



Technical Assistance Report

Project Number: 47340
Regional—Capacity Development Technical Assistance (R-CDTA)
December 2013

Improving Procurement in South Asia

ABBREVIATIONS

ADB	–	Asian Development Bank
DMC	–	developing member country
OSFMD	–	Operations Services and Financial Management Department
SARD	–	South Asia Department
TA	–	technical assistance
TASF	–	Technical Assistance Special Fund

TECHNICAL ASSISTANCE CLASSIFICATION

Type	–	Regional—Capacity development technical assistance (R-CDTA)
Targeting classification	–	General intervention
Sector (subsectors)	–	Agriculture and natural resources (irrigation, drainage, and flood protection, water-based natural resources management); education (upper secondary education); energy (renewable energy); transport and information and communication technology (transport management and policies); water supply and other municipal infrastructure and services (urban sector development)
Theme (subthemes)	–	Capacity development (institutional development); governance (economic and financial governance)
Location (impact)	–	National (high)

NOTE

In this report, "\$" refers to US dollars.

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I. INTRODUCTION

1. Recognizing the importance of procurement, the Asian Development Bank (ADB) and other development partners have helped its developing member countries (DMCs) improve their public procurement systems since the 1990s. However, continuing delays in project implementation caused by slow procurement and weak governance structures remain a major impediment to effective project implementation and utilization of funds.

2. ADB is strengthening its efforts to improve institutional capacity in its DMCs and mitigate procurement and fiduciary risk within the framework of government-owned programs.¹ Through the Paris Declaration on Aid Effectiveness, Accra Agenda for Action, and Busan Partnership Agreement, ADB has committed to rely increasingly on country systems and to support procurement capacities in its DMCs. However, such broader efforts need to be complemented by more direct support to the DMC agencies responsible for procurement of ADB-financed projects. The proposed regional capacity development technical assistance (TA) will facilitate procurement in selected DMCs, working closely with executing and implementing agencies in improving procurement quality and efficiency. The design and monitoring framework is in Appendix 1.²

II. ISSUES

3. Experience from ADB-financed projects across DMCs shows that procurement takes a considerable amount of time and often delays project implementation. Common causes of procurement delays are (i) insufficient implementation capacity, especially in procurement and project management; (ii) unfamiliarity with ADB procurement processes and procedures; (iii) weak governance systems; and (iv) insufficient monitoring and reporting on the progress of procurement.

4. Although several DMCs have implemented procurement reforms, translating these into changes in procurement practices, improvements in procurement outcomes, and better project implementation remains a huge task. Good organizational practice includes setting specific targets on the performance of the executing or implementing agency's procurement portfolio, and continually monitoring and reporting on the progress and results being achieved. This strategic approach to managing procurement is difficult to adopt without capacity and support, as well as the right capabilities of and incentives for procurement staff.

5. ADB carries out procurement capacity assessments of executing or implementing agencies during project processing to detect risks based on international best practices. ADB adopts suitable risk-mitigation measures during project implementation. However, the underlying causes of weak procurement and implementation capacity—whether they are inherent in the executing agency or implementing agency or in the environment where the agencies operate—are not necessarily dealt with during project processing and project implementation. This contributes to significant delays during project implementation.

6. The TA will take a new direct approach that supports executing agencies, implementing agencies, and other key participants in procurement in the key sectors of ADB assistance. The

¹ ADB. 2012. *Technical Assistance for Developing Procurement Capacity for Improved Procurement Outcomes*. Manila; ADB. 2012. *Technical Assistance to Nepal for Portfolio Management Capacity Enhancement*. Manila; ADB. 2013. *Technical Assistance to Bangladesh for Portfolio Management*. Manila; ADB. Forthcoming. *Technical Assistance to Sri Lanka for Capacity Building for Project Implementation*. Manila.

² The TA first appeared in the business opportunities section of ADB's website on 5 December 2013.

focus on individual executing agencies and implementing agencies will allow innovative and targeted interventions that can yield immediate results without major legal or institutional reforms. The TA will help facilitate procurement by executing agencies and implementing agencies by providing hands-on support and direct assistance in key stages of the procurement process. This direct approach, which will complement other broader efforts, is expected to help improve quality and reduce delays in procurement that lead to project implementation delays.

7. The executing agencies and implementing agencies will be determined in consultation with DMC governments and national public procurement authorities. A partnership approach with the executing agencies and implementing agencies will be implemented to improve their procurement operations. The lessons learned and results achieved will be shared with and replicated in other executing and implementing agencies.

8. The TA will be demand-driven to ensure ownership by and commitment from the executing agencies and implementing agencies. ADB will maintain a procurement monitoring system that will closely track procurement timelines and results in each country receiving support. Existing country systems will be utilized where feasible.

9. The TA will complement other TA projects in supporting improved project implementation (footnote 1). This TA will not duplicate ongoing assistance which addresses portfolio management in general. This TA will provide direct support in improving procurement processes in selected DMCs and strengthening project management capacity of executing agencies and implementing agencies of specific ADB-funded projects.

10. Furthermore, the TA builds on ADB's experience in supporting national procurement capacity development, including the ongoing TA projects administered by the Operations Services and Financial Management Department in various DMCs (footnote 1). Such TA support has targeted national policy, national e-procurement systems, regional dialogue, knowledge sharing, and effective contract project management. A common finding from past TA projects is the lack of procurement metrics, which this TA will address.

III. THE TECHNICAL ASSISTANCE

A. Impact and Outcome

11. The impact of the proposed TA will be enhanced operational effectiveness of ADB projects in South Asia.

12. The outcome will be improved efficiency and quality of procurement of ADB projects in South Asia. The TA will improve processes and provide advice that will result in faster procurement approvals in ADB projects.

B. Methodology and Key Activities

13. The TA will have two outputs: (i) improved procurement processes, and (ii) strengthened procurement and project management capacity.

14. **Output 1: Improved procurement processes.** The TA will improve procurement results by providing hands-on support to selected executing agencies and implementing agencies during key stages of their procurement. The TA consultants will identify procurement problems and develop practical solutions. On-the-ground support will be provided to

participating executing agencies and implementing agencies in their procurement processes and key procurement actions to facilitate efficient and transparent procurement. The TA will support these agencies in closely tracking their procurement processes and key procurement actions, promoting greater efficiency and timeliness in procurement. The TA will support the application of best project management practices to improve project implementation, focusing on procurement processes and procurement actions.

15. Output 2: Strengthened procurement and project management capacity. Procurement clinics, project management clinics, and on-the-job training will be conducted in response to demand from the staff of executing agencies, implementing agencies, and other key participants involved in procurement and implementation of projects. The training will focus on critical needs and identified problems, leveraging ADB's experience in project implementation and procurement (para. 9). It will draw upon completed ADB procurement capacity assessments. A program for training of trainers will also be developed. A tool for monitoring and reporting on the progress of procurement will be established, using existing platforms, systems, and practices. Good practices and lessons in procurement and project management will be documented, shared, and replicated.

C. Cost and Financing

16. The TA is estimated to cost \$750,000, which will be financed on a grant basis by ADB's Technical Assistance Special Fund (TASF-other sources). Detailed cost estimates and the financing plan are in Appendix 2.

D. Implementation Arrangements

17. The TA is expected to start in January 2014 and be completed by December 2016. ADB will be the executing agency responsible for the coordination, supervision, and implementation of all TA activities. SARD will manage and oversee TA implementation, working closely with executing and implementing agencies in South Asia DMCs. SARD will implement the proposed activities in close coordination with staff from the Operations Services and Financial Management Department. Staff in resident missions will coordinate day-to-day TA implementation, ensuring effective use of TA consultants. Disbursements under the TA will be done in accordance with ADB's *Technical Assistance Disbursement Handbook* (2010, as amended from time to time).

18. The TA will require about 27 person-months of international consultants and about 40 person-months of national consultants with skills in procurement, project management, and capacity development. The outline terms of reference is in Appendix 3. ADB will recruit the consultants as individuals. Recruitment will be in accordance with ADB's Guidelines on the Use of Consultants (2013, as amended from time to time).

19. A review of the TA will be undertaken after 6 months of implementation to assess progress, fine-tune outputs, and, if necessary, make adjustments to key activities and implementation arrangements. A full assessment will be undertaken upon TA completion to report on the achievements and results in procurement, and to share the lessons learned.

IV. THE PRESIDENT'S DECISION

20. The President, acting under the authority delegated by the Board, has approved the provision of technical assistance not exceeding the equivalent of \$750,000 on a grant basis for Improving Procurement in South Asia, and hereby reports this action to the Board.

DESIGN AND MONITORING FRAMEWORK

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
Impact Enhanced operational effectiveness of ADB projects in South Asia	By end of 2019: Implementation of at least 80% of ongoing projects in South Asia is on track (2012 baseline: 78%)	ADB eOperations data	Risk Political risks (general strikes, political stalemate, and unrest) disrupt or delay the delivery of results.
Outcome Improved efficiency and quality of procurement of ADB projects in South Asia	By end of 2016 (for all indicators): 50% of project procurement cases processed on time by executing agency and/or implementing agency (2012 baseline: 20%) Annual contract award ratio increased to above 25% (2012 baseline: 25%) 80% of procurement cases processed without complaint	For all indicators: ADB eOperations data ADB operations dashboard ADB annual portfolio performance review	Risk Government does not provide adequate resources, and/or adopt new tools and procedures in portfolio operations.
Outputs 1. Improved procurement processes	By end of 2016 (for all indicators): Facilitation and technical support provided to at least 90 identified procurement cases Standard procurement timelines in at least three South Asia countries followed in 50% of cases Best practices in procurement disseminated	For all indicators: SARD annual reporting on procurement support Consultants' progress and final reports	
2. Strengthened procurement and project management capacity	By end of 2016 (for all indicators): At least 12 procurement clinics conducted At least 100 government staff are trained on ADB procurement, consultant	For all indicators: SARD annual reporting on procurement support Consultants' progress reports Seminar summary	Assumption There will be no major turnover of trained staff

Design Summary	Performance Targets and Indicators with Baselines	Data Sources and Reporting Mechanisms	Assumptions and Risks
	recruitment, project management, and contract management and administration Tool for monitoring of procurement is rolled out	reports Procurement monitoring tool	
Activities with Milestones Output 1: Improved procurement process 1.1 Consultants in place by January 2014. 1.2 Baseline data for benchmarking outcome delivery on procurement established by Q1 2014. 1.3 Review of procurement processes in ADB projects initiated by Q1 2014. 1.4 Consultant's report on best practices reviewed and finalized for dissemination by January 2015. Output 2: Strengthened procurement and project management capacity 2.1 Capacity building program prepared and delivery started by February 2014. 2.2 Resource persons in place as needed, first by February 2014. 2.3 Tool for procurement monitoring developed, reviewed, and adopted by March 2014.			ADB: \$750,000

ADB = Asian Development Bank, Q = quarter, SARD = South Asia Department.
 Source: Asian Development Bank.

COST ESTIMATES AND FINANCING PLAN
(\$ '000)

Item	Amount
Asian Development Bank^a	
1. Consultants	
a. Remuneration and per diem	
i. International consultants	540.0
ii. National consultants	120.0
b. International and local travel	25.0
c. Reports and communications	5.0
2. Training, seminars, and conferences ^b	15.0
3. Contingencies	45.0
Total	750.0

^a Financed by the Asian Development Bank's Technical Assistance Special Fund (TASF-other sources).

^b ADB staff may travel for meetings, conferences, and workshops as resource persons.

Source: Asian Development Bank estimates.

OUTLINE TERMS OF REFERENCE FOR CONSULTANTS

1. All consultants will be recruited in accordance with the Asian Development Bank (ADB) Guidelines on the Use of Consultants (2013, as amended from time to time).

2. The technical assistance (TA) will provide about 27 person-months of international consulting services and 40 person-months of national consulting services. The terms of reference and inputs will be further developed once the participating executing and implementing agencies have been selected.

3. **Procurement advisors** (international, about 27 person-months). For each of the participating agencies, the procurement advisors will be recruited to facilitate efficient and transparent procurement, strengthen project management, and provide critical support during the key stages of the procurement processes followed by participating executing and implementing agencies. The procurement advisors will coordinate closely with the selected national procurement advisors. The advisor will

- (i) coordinate key TA activities;
- (ii) identify common procurement problems and develop practical solutions;
- (iii) develop practical approach to improve quality and reduce delays in procurement;
- (iv) provide hands-on support and help to participating executing agencies and implementing agencies in their procurement actions to facilitate efficient and transparent procurement;
- (v) provide support during the bidding process, preparation of bidding documents, and bid evaluation, leading to the timely awarding of contracts;
- (vi) conduct procurement and project management clinics and on-the-job training in response to demand; and
- (vii) share good practices and lessons during TA implementation and at the end of the TA.

4. The advisors will have a postgraduate degree in a relevant field; should preferably have 15 years of experience advising public sector organizations in procurement management; and have experience in procurement spend profiling, category management, capacity development, and change management. The advisor should also preferably have experience in the sector of the participating agency and procuring entity.

5. **Procurement specialists** (national, about 40 person-months). National procurement specialists will support procurement by each of the participating agencies and procuring entities. The work will be closely coordinated with the international procurement advisor. The national specialists will

- (i) provide hands-on support to participating executing agencies and implementing agencies to facilitate efficient and transparent procurement;
- (ii) provide support during the bidding process, preparation of bidding documents and bid evaluation, leading to the timely awarding of contracts;
- (iii) conduct project management and procurement clinics and on-the-job training in response to demand; and
- (iv) assist the international procurement advisor in capturing and sharing good practices and lessons during TA implementation and at the end of the TA.

6. The national specialists will have a postgraduate degree in a relevant field and

preferably 10 years of experience in advising public or private sector organizations on strategic procurement, spend management, and sourcing strategies. They should also be familiar with the sector and the regulatory framework(s) under which the procuring entity operates.

7. **Resource persons** (as needed, total of 2 person-months). Resource persons (procurement specialists, project management experts, and/or staff of government implementing agency and executing agency) will be engaged to review documents and be speakers, facilitators, or discussants in related workshops, seminars, or conferences.