



The World Bank

## Procurement Policy Review Feedback Summary

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**Date:** September 5<sup>th</sup>, 2012

**Venue:** Canberra, Sydney

**Total Number of Participants:** 10

### Overview and General Reactions

A series of bilateral meetings were held with officials of AusAID, dealing with procurement, program management in the Pacific Islands and Timor-Leste, child protection, and program effectiveness. The meetings discussed different aspects of the Bank's procurement review and matters relating to more general issues of the Pacific Islands, Timor-Leste and child protection, as areas of interest on the part of AusAID. The list of participants is provided.

The following summarizes the discussions. Because of the broad nature of some of the topics, the consultations did not follow the usual format for the consultations.

#### General Observations

- In looking forward at what kind of new procurement policy the Bank may adopt, Australian authorities encouraged the Bank to apply the concept of proportionality, based on value, risks, and country conditions. This means moving away from one-size-fits-all.
- There should be less focus on procedures and procedural compliance in its current form. This holds, as well, for the Bank's approach to investigating allegations of fraud and corruption which now focuses on procedural aspects, and not sufficiently on

matters occurring during contract implementation such as the role of agents or contractors not delivering what is required under the contract etc.

- With regard to the use of country systems it ought not be a foregone conclusion that country systems be used in all cases. A context specific analysis of the risks and benefits of using country systems needs to be taken into account.
- Performance measurement is critical, looking at whether or not the outcomes were successful and the process effective and efficient.

#### Working with the Islands and Conflict Affected Countries

- AusAID has long experience in working with the Pacific Islands and Timor-Leste, often including strengthening procurement capacities, in collaboration with the Bank. Indeed, on multi-donor trust funds in some cases, the Bank has the lead on fiduciary oversight. Donors such as AusAID rely on the Bank for maintain high standards of oversight.
- Nevertheless, experience has been disappointing from the point of view of the Bank's ability to deliver and the ensuing strengthening of local procurement capacities. The management model used by the Bank appears to be inappropriate for the needs of programs in countries such as Timor-Leste , with poor linkage between the commitments made at the design stage and implementation. The Bank is viewed, on the one hand, too rigid in dealing with clients and, on the other hand, not providing the resources and support needed in light of the capacity constraints and conditions faced. In fact, the sparse level of detail in design documents makes implementation hard to monitor and procurement is slow, frustrating for all concerned.
- Much of the past efforts have not yielded results. This is in the face of raising expectations, based on the New Deal promoted by the g7+ (which has been endorsed by the Bank and many other donors). Investments are needed in capacity assessments, quality assurance/control systems, charts of accounts/management systems, and resourcing/staffing, in order to be able to enhance the use of country systems, as part of the New Deal. Commensurately, there needs to be greater empowerment of country teams in the local offices to make decisions. Further, the management model being applied needs to shift from classical project management, focusing on transactions, to program management.
- At the same time, there are some particular challenges faced by the Pacific Islands including issues of lack of economy of scale, low levels of local competition, and capacity constraints. Scope exists to address some of these issues via collective or regional actions. Harmonization among the islands is not high on the agenda. Strong civil societies and the governance infrastructure, such as Freedom of Information, also play an important role in strengthening transparency and accountability around procurement processes.
- Capacity constraints in many parts of the Pacific and the fact that many people in client countries, including contractors, speak English as a second or third language mean that it is critical Bank documentation is written in plain English. Current procurement

documentation uses overly complex language and is plagued with acronyms directly leading to misunderstandings. It also either discourages local contractors from bidding or leads to situations where they don't truly understand what they are signing up to. Simple, fit-for-purpose procurement documents, especially for smaller works, would enable more local contractors to engage in the process and potentially win contracts. This needs to be addressed in the up-date to the policies and guidelines.

- As a result, the Pacific Islands pose particular challenges to the Bank and the rest of the donor community on the issues of procurement reform, capacity building and use of country systems.

### Child Protection

- AusAID is taking on a leading role among the donor community on raising awareness of child protection. Most IFIs and many donors do not presently have explicit child protection policies. To that end, the discussion centered on if and how the Bank's procurement policy review could be an entry point for introducing child protection both in the Bank and in Bank financed operations.
- After clarifications on the scope of the procurement policy review, it was concluded that the review was not the right entry point. Instead, the appropriate routes are: (i) for Bank financed operations, the forthcoming review of the Bank's social and environmental safeguards policy and the Bank's Social Development network; and (ii) for the Bank's internal policies, the HR Vice-Presidency and the Ethics Office.

### Procurement Policies and Implementation

- The discussion covered a range of topics and recommendations specifically relating to the Bank's Procurement Policies, the review, and the possible outcomes, including:
  - *Value for Money*: This term needs to be defined clearly and properly to be meaningful. Its use needs a level of specificity.
  - *Social Dimensions*: There is support for the conclusions of the Bank's recent background paper on achieving social diversity through public procurement, namely, that such preferences ought to be avoided.
  - *Domestic Preferences*: In a similar view, the position on the use of domestic preferences, based on the results of the Bank's analysis is equally clear and appropriate.
  - *Capacity Assessments*: At the crux of the potential use of country systems will be the need for the Bank to carry out thorough capacity assessments, looking not only at the rules and associated documentation in place but their application, the people and the political economy.

- *Performance:* One of the incomplete areas in the assessment model remains compliance and performance indicators (CPIs) which had been earlier identified by the OECD-DAC Procurement Taskforce. This needs more work on what do we mean by performance, what metrics are to be used, and how are data captured and analyzed. It is the results that should count.
- *Country Strategies:* The findings of procurement assessments will have to be integrated into the Bank's Country Assistance Strategies and the overall reform agenda. Reform efforts need to be focused at not only the sectors in which the Bank is working, but also the national level institutions (e.g. procurement regulatory authority) and systems.
- *Capacity Building:* Much more can be done with the support of bilateral donors. There is likely funding to be tapped; donors collectively need to be encouraged to see procurement reform as important and discussed at high-level partnership meetings.
- *Professionalization:* This will be a critical factor, starting with basic competencies, and working towards professional development. Organizations such as the Chartered Institute of Purchasing and Supply that offer training and certification will need to work with the Bank and other partners to make sure that their offerings are "fit-for-context", working towards a system that is recognized and portable.
- *Harmonization and the Use of Country Systems:* There remains a long way to go; the Busan high level meeting has agreed to joint risk assessments, work at the country level has advanced, via the MAPS, but donors are still applying their own individual tools for carrying out sector level assessments. Moreover, the donor community will have to be more clear and forthright on what has to be done to improve country systems and how to engage countries that do not take on the challenge.
- *Bank procurement staff:* AusAID encourages Bank management to give early consideration to the workforce implications associated with the potentially major changes to policy and procedures. Bank procurement staff will need to assess risks and capacities in a reliable and consistent manner, they will be involved in procurement reform discussions, more engaged in project design and perhaps spending less time on transactional work. They will have to be coached to look beyond the equivalency with the World Bank's guidelines and to broaden their view of what procurement is. While the Bank undoubtedly has a professional workforce in the procurement field such a change implies a need for a workforce strategy looking at where are the skills and experience gaps, what training and on the job experience may be required for staff and what new expertise needs to be sought.