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Spanish Fund For Latin America and the Caribbean

A regular series of notes highlighting recent lessons emerging from the operational and analytical program of the World Bank's Latin America and Caribbean Region (LAC).

From Nairobi to Cuzco: Taking Procurement Reform to Busan

Despite the efforts of governments, donors, and international aid agencies to reduce poverty and encourage economic development, achieving sustainable results continues to present challenges. In some economies, poverty remains widespread and economic development has stalled. In an effort to understand why aid has not produced the desired results and to develop more effective strategies, three “High-Level Fora on Aid Effectiveness” were held in Rome (2003), Paris (2005), and Accra (2008). A fourth forum will be held in Busan, South Korea between November 29 and December 1, 2011.¹

The Rome Forum recognized the need for donors to harmonize their efforts with partner countries. The Paris Forum developed a set of principles and established a number of global indicators to measure the effectiveness of the international aid programs. The indicators included measurable targets to be met by 2010. Two of the Paris Declaration indicators called for reforms in international procurement and the increased use of partner countries’ systems. The Accra Forum issued an Agenda for Action, which elaborated and refined the commitments made in Paris.

Following the Accra Forum, the Working Party on Aid Effectiveness (WP-EFF) of the Organisation for Economic Co-operation and Development—Development Assistance Committee (OECD-DAC), proposed a number of tasks to meet the commitments of the Paris Declaration and the Accra Agenda. This effort included the first meeting of the WP-EFF’s Task Force on Procurement, in May, 2010, in Nairobi, Kenya. The Task Force was composed of partner and donor countries, regional organizations, multilateral institutions, and civil society organizations.

The agenda for the Nairobi meeting included discussions on: (i) various policy notes; (ii) procurement capacity development; (iii) progress from aid effectiveness to development effectiveness; and (iv) volume II of the Compendium of Country Examples and Lessons Learned from Applying the Methodology for Assessment of National Procurement Systems.

A Stop in Cuzco

To review progress and ensure that procurement reform remains an important part of the aid and economic development agenda at the Busan meeting, the members of the Task Force met again in Cuzco, Peru between May 4 and 6, 2011. As Box 1 reveals, the meeting participants represented countries from every region of the world and a variety of institutions

The meeting was hosted by the Peruvian Ministry of Finance’s Organismo Supervisor de las Contrataciones del Estado, the OECD-DAC, and the World Bank. The meeting received generous financial support from the Spanish Fund for Latin America and the Caribbean (SFLAC). Rafael Fuentes Candau, Economic and Commercial Counselor in the Spanish Embassy in Peru, reaffirmed Spain’s ongoing support through funding, information exchange and training, to meet the standards of the High Level Fora, strengthen capacity, and to encourage cooperation among countries and with donors to solve problems as they emerge.

Micheal Lawrance, OECD Procurement Adviser, pointed out that the purpose of the Cuzco gathering was to provide some key messages to the Busan meeting, including the need for increased political and financial support to modernize procurement

¹ See Web site, <http://www.aideffectiveness.org/busanhlf4/>.

and ongoing support and resources to strengthen capacity. Procurement is not just a transactional, clerical function, according to Lawrence, but serves as an economic policy tool for the modern state and can improve the government's ability to deliver services and improve its credibility among the citizens.

Ruby Alvarez, Co-Chair of Procurement Task Force in the Philippines, affirmed the importance of procurement reform as an aspect of good governance. Reforms ensure government ownership, transparency, efficiency, and competitiveness, and encourage greater trust in government.

In Cuzco, the participants met in plenary sessions and focused sub-groups to discuss priority procurement issues. The overall objectives were to inform participants about the Busan meeting, to review and validate Task Force products, and provide participants with the opportunity to share experiences with practitioners from other countries and regions. They also proposed the creation of a Global Procurement Network.

In their discussions, the participants recognized the progress made since the Paris Forum in a number of countries, particularly in the areas of legal, regulatory, and institutional reform, which represent the first two pillars in the *Methodology for Assessment of Procurement Systems* (MAPS). They reviewed progress in the use of standardized bidding documents, anti-corruption agencies, national procurement agencies, and the use of "electronic approaches" to publish documents and undertake bidding, among other efforts.

Panama's General Director of Procurement, Eldis Sánchez pointed to his country's Public Procurement Act as an example of successful reform legislation. This Act has had an impressive impact on Panama's economy. Public procurement now covers 98 percent of government entities, with 345,000 bids, at US\$9.6 billion in transactions. Because the system is online and transparent, citizens know how their taxes are being spent. Because the average number of bidders has grown from three to eight, competition has increased as well.

Second generation reforms would address the third and fourth MAPS pillars, which include operational, transparency, and integrity issues, such as retaining trained staff, oversight mechanisms, prosecution of corruption cases, complaints mechanisms, statistical information, payments, and access to credit, among others. These efforts will require political support and the recognition that they go beyond purely procurement issues.

