAC Task Force developing a generic Good Practice Paper on Capacity Development. November 2004</td>
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</table>

The Round Table then builds on this generic concept, however, and measures the success of capacity development efforts in the specific procurement context. It looks at the ability of the procurement system to perform the many specialised technical, commercial and other functions needed to carry out complicated procurement transactions; at its success in solving procurement problems, complaints and disputes and maintaining the credibility and confidence of the market; and ultimately at its success in achieving the ultimate objective of all good procurement systems: maximum value for money.

9. The approach to capacity development adopted in this GPP relies on the two related concepts that are pivotal in this definition:

(i) the focus is country-specific and multi-tiered, ranging all the way from the society itself through its institutions down to the individual level, and

(ii) the process of capacity development is much broader and more complex than just “strengthening” and also includes “unleashing”, “conserving”, “creating”, “adapting” and “maintaining”.

1.4 Structure

10. This GPP is based on the definition of capacity development given above and is structured as follows:
• Section 2 discusses the relationship between a country’s overall procurement strategy and the capacity development strategy or programme that should logically follow from it.
• Section 3 lists the general principles of capacity development and elaborates those principles that are considered pertinent to procurement. In particular, it describes the iterative process that stakeholders are advised to follow in order to design a strategic plan for capacity development.
• Section 4 describes the range of stakeholders whose issues, constraints, etc. need to be addressed for capacity to be developed successfully.

2. THE CAPACITY DEVELOPMENT CONTEXT

11. The objectives, focus and timing of any capacity development programme need to be an integral part of the country’s overall procurement strategy. Without a clear policy of how a country wants its procurement system to evolve over time and what kinds of specific capacity demands the system will face, it is futile to try to design a strategic programme that will produce the right level and kinds of capacity to handle these requirements professionally.

12. Thus, before embarking on the design of such a programme it is essential for the government to articulate and adopt an overall procurement strategy that specifies what objectives it wishes to achieve, assigns responsibilities, allocates budgets, identifies instruments and sets the time horizon of the reform process. This strategy also needs to explore linkages with other public sector functions, in particular, those relating to public financial management. If the overall procurement reform strategy is not anchored in the broader public sector context, capacity development will remain an isolated and unsustainable process.

13. One of the core issues to be addressed in procurement capacity development is the need for better cooperation and coordination with other relevant public reform processes. This can affect the overall success of procurement capacity development initiatives. For example, if the government is decentralising its operations, the impact on its procurement system will be enormous. In a country like Indonesia, which has opted for this strategy, decentralisation (an approach considered by many to be best practice in procurement) clearly has significant consequences for the number, type and mix of institutions involved in procurement, their organisational structure and the skills procurement staff required.

14. A government wishing to pursue a Public Private Partnership approach to maximize private investment in the public sector may require a smaller number of staff fully dedicated to handling specific procurement transactions, but the complexities and risks posed by this kind of procurement require staff with different skills for the contracts covering these types of operations to be properly procured and implementation managed. It has always been considered good practice for procurement entities to maximise use of private sector firms and individual consultants to support or actually carry out any of the various functions necessary for a high quality efficient procurement process. The private sector can provide valuable assistance in areas such as knowledge management, technical and commercial analysis and assessment, project preparation, project implementation and procurement monitoring and evaluation (including audits), or when there is a need for a particular other kind of scarce expertise.

15. Outsourcing the procurement function itself to a private sector provider may also be a viable solution, particularly when internal capacity constraints are an issue. Because of the important fiduciary responsibilities involved, however, this approach too requires careful monitoring and oversight. It is important to structure the compensation arrangements in final contracts for these services so that payment
is somehow linked not just to process but also to final outcomes, e.g. achievement of “value for money”. This will establish the right kind of positive incentives and reduce the potential conflicts of interest and opportunities for corruption that such situations can otherwise create. Professional and academic bodies also play a key role in the development of procurement capacity and the sharing of “best practice”. Together with business community and private sector experts, they have the potential to bridge misunderstandings and gaps between public and private sector experience. Whatever choice is made, the capacity development programme must be designed to support the country’s ultimate strategy for strengthening public procurement in the context of the complex enabling environment within which it operates (see Diagram 1).

Diagram 1

16. Another core issue to address is corruption and bribery. It is widely accepted that much of the “grand” and “petty” corruption that takes place world-wide arises in and around the arena of public sector procurement. The Round Table acknowledges that there is no single recipe for fighting corruption. The causes and logics of corruption vary, and the resulting differences between country-specific situations need to be taken into account when designing anti-corruption strategies that will be effective. Equally procurement needs to be considered as an integral issue in governance and anti-corruption strategies. Strong ethical policies that are both understood and widely disseminated will help to underpin procurement capacity development efforts, enhance professionalism and transparency and anti-corruption and governance initiatives.

17. To be effective, anti-corruption strategies in public sector procurement need to address most or all of the following:

- The exercise of exceptional political and managerial will,
- Proper enactment and enforcement of procurement laws and regulations,
- The existence of adequate incentives for transparent bidding processes,
• The introduction of institutional improvements.
• Enhancement of professional skills.
• Use of standard approaches in various procurement processes.
• The need for ethical codes/integrity pacts.

3. PRINCIPLES FOR CAPACITY DEVELOPMENT

3.1 Underlying Principles:

Experience tells us that developing sustainable improvements in procurement capacity requires a process that is built on many of the basic principles that have been articulated by the UNDP. These principles are not procurement-specific, but are proving useful in determining how to react when issues arise during the planning and implementation phases of capacity development (see Box 3).

<table>
<thead>
<tr>
<th>Box 3. UNDP's 10 Default Principles for Capacity Development</th>
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<tbody>
<tr>
<td>2. Respect the local value system and try to foster self-esteem. The imposition of alien values can undermine confidence. Capacity development builds upon respect and self-esteem.</td>
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<tr>
<td>3. Scan locally and globally; reinvent locally. There are no blueprints. Capacity development draws upon voluntary learning, with genuine commitment and interest. Knowledge cannot be transferred; it needs to be acquired.</td>
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<tr>
<td>4. Challenge mindsets and power differentials. Capacity development is not power neutral, and challenging mindsets and vested interests is difficult. Frank dialogue and a collective culture of transparency are essential steps.</td>
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<tr>
<td>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 will inspire their institutions and societies to work accordingly.</td>
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<tr>
<td>6. Establish positive incentives. Motives and incentives need to be aligned with the objective of capacity development, including through governance systems that respect fundamental rights. Public sector employment is one particular area where distortions throw up major obstacles.</td>
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<tr>
<td>7. Integrate external inputs into national priorities, processes and systems. External inputs need to correspond to real demand and be flexible enough to respond to national needs and agendas. Where national systems are not strong enough, they should be reformed and strengthened, not bypassed.</td>
</tr>
<tr>
<td>8. Build on existing capacities rather than creating new ones. This implies the primary use of national expertise, resuscitation of national institutions, as well as protection of social and cultural capital.</td>
</tr>
<tr>
<td>9. Stay engaged under difficult circumstances. The weaker the capacity is, the greater the need. Low capacities are not an argument for withdrawal or for driving external agendas. People should not held hostage to irresponsible governance.</td>
</tr>
<tr>
<td>10. Remain accountable to ultimate beneficiaries. Any responsible government is answerable to its people, and should foster transparency as the foremost instrument of public accountability. Where governance is unsatisfactory it is even more important to anchor development firmly in stakeholder participation and to maintain pressure points for an inclusive accountability system.</td>
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Source: From UNDP’s Ownership, Leadership and Transformation page 13
3.2 Procurement specific principles

19. The process or plan for capacity development should not be considered as a blue print. The circumstances affecting any country wishing to improve its capacity are too complex and the opposition to change so variable that no rigid plan will apply to all situations. Therefore, an iterative process is proposed that will be pragmatic and self-correcting and which is aimed at creating a viable institutional framework for developing and maintaining over the medium and long term the correct level of procurement skills and capacity for the important procurement staff at all levels that carry out day-to-day procurement operations.

20. The principles on which this process should be based are captured by the following concepts and are explained in more detail below:

1. Country Ownership
2. Broad Stakeholder Consultation
3. Open-eyed and Cost effective Needs Assessment
4. Strategic Planning
5. Closely Monitored and Flexibly Managed Implementation

3.2.1 Country ownership

21. Without serious country commitment to a program for public procurement reform and capacity development and the ability on the part of those making this commitment to translate this into appropriate action, little meaningful capacity will result. Outside stakeholders, such as the donor community cannot make up for lack of country ownership and leadership. These are difficult and complex issues but understanding of both in the country context is necessary. They are essential building blocks for a good capacity development programme. In fact, to proceed with capacity development without country ownership could create more damage than good. In such cases, political correctness often dictates 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. This in turn makes future reform efforts even more difficult to carry out.

22. So the first critical step in the capacity development process is to verify that a minimum level of local ownership and commitment exists and, equally important, the ability to translate this into appropriate action. This is important enough to require some form of independent verification process, e.g. the carrying out of a stakeholder analysis. If there is some question about this in the minds of the government and/or other major stakeholders, this should have a major impact on the nature and design of any subsequent capacity intervention.

3.2.2 Broad stakeholder involvement

23. 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. To be effective, capacity

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1. Sections 1.2 and 1.3 in the UNDP’s Ownership, Leadership and Transformation provide good summaries of both subjects. See pages 29 through 40.
development needs to take account of these multiple levels and the power relationships between important actors at each level in the system.

24. 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 development efforts are unnecessarily hindered. To minimize the negative impact of this, it is essential for the capacity development process to be managed carefully and consistently by an informed group of stakeholders with a long term interest in the ultimate viability of the system. (See Box 4)

<table>
<thead>
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<th>Box 4. Lessons learned from procurement reform in Indonesia</th>
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<td>(Stakeholder involvement)</td>
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<tr>
<td>⇒ Reforms must be coordinated with other reform areas and supported by effective cross-government working groups</td>
</tr>
<tr>
<td>⇒ Process must involve &amp; mobilise different stakeholders</td>
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<tr>
<td>⇒ Process must be lead and managed by central high-ranked procurement policy oversight officials</td>
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Stakeholders should include:

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

Source: 1st RT presentation

25. The second critical step in effective capacity development is to involve as many key stakeholders as possible. Ideally this would mean that they are included at the assessment, planning, design and implementation phases of any intervention. Failing direct inclusion in the decision making stages at the different phases of process, they should at least be consulted frequently.

3.2.3 Open-eyed and cost effective needs assessment

26. An area where previous experience has been disappointing is the lack of a connection between a capacity development program and the government’s actual needs as reflected in the government’s longer term procurement strategy. Needs assessments have generally been donor-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. An additional weakness in previous programs is the failure at the assessment

2. (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.)
stage to clearly identify the various drivers for and barriers against change that might impact the intended success.

27. Against this background, the third critical step is to base capacity development programs on the long term procurement strategy of the government. The country’s existing capacities and realistic future requirements needed to implement the strategy need to be assessed using a wide-angle lens. Without “open-eyed” assessments, 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 as well by governments to creating the ongoing capability to realistically monitor capacity trends. The Round Table’s Working Group Paper on Benchmarking, Evaluation and Monitoring provides a set of monitoring instruments that will assist in this regard.

28. It is also important to keep the costs of capacity assessments under control. This can be achieved by making maximum use of existing material from previous assessments. New research should only be undertaken to fill important information gaps concerning high risk areas of performance and where capacities are critical. Ultimately, governments will need an inventory of: (i) current procurement resources, (ii) the volume and qualifications of the locally educated procurement staff, 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 Working Group Paper on Benchmarking, Evaluation and Monitoring is ultimately intended to produce this kind of information about existing resources and capacities.

3.2.4 Strategic plan

29. The fourth critical step in developing better procurement capacity is to concentrate everyone’s efforts on carrying out a flexible plan that is focussed on realistic, achievable objectives, and implemented under the watchful eye of real performance indicators. This GPP does not recommend the blanket use of any particular capacity development tools or techniques. The challenges facing each government and the approaches that will be effective in each case are too varied to be anticipated in a paper like this. Nonetheless, a combination of the following is likely to be required, e.g. carrying out baseline diagnostic analyses, stakeholder analyses, training needs assessments, conducting stakeholder fora, and the like are all like to be required. Whatever the specific content is adopted, the following characteristics are important in determining the success of a particular plan in this respect.

1. The approach to the plan 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 of the plan should have an institutional focus. While developing the professional skills of a broad range of individual staff is the ultimate goal of capacity development, the best means to achieve this goal in a sustainable way 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 national procurement oversight body, the country’s procurement professional organization, if any, the public sector training institute, the body charged with handling procurement disputes or appeals, etc.

3. The focus of the plan should be 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.

4. Proposed steps to enhance procurement capacity should be sequenced with other ongoing public sector reforms, particularly in the public financial management sector. Even if procurement performance can be improved, optimal performance will remain elusive if the government’s public financial management is inefficient.

5. 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.

6. A flexible strategy may include resorting to the use of outsourcing to cope with serious skills gaps. Even in well developed procurement systems outsourcing is a possible cost-effective way of fulfilling procurement needs. The possible risks that this might create can be mitigated by paying careful attention to possible conflicts of interest, structuring the final contract to include positive incentives towards the achievement of performance outcomes (i.e. obtaining “value for money”, not just following certain procedures) and close supervision of the firm selected to deliver the outsourced services.

3.2.5 Closely monitored and flexibly managed implementation

30. Even if the plan is “entrepreneurial” and “opportunistic”, these features are of little use if the implementation is not monitored closely enough to detect opportunities for improvements or worrisome trends that require corrective action. Therefore, a fifth critical step is to ensure that the implementation is closely monitored and flexibly managed.

31. Those responsible for capacity development initiatives need to welcome changes to the original plan when 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 should be to sharpen the focus of the program and improve its chances of success.

32. Monitoring this process well requires a solid reporting mechanism that enables the government to see what is really going on. Thus, 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.

33. During the monitoring process, early successes should be broadcast widely and celebrated. The ripple effect of even minor victories in capacity development can have a major long-term impact on the success of future bigger reforms. Word of mouth reports of success shared by a broad group of key stakeholders are often more persuasive than the results of elaborate more costly communications strategies.

34. In sum, applying these principles to develop the capacities required to implement the national procurement strategy will result in the kind of iterative process depicted in diagram 2 below involving a number of stakeholders whose roles and functions will be addressed in section 4.
4. STAKEHOLDERS

4.1 Introduction

35. The point is made in Section 3.2.2 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 and highlights their respective roles in strengthening procurement capacities.

36. An overview of the stakeholders involved in procurement capacity development is provided in Diagram 3, which shows in a hypothetical example which stakeholders should be targeted (those of high importance and with considerable influence). In each country, however, the specific stakeholders to select and their relative positions will differ. There is no “one size that fits all” solution. In choosing the approach to take in a specific country context, it is important to target the key institutions that play a major role in the procurement system.
37. Using the approach described in the Round Table’s *Working Group Paper on Benchmarking, Monitoring and Evaluation* should produce an overall assessment of the capacity development needs of each stakeholder. But it needs to be kept in mind that each stakeholder and each audience responds to different techniques and messages. A uniform strategy across stakeholders will not be effective. As a result, the task of creating a viable communications strategy becomes all that more challenging. (This challenge is addressed in the Strategic Framework for Good Practice Paper on Mainstreaming.)

4.2 National Institutions

38. Given the institutional approach recommended in this *GPP*, the starting point for sustainable capacity development has to be institutions. If the national institutional framework of which the procurement forms part is flawed in any significant way, then the effectiveness of the procurement system will also be affected. The strategy should then look at ways to address these institutional flaws. It may be politically difficult to change many of these aspects, but they should, nevertheless, be noted in the “long list” of components for capacity development. Broader public sector reforms seldom result simply from attempts at procurement capacity development, but there may be some other reform processes already ongoing which might create the opportunity to introduce procurement specific considerations. (Integrating or at least closely coordinating procurement and public financial management reforms is considered best practice.)

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

4.2.1 Procurement oversight organisation

40. Good procurement systems require institutions which are responsible for policy oversight. This involves setting the government’s overall procurement strategy, monitoring the quality of ongoing performance, compliance with the existing regulations, etc. The mandate of this body should be in
accordance with internationally accepted benchmarks. Appropriate resources and capacity to adequately carry out its functions should be assigned to it. Ideally, it should be an integral part of the government’s public financial management system and independent from political interference with regard to operational decisions. Finally, its reporting, monitoring and evaluation systems need to be effective 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. The assessments of the quality of procurement oversight body will result from implementing the approach described in the Working Group Paper on Benchmarking, Monitoring and Evaluation.

4.2.2 Civil service administration

41. Including the organisation that is responsible for administration of the government’s civil service should be considered for possible inclusion because the treatment of public service staff can create incentives that can affect day-to-day operations. Issues to consider 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?

4.2.3 Public sector management training institute

42. If such an institute exists, it should be consulted during the process of setting up an overall capacity development 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 the mandate of this institute should be checked to establish whether it has the ability to make reasoned decisions about procurement-related matters. Thought should also be given to bringing academic institutions into this process. They are particularly well suited to give advice on how to develop certain kinds of advanced capacity. The more the private sector becomes involved in helping develop capacity, the more cost-effective long-term capacity development becomes.

4.2.4 Ministry of Education

43. 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.

4.2.5 Procurement Control or Enforcement Institutions

44. These institutions play a vital role in reinforcing the integrity of the entire system. During the design and planning phase attention has to be paid to (i) the government’s internal audit agency, (ii) the parliamentarian oversight committee(s) for the public sector budget, financial management and procurement issues, and (iii) the judicial bodies involved in enforcing the legal framework for procurement and disputes when they are referred to court. All 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. In addition these institutions need to be able to judge whether the policies and procedures are operating smoothly and if an acceptable level of compliance is being maintained.
4.3 Procurement Entities

45. Obviously, procurement entities themselves are high priority targets for any capacity development program. Having qualified people working on procurement does not help if they are placed in organizations that are ineffective. Thus, procurement entities need to be properly staffed, well managed, with clear delineation of who is accountable for procurement decisions, equipped with systems having proper internal and external checks and balances that comply with a strict official ethical code specific to procurement, etc. These issues are set out in more detail below:

4.3.1 Organizational Structure

46. 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.) Good procurement will not result, if procurement staff is not high enough positioned to gain the respect of operational management, or if its professional judgments can be overruled unilaterally by this management.

4.3.2 Staffing Profile

47. These entities should have a staffing profile that enables them to cope with the volume and complexity of the actual procurement activities. The focus of attention should extend beyond the staff labelled as procurement “officers” and also consider all the other functions that are necessary for and support the procurement activity. Having professional procurement officers alone is not enough to guarantee good procurement. Beyond the primary function of handling bid evaluations, complaints, resolving disputes, monitoring contract performance, it is also important to ensure that administrative functions such as organizing filing, handling invoices etc. operate efficiently. Finally, procurement staff requires technical, commercial and legal backup and assistance. Weaknesses in any of these areas can serious undermine the effectiveness of the overall procurement system. This is a relatively new area for procurement reform and little has been done explicitly aimed at this aspect of the procurement operation. One part of the Working Group Paper on Benchmarking, Monitoring and Evaluation consists of a procurement entity assessment tool that should be useful in focusing attention on these issues.

4.3.3 Involvement in Budgeting and Planning Process

48. The issue of the links between the procurement and public financial management functions has already been referred to in connection with the discussion about the central procurement oversight body. In the context of specific procurement entities two issues are important: (i) whether the budget cycle permits funding of multi-year contracts, which often represent the best way to achieve value for money, and (ii) whether the budget allocated for procurement provide assurances that long-term funding is available for the funding of the appropriate staff level.

4.3.4 Information Technology Infrastructure and Skills

49. Information technology is increasingly providing essential tools for the operational part of any good procurement organization. They bring greater transparency to the procurement process and can produce 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, 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 potential benefits from e-procurement in terms of enhanced transparency and improved efficiencies outweigh the front-end costs that might be incurred. 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 and Strengthening Public Procurement provides an example of the benefits South Korea has obtained from its efforts in this area.)

4.3.5 Human Resources Function

50. This aspect has already been touched upon in connection with the central body responsible for administration of the civil service. The human resources function in each procurement entity needs to provide a clear framework and set standards for (i) the entry level qualification requirements for the full range of procurement openings; (ii) the competitive selection techniques used; (iii) the appropriateness of salaries offered and actually paid; (iv) the career path offered to procurement officers; (vi) the dissemination and enforcement of these standards. All of these human resource aspects are important in transforming procurement into a more professional function and in creating positive incentives for better staff performance.

4.4 Individual Procurement Staff

51. The emphasis here should be on ensuring that the institutional framework for procurement is conducive to and will 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, and 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 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. 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.

4.5 Other National Stakeholders

52. 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 is impossible without properly functioning markets. Civil society can be a positive force for improving procurement, especially when the promised benefits from good procurement materialise. Both groups are important, but slightly different approaches are needed to engage them effectively in capacity development issues and activities.

4.5.1 The Business Community

53. Value for money will not be achieved 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. Various approaches to assist the business community are possible, but those aimed directly at improving the ability of firms to compete in an open market are likely to be more successful in the long run than the introduction of measure to protect local “infant” industries. In any event, the way in which governments procure should be consistent with the expectations and capabilities of local enterprises or they risk losing out on the benefits of free competition.
4.5.2 Civil Society

54. Civil society can play a useful role in the field of procurement, particularly if they are aware of the existing policies and procedures, and of 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. 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, substantive 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 on it, the national system will be accorded greater respect. The role of NGOs can also be useful in enhancing public respect for the procurement system and its ability to resist corruption.

4.6 Donors

55. Finally, donors play an important role in developing national procurement capacities. The collective impact of each donor’s own procedural and accountability requirements, particularly where the multiplicity and complexity of these requirements places additional pressure on the existing capacity a government has to cope, has been an important barrier to early progress in developing local capacities. The majority of donors recognise the need to balance their procedures and guidelines for accountability, with the achievement of development results without overburdening the administration of recipient governments. However, much remains to be done to achieve this balance. Developing countries still have to grapple with a plethora of varying sets of procedures and accountability requirements, imposed on them by different donors.

56. Donors have generally accepted that they need to further define their “bottom line” accountability requirements, recognising that flexibility is required to enable all criteria to be considered and risk assessments cannot always be made on a case-by-case basis. There is also a critical need to achieve agreement on priorities and goals. Devolution of responsibility for procurement management to recipient governments is now being undertaken by many of the bilateral donors, who hitherto largely controlled the procurement process themselves. The Round Table has worked to develop a shared vision between partner governments and donors that fosters a culture of sharing and partnership so that capacity development can deliver wider benefits to all stakeholders.