



Moving Towards Use of Country Systems for Procurement in Bangladesh



A Case Study

Bangladesh at a glance¹

Location: Southern Asia, bordering the Bay of Bengal, between Myanmar and India

Capital: Dhaka

Total Population: 156 million

Human Development Index Rank: 93

GDP per Capita: \$2,053

Life Expectancy: 63.1 years

Poverty (% of population): 40.5%

Adult Literacy: 47.5 %



Introduction

As highlighted in the [Paris Declaration](#) (PD) and the [Accra Agenda for Action](#) (AAA), it is recognised that using a country's own institutions and systems, including for procurement, increases aid effectiveness by strengthening the partner country's sustainable capacity to develop, implement and account for its policies to its citizens and parliament. Consequently, in Accra in September 2008, donors agreed to use country systems as the first option for aid programmes in support of activities managed by the public sector.

Moreover, in Accra it was agreed that where country systems require further strengthening, developing countries will lead in defining reform programmes and priorities and donors will support these reforms and provide capacity development assistance.

In line with this the [Embassy of Denmark in Dhaka](#) has initiated a gradual process to align Danish support with the national institutions and systems including for procurement. To support this alignment process, they undertook an assessment in early 2009, in collaboration with the [UN Procurement Capacity Development Centre](#)², to determine whether sufficient capacities exist to

¹ Source: *Human Development Report 2007/2008* and *CIA – The World Factbook*.

² The UN Procurement Capacity Development Centre (www.unpcdc.org) supports the development of national and sub-national procurement capacities through advocacy and field-based advisory support services as well as through developing and disseminating guidance materials, tools, methodologies and approaches relating to procurement capacity development.

fully align procurement carried out under sector programmes in Bangladesh supported by Denmark with the institutions and systems of the **Government of Bangladesh** (GoB) and, where this was identified not to be the case, to prepare an alignment transition plan including capacity development support.

Alignment: finding a balance between development results, risk and capacity development

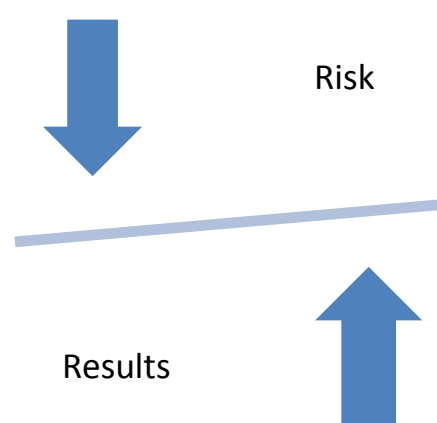
While these PD and AAA commitments sound straightforward the reality of putting them into practice and at the same time supporting achievement of results relating to the **Millennium Development Goals** (MDGs) is a complex and challenging exercise.



While Bangladesh has made important gains in the fight against poverty, almost half of the population remains poor and the country faces many challenges in achieving its MDG targets for 2015. Denmark supports the GoB in working towards these development goals through two sector programmes – in agriculture and in water and sanitation.

The GoB has recently achieved a number of important improvements in the legal and institutional framework for public procurement, but despite these improvements, the public procurement system still suffers from a number of major weaknesses. In light of these challenges most development partners in Bangladesh today carry out procurement for the programmes they fund using donor rules and either do the procurement themselves or through other implementation arrangements.

Having decided to take a leadership role in moving towards use of country systems and institutions for procurement in Bangladesh, the **challenges** for the Embassy of Denmark in putting this into practice are huge. It requires continued focus on delivering the ambitious agricultural and water and sanitation sector programme results, while at the same time their responsibility to the Danish Government and tax payers means they must ensure that the development financing they provide is not exposed to an unacceptable level of risk. Add to this mix the fact that capacity development is a long-term process and it may take many years before the performance and compliance of the public procurement system in Bangladesh fully meets international standards and the situation becomes even more complex.



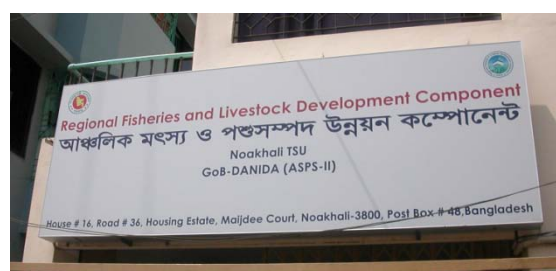
Assessment Process

After an initial scoping exercise, the assessment proceeded by establishing the desired level of capacity required to be able to undertake procurement under the Sector Programmes. **Four core issues** were found to be of particular relevance to the sector programme context in Bangladesh:



The other dimension of the assessment was the **technical capacities** relating to the to each steps of the procurement cycle as well as certain **generic capacities** that need to be in place to underpin alignment, such as the existence of incentives structures supporting good procurement performance, procurement auditing frameworks enabling corrective measures and so on.

To understand the current status, three components were selected from each of the two Sector Programmes – six in all - and were assessed against the above framework using a qualitative approach of interviews and case reviews. In addition, interviews were held with a number of other stakeholders relevant to the assessment and a large number of documents were reviewed.



The current level of capacities was then compared with the desired capacities to identify capacity gaps.

Assessment Findings

The assessment results revealed that there was a considerable difference in the current level of alignment among the 6 programme components reviewed. This ranged from one component where procurement was already fully aligned with national systems and institutions with all procurement being conducted by the Union Parishads³. However this was an exception and for the other components procurement is currently being carried out by Danida programme staff in separate programme setups, or by a procurement agent, in some cases using Danida procurement rules and in others using the GoB procurement rules.

The **root causes** for the different levels of alignment combined with the other assessment results clearly demonstrated that the capacities necessary for alignment reside not only with the national implementing partner (e.g. the ministry), and also the wider public procurement system, but also the capacities of the development partner (e.g. the Embassy) and the sector programmes themselves.

Some of the major capacity gaps found at these **four entry points** are summarised in the table below.

SECTOR PROGRAMMES

Limited integration with national setup;
Lack of dedicated procurement functions;
Weak leadership incentives and buy-in to alignment strategy;
Lack of strategic procurement oversight;
Poor knowledge of procurement management and GoB procedures;
No tradition for follow-up on irregularities;
Poor record keeping and access to information.

PARTNER INSTITUTIONS

Lack of dedicated procurement units;
Limited specialist knowledge available;
Lack of sector specific procurement tools and guidelines;
Lack of procurement monitoring tools;
Frequent replacement of Project Directors and Heads of Procurement Entity;
No internal audit units

EMBASSY OF DENMARK

Limited integration of alignment strategy in programme designs;
Absence of adequate risk mitigation measures;
Limited collaboration with partner institutions on alignment strategy.

GOVERNMENT OF BANGLADESH

No procurement profession;
Weak performance incentives for procurement;
Lack of procurement monitoring framework;
Insufficient procurement advisory services or guidelines;
No established procurement training institutions;
Training on GoB procedures not yet rolled out;

³ [Linking Procurement to the Millennium Development Goals: A Story from the Field](#)

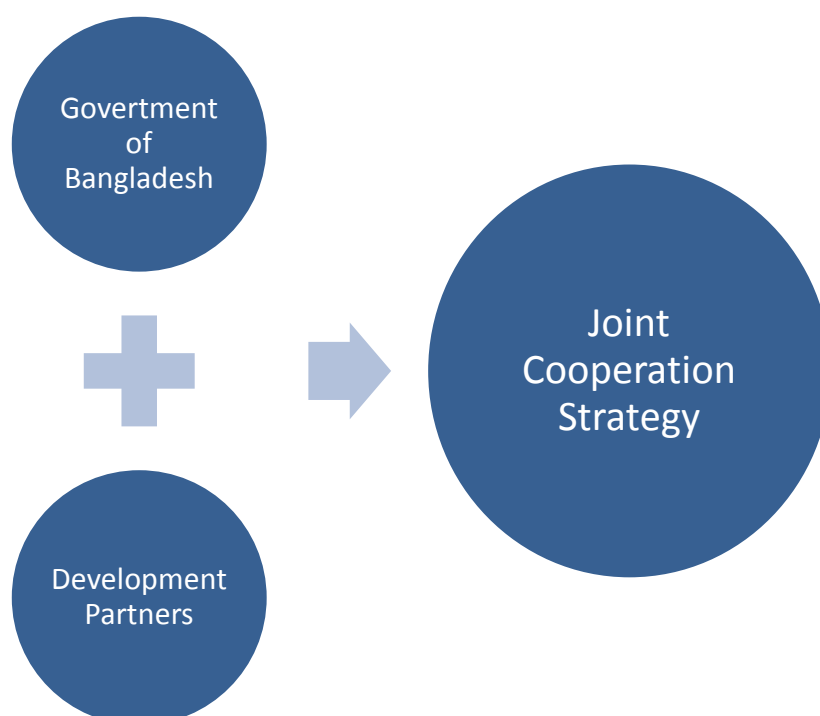
One key point that emerged was that strong procurement capacities at the level of the programme components alone cannot muster the prerequisites needed to ensure a successful alignment process and such capacities cannot simply be “transferred” to a partner institution. Capacity Development, also, in the area of alignment, requires a systemic approach that addresses multiple entry points and that goes beyond technical fixes since the key constraints often lie in the political or organisational environment and relate to power relationships, leadership, incentives etc.

The Way Forward

Plans are already underway to address those issues which the Embassy “owns” i.e. those that relate specifically to the Embassy and the Sector Programmes both in terms of capacity development responses and an alignment plan including milestones and risk mitigation strategies.

The capacity development responses include such issues as ensuring that the incentives for programme staff to align are set on a par with other planned development outcomes. The risk mitigation responses will be additional safeguards that allow them to use the national procurement system until it is sufficiently strong to be fully and unconditionally relied on. This strategy will also be fully shared with the donor community in Bangladesh to ensure maximum harmonization.

However, many of the capacity gaps identified will require the dedication of significant time and resources and must be lead by the Government of Bangladesh with support and buy-in from a broad range of stakeholders. These issues will be addressed through a **Joint Cooperation Strategy** currently under development between the Government of Bangladesh and its development partners.



Lessons Learned

While there are many issues in this Case that are specific to the situation in Bangladesh, some of the lessons learned may be relevant for others working on alignment strategies relating to use of country systems and institutions for public procurement:

- It is not only the capacities of the Partner Government and its institutions that are relevant for successful alignment, but also the **capacities of the Development Partner and its Programmes**. Thus, any assessment and subsequent capacity development interventions should address all these entry points (including the relationships between them).
- **Capacities cannot be “transferred”** from donor programme staff to a national institution. The solution rarely lies with the capacities of individuals or with technical fixes but in the political or organisational environment.
- Alignment strategies for country systems and institutions for procurement should not be seen in isolation but should **take into consideration alignment relating to other areas** such as audit, monitoring, human resources and public financial management.
- Developing the capacity of the Partner Government and its institutions **must be lead by the Government itself** if it is to be successful. Development partners can provide support, but should not impose solutions.
- On the other hand, **development partners are responsible for their own risk mitigation strategies** in relation to an alignment plan. However these ought to be transparent, with both the milestones and the strategies visible to the Partner Government, and should be harmonized with other development partners to the largest extent possible.