During the meeting, participants reviewed a draft of the second volume of the *Compendium of Country Examples and Lessons Learned from Applying the Methodology for Assessment of Procurement Systems* and discussed plans for procurement capacity development guidelines. Participants also reviewed country case studies and a practical approach for the replication of the procurement capacity development and reform processes, all of which will be included in the planned guidelines.



The Cusco Declaration²

The result of the three-day meeting was the *The Cusco Declaration of the OECD-DAC Task Force on Procurement: Strong Procurement Systems for Effective States.* The Declaration recognized: (i) the importance of good governance as a key driver of economic growth and development; (ii) that efficient and effective public procurement is a fundamental to good governance, intrinsically connected and dependent on effective functioning of other parts of the broader public sector framework; (iii) the importance of political commitment to sustainable procurement reform; and (iv) the value of country ownership and leadership in the design and implementation of procurement reform.

The Declaration further recognized the progress made by a number of countries and pointed to the demand for greater transparency, civil society participation, and value for money as "important drivers of progress." Finally, the participants urged ministers and heads of organizations to:

² In the Declaration, the participants used the Spanish-language spelling, "Cusco" with an s. "Cuzco" with a z is the English-language spelling.

1. Recognize that procurement reform requires sustained ownership and political commitment; appropriate technical solutions are essential, but are not adequate on their own;
2. Strengthen national procurement systems by providing adequate human and financial resources and promoting increased professionalism;
3. Increase focus on performance outcomes to drive policies, management and accountability, develop reliable information systems to strengthen the performance management of public procurement and transparency;
4. Integrate closely with other public sector reforms that impact the performance of the procurement system;
5. Strengthen and empower civil society, and work with the private sector and civil society to enhance the procurement system;
6. Work with legislators to create an enabling environment for holding the system accountable and build trust in the procurement system through increased transparency;
7. Strengthen capacity development resulting in well-performing procurement systems; and
8. Encourage all countries and development partners to work in a coordinated manner and to adopt a pragmatic approach in their progressive use of country systems.

The Values of Reform

With this Declaration, participants seek to enhance the impact of reform at the country level in terms of economic performance and the government's relationship with the citizenry and international donors. Participants agreed that the reform agenda should recognize the role of procurement in ensuring effective economic development and good governance. They extended that analysis to include the value of country-based and country-led reform.

Brenda Killen, OECD Head of Development Effectiveness, commented that international donors see procurement systems as a means to getting their program assistance into the country. However, they have not recognized it as a "huge part" of the economy or a part of the government's economic policy. According to Killen, strengthened procurement systems, aligned with the country's needs, can strengthen economic development.

Afghanistan's Minister of Finance, Shamsuddin Ghayasi confirmed Killen's observation when he commented that donors should consider national strategies or priorities, not their own goals. Moreover donor funds should be channeled through the government budget.

Finally, as Carlos Augusto Salazar, Executive President of the meeting's host, the *Organismo Supervisor de Contrataciones Públicas*, remarked, reforms should promote behaviors that are values based. In this way, aid would be "optimized." This, for Salazar, is a non-negotiable minimal pre-requisite for any organization. The result, and the goal, of good values and good contracts is a better quality of life for the people.



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Box 1. Meeting Participants

The list below shows the diversity of the countries represented. Participants came from partner and donor countries in Latin America and the Caribbean, Africa, Asia, and Europe. Regional organizations, multilateral institutions, and civil society organizations also represented a diversity of backgrounds and viewpoints.

Partner Countries

Afghanistan	Albania	Argentina	Belize	Bolivia	Brazil
Cameroon	Chile	Colombia	Costa Rica	Dominican Republic	Ecuador
El Salvador	Ethiopia	Guatemala	Haiti	Honduras	Indonesia
Jamaica	Liberia	Malawi	Mauritius	Morocco	Nepal
Nicaragua	Niger	Panama	Paraguay	Peru	Philippines
Saint Lucia	Trinidad and Tobago	Uruguay			

Donor Countries

Australia	Canada	Finland	Germany	Italy	Korea
Spain	United Kingdom				

Regional Organizations

Caribbean Community (CARICOM) Secretariat	West African Economic and Monetary Union (UEMOA)
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Multilateral Institutions

African Development Bank	Asian Development Bank
Commonwealth Secretariat	Inter-American Development Bank (IADB)
International Fund for Agricultural Development (IFAD)	Organization for Economic Cooperation and Development (OECD)
United Nations Development Program (UNDP)	United Nations Children's Fund (UNICEF)
United Nations Office for Project Services (UNOPS)	The World Bank

Civil Society Organizations

The European Network on Debt & Development (EURODAD)	Red Latinoamericana sobre Deuda, Desarrollo y Derechos (LATINDAD)
Transparency International	

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