

Improving Procurement Outcomes in South Asia Past Approaches and Future Directions

South Asia Regional Public Procurement Conference



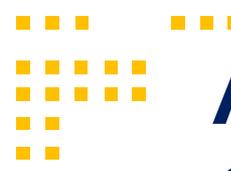
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Overview

- Past approaches to procurement governance
- Today's challenges
- ADB's recent procurement governance review and proposed future directions
- Results based lending introduced





ADB's Transition from Transactional to Governance Approach

- Traditionally ADB in relation to procurement has focused on transactional oversight of EA procurement activities
- Appreciation of a more sustainable approach led to greater focus on governance
- Implications of Governance-based approach:
 - Broad Governance Policy
 - Development of a Governance Plan

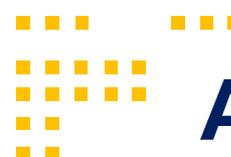




Supporting Procurement Reform Initiatives at the Country Level

- Focus on support for procurement reforms:
 - Development of legal frameworks
 - Establishment of institutional frameworks
 - Drafting of standard bidding documents
 - Building capacity of the “enablers” and support the development of the private sector
 - Support initiatives leading to IT-enabled procurement processes





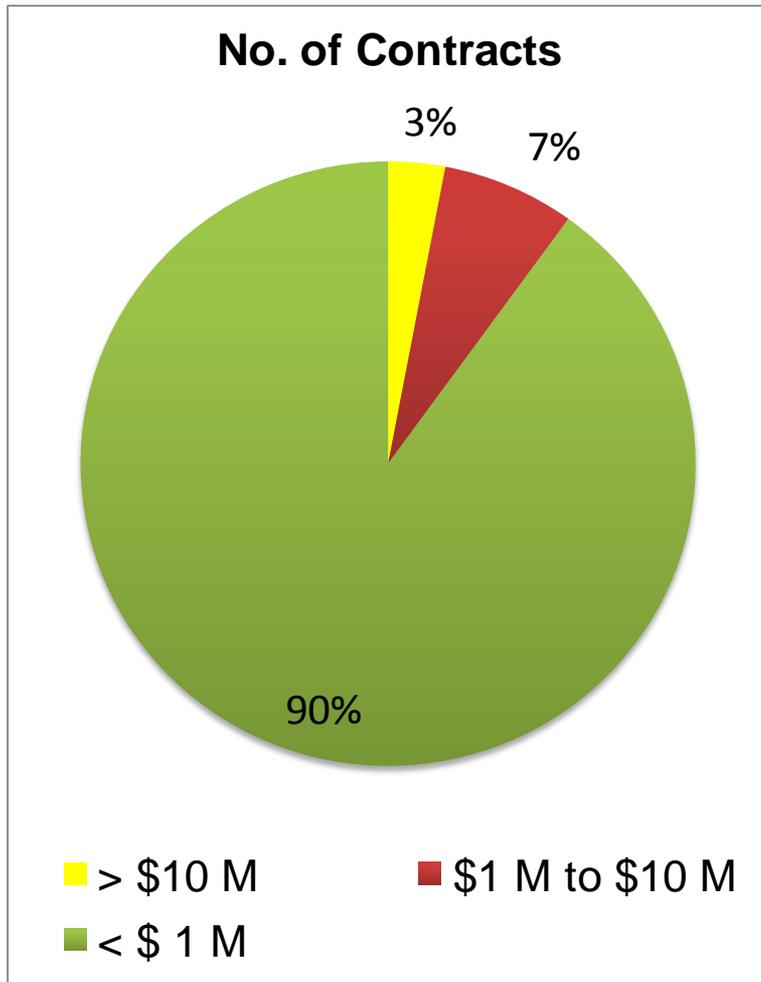
ADB's Recent Procurement Governance Review

➤ Today's Challenges

- Importance of procurement for the critical path of project delivery and for project outcomes
- Different procurement capacities in countries and executing agencies
- Move towards country systems
- Administrative burden of overseeing procurement
- Need to balance ADB's fiduciary oversight with efficiency



ADB's Procurement Governance Review



- **Present:** ADB conducts prior or post reviews for every transaction (around 6,000 annually worth \$9 billion)
- **Proposed:** Introduce prior review depending on risk. Allow executing agencies to approve low risk procurement with ADB undertaking sampling reviews. The result would be ADB's prior or post review reduced to only 600 high risk/high value contracts or about 10% of total contracts.



ADB's Procurement Governance Review

- A risk-based approach will be used to consider procurement arrangements and implications at three levels: (i) Country; (ii) Sector/Agency; and (iii) Project
 - Project implementation is affected by the general procurement environment at the country and sector levels
 - Purpose is to identify risks of country, sector/agency or project systems and practices that could result in sub-optimal use of resources



ADB's Procurement Governance Review

- Objectives of a risk-based approach:
 - Identify country and sector level procurement capacity gaps that will feed back into sector road maps and related Country Partnership Strategy processes
 - Frame procurement issues and determine level of fiduciary oversight during project implementation
 - Facilitate an informed dialogue on procurement issues as part of setting overall country strategic priorities for ADB assistance



ADB's Procurement Governance Review

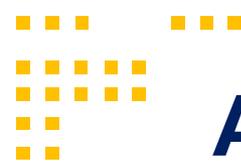
- Project level assessments will also lead to the categorization of procurement risks for each project as “Category A” or “Category B”
 - Category A projects will require more upstream procurement specialist support during project preparation
 - Category B projects will have less intensive procurement support needs



ADB's Procurement Governance Review

- Benefits of a risk-based approach at the project level
 - Greater use of country systems
 - Less burden of review by ADB
 - Less overall time taken for procurement
 - More complex, high risk procurement receives extra ADB support
 - Improved project delivery and outcomes.

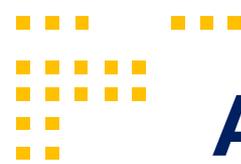




ADB's Results-Based Lending

- ADB approved a new policy on Results-Based Lending (RBL) in 2013
- Under RBL:
 - ADB supports governments to design and implement sector programs
 - Disbursements are linked to the achievement of program results
 - Developing member countries' (DMC) own program systems are used
 - DMC program systems need to be assessed, used, and improved (as necessary)





ADB's Results-Based Lending

- RBL programs will still follow best procurement practices and principles in ADB's Procurement Guidelines, but not its specific rules and procedures.
- Implications:
 - A greater reliance on national laws, regulations and institutions
 - Need to be complemented by robust ex ante due diligence assessments of procurement systems
 - Weaknesses and gaps at the agency level need to be effectively addressed so that development results are achieved



Conclusion

- DMC procurement systems are developing at different paces - although common reform areas exist, there is no “one-size-fits-all” approach
- Top-down approaches should give way to dialogues and various partnership building approaches
- MDBs need to adapt to their DMC clients, and cater to middle-income countries (MICs)
- Effective and timely project implementation requires a risk based approach to procurement governance