



The World Bank

Procurement Policy Review Feedback Summary

Date: July 30, 2012

Venue: New Delhi, India

Total Number of Participants: 23

Overview and General Reactions

A half day session was conducted on July 30, 2012, where leading practitioners and experts on public procurement and public policy from India were invited. Participants invited include current and retired senior officials from the Government known for their contribution to public procurement development and debate, Indian Railways, reputed academicians from the Indian Institute of Materials Management (IIMM), Institute for Supply Management India chapter (ISM), WTO Study Centre of the Indian Institute of Foreign Trade (IIFT), representatives of civil society and NGOs – PPG, GPCL, and other leading procurement experts and consultant organisations.

General observations:

- The initiative was welcomed by most participants and termed it a “Timely Change.” Most of them have advocated for Bank shifting from compliance to Principle based procurement systems. Present times demand the need for bank to be flexible from “One size fits all” to “Best fit.” Many participants are looking forward to new robust procurement policy with more flexibility.
- According to many participants, the World Bank is a leader in Public Procurement systems, and clients will accept the World Bank’s recommendations if it introduces a robust system.
- Need to bring professionalism and respect to the profession. Bank as the leader in developing the public procurement function over the past 3 decades have a responsibility to articulate common standards of policy, practice and pre-requisites for procurement professionals in the world. As

part of this capacity building policy, certifications must be made mandatory for procurement professionals.

- Most of the participants have expressed their opinions and expectations to have a robust procurement policy from the Bank on tackling the issues of fraud and corruption. Supply side corruption cannot be ignored and there shall be some kind of accountability or onus put on private sector especially for PPP projects, where a company that enjoys more than 50% of the equity, must confer to public procurement and follow the guidelines of Central Vigilance Commