



The World Bank

## Procurement Policy Review Feedback Summary

---

**Date:** September 20, 2012

**Venue:** Buenos Aires, Argentina

**Total Number of Participants:** 16

### Overview and General Reactions

The consultation was carried out in two different sessions as per explicit request of the Government. The first session was for representatives from PIUs and Public Institutions, while the other one was for NGOs and private representatives.

- The main suggestion drawn from the sessions was the development of Procurement Guidelines based on principles, instead of structured procedures, which could end up guiding the procurement processes into improving the overall management of projects. The current practices are strongly focused on processes rather than results, and the participants agreed that this has had a negative impact into achieving the expected results.
- Increased flexibility should be followed by strengthening the capacity through, through in-depth assessments of related PIUs, and extensive training programs for PIU's staff, control organisms and suppliers.
- The country system is complex and the length for implementation with this legislation is longer, although it has some interesting aspects that could be included in the new policies.

## Specific Feedback from Stakeholders

1. The analysis presented in the Initiating Discussion Paper captures the key issues and concerns that should be addressed in the review. Are there other challenges which the review should try to address?

- **New approach:** The participants agreed on the fact that the current Guidelines consider the procurement process as the purchase itself, and are completely and exclusively focused on the process steps. They think this could be improved with a new approach that takes into consideration monitoring, control and management of contracts or results achievement, and the system could end up being completely efficient.
- **Changes in the market:** One of the participants analyzed the fact that the current procurement policy was developed for large contracts to be executed by large companies, and repeated rules in every country these companies have business in. The fact, he considers, is that the market has changed a lot: nowadays, there are many small companies that provide a variety of services, goods and works needed; large contracts are not the usual, but rather the exception. Even consultancy services are developed by small companies or local representatives from multinational companies. All these aspects should be taken into account while developing the new policy.

On top of this, as suppliers became smaller, so did their capacity to hold teams especially skilled to prepare bids for Bank's financed project. In other words, suppliers do not know the rules, nor they read the bidding documents, so they are more exposed to prepare bids that do not meet all the formal requirements. This could also be taken into account while developing the new policy.

- **Standard Bidding Documents:** Following the previous idea, the current Standard Bidding Documents seem to be too complex for rather small procurement processes. However, the Bank's procurement processes have a long term prestige based on its Guidelines that work perfectly for huge infrastructure projects.
- **Short List of Consultants:** The geographic spread requested by the current policy seems rather restrictive when there might exist more than two firms from one particular country that meet the requirements. There are countries with more experience and capacity than others on certain topics that may have several companies with strong qualifications on the subject. The participants agreed the overall quality could be affected by this restriction. On top of this, there are many multinational firms with local representatives that submit proposals as local companies in order to reduce the costs. The geographic spread requirement seems to be against the development of the local market.

- **Procurement Plan:** The participants considered that, given the local context, the PIUs find difficulties when trying to develop a long term procurement plan, they suggested reconsidering the terms established in the Guidelines for this instrument.
- **Complaints Mechanisms:** The participants considered that the Bank's complaints procedure to be clear, simple and efficient, mainly because it does not paralyze the process; on the other hand, they also consider that the national system has a complicated and useless procedure. However, they also consider that the Bank's complaint mechanisms should be widely communicated, because every PIU deals with the complaints according to what they consider best, and suppliers do not know where to stand.
- **Bank Guarantees:** The participants shared their concern given that in Argentina only large companies have access to Bank guarantees, and they consider that this constitutes a great barrier for small companies to participate in processes. They suggested including a revision of this kind of requirements.

**2. Taking into account the new concepts of public procurement and the broader context of public sector management best practices, what type of changes should the Bank take into consideration in modernizing its procurement policies?**

- **Market knowledge:** The participants considered that a deep analysis of the local market conditions is crucial for the success of the various and diverse procurement processes; such study has two important contributions: the first one is the strengthening of the fight against corruption, as a better market knowledge can help detecting related red flags; and the second one, is to help to develop realistic procurement processes avoiding failures produced by the lack of market knowledge.
- **Differentiated guidelines:** It was suggested the possibility of having different type of Guidelines instead of a single document for all countries. One of the participants suggested the idea of having procurement guidelines and standard bidding documents for each region, classified by project sector and, even by type and size of contract.
- **Capacity building:** The current procurement policies have had different results depending on the PIU who is carrying the procurement process. This analysis led to the conclusion that the Bank should work on strengthening the capacity on those countries or PIUs who need it, even considering the possibility of extending some kind of accreditation.

	<ul style="list-style-type: none"> <li>• <b>Knowledge sharing:</b> There is a large amount of experience in some PIUs that should be communicated and exchanged, formally, with other Units, or even other countries.</li> <li>• <b>Proposal evaluation:</b> One of the participants questioned the requirement to fully evaluate every single submitted bid, considering that this process increases the times of the evaluation. She proposed the possibility of requesting every bidder to include a sworn statement mentioning that they meet all the requested requirements, and evaluate only the bid with the lowest price; if that bid finally does not meet all the requirements, the bid guarantee is executed, and the second lowest bid is evaluated.</li> <li>• <b>Performance related sanctions:</b> Opposite to the previous observation, one of the participants suggested that instead of asking for guarantees, the Bank should develop a scheme of sanctions to suppliers/consultants who do not perform satisfactorily.</li> <li>• <b>Procurement Plan:</b> Given the fact that it is difficult to develop a realistic long term procurement plan, they suggested having short term procurement plans and update them as necessary.</li> </ul>
<p><b>3. In light of various levels of risks and capacity among borrower agencies, how can the Bank best ensure that funds provided by the Bank are used for the purpose intended?</b></p>	
	<ul style="list-style-type: none"> <li>• <b>Capacity assessment:</b> To deal with the various levels of risk, the participants considered that PIU's capacity assessment is an interesting tool. They described the particular case of the UFIS (PIU from the Ministry of Health) which had a strong capacity assessment process. Representatives from this Unit found the analysis really constructive as it was focused on the final objectives of the project. The evaluation was done throughout the Unit internal processes using indicators. This assessment allows the possibility of providing alternatives for the PIU's specific problems and improve the results. Strengthen the focus in "prevention" more than in "revision".</li> <li>• <b>Capacity building:</b> The participants considered that carrying out different activities aimed to build capacity (training, workshops and capacity assessment, among others) seems to be the best way to assure that the funds are implemented adequately. The analysis of the documents shows that the Bank has reduced the budget on this area, and this is something that the participants considered should be revised.</li> <li>• <b>Procurement specialists:</b> Depending on the changes to be included in the new policy, the number</li> </ul>

	<p>of Bank's procurement specialists should be revised in order to assure a closer relationship with the PIU, and strengthen the possibility of assessing the PIU and its staff.</p> <ul style="list-style-type: none"> <li>• <b>Qualification criteria:</b> The discussion suggested the possibility of including past performance and quality/sustainability certifications among the qualification criteria. This would operate as an incentive for companies to develop better contracts and obtain quality certifications, knowing that this would have a strong impact on future evaluation. Both of these requirements would be decisive in the contract implementation phase.</li> </ul>
<p><b>4. The Initiating Discussion paper highlights the multiplicity of demands and contexts procurement is serving today –diverse sectors, instruments, delivery mechanisms and clients with varying institutional frameworks and governance conditions. What recommendations could help the Bank best tailor its procurement requirements to meet these diverse and varying demands and needs?</b></p>	
	<ul style="list-style-type: none"> <li>• <b>Control Agencies:</b> The participants suggested that the Bank should provide training to the Control Agencies. These entities do not have deep knowledge of the Bank's Guidelines and usually ask for documentations and approvals that the Bank does not require, making each procurement process longer.</li> <li>• <b>Private-public partnership:</b> This rather new kind of contract is being increasingly used on huge infrastructure projects and should be considered as a new kind of contract to be financed by the Bank.</li> </ul>
<p><b>5. What could the Bank do to simplify and streamline its current policies and to take advantage of the potential gains offered by e-procurement and IT-based tools?</b></p>	
	<ul style="list-style-type: none"> <li>• <b>Technology should be the center of the reforms.</b> Participants suggested that principles should remain and technology tools should guarantee them with a more flexible scheme.</li> </ul> <p>An example one of the participants suggested was the development and use of tool that allows previous consultation of the bidding document through internet.</p>
<p><b>6. International consensus calls for use of country systems and harmonization among development partners. What can the Bank do to advance the use of country systems and harmonization among partners?</b></p>	
	<ul style="list-style-type: none"> <li>• <b>Country Systems:</b> In case the Bank is looking for the harmonization of its procurement policies with national systems, the participants considered that it should focus in principles instead of using established procedures. Some of them emphasized the idea that having in place strong agreed principles, would guide the processes without having to follow structured procedures.</li> <li>• <b>Argentina's Country Systems:</b> Argentina, with a federal government system in place, has several</li> </ul>

	<p>“national” procurement systems (at national, subnational and local levels, totaling over 74 systems). Participants in general expressed their concern about adopting the national system for Bank’s financed projects; they all agreed that they would prefer keep on using Bank’s Guidelines given that the local legislation is complex, and its use has a great impact on the time each process takes and the related administrative costs that are involved.</p> <p>However, they mentioned that the local legislation could end up being useful for the selection of research consultancy services, as it allows direct contracting and hiring of public research centers.</p>
<p><b>7. What suggestions do you have to monitor and evaluate the Bank’s Procurement policies and assess their impact and effectiveness?</b></p>	
	<ul style="list-style-type: none"> <li>• <b>Expand the procurement process approach:</b> The participants suggested strengthening the capacity of the PIU’s procurement staff and improving overall procurement management during the whole process. The procurement process should be considered more widely than the purchase itself; monitoring the whole contract would have a stronger impact on the effectiveness and the achievement of objectives of the procurement process.</li> <li>• <b>Bank’s involvement:</b> The participants considered that the current role of the Bank in procurement is not clear as whether the Bank is part of the procurement processes, or has just an external role of evaluating documentation. Most of them agreed that the Bank has no direct responsibility on the success or failure of the procurement processes, although its role seems to be so strong that could impact on the final results.</li> </ul> <p>The new Policies should include a revision of the Bank’s and clearly determine its new position. The participants think that after such revision, the Bank could end up in following two different paths: The first one would be a complete separation from the procurement process, giving complete autonomy to the Borrowers; while the second one could be a stronger involvement from the Bank in the procurement planning and the contract management. They all agreed that the later would be the preferred option.</p>
<p><b>8. Do you have other suggestions to help the Bank develop a proposal for a new policy framework and guiding principles for revisions to the Bank’s procurement policies?</b></p>	
	<ul style="list-style-type: none"> <li>• <b>Incentives:</b> The Bank should consider the adoption of incentive mechanisms for PIUs that implement innovative tools, approaches and resolution ideas. The current Guidelines punish those PIUs that do not follow the rules, but give no incentives to those Units that follow every single rule while applying new ideas.</li> </ul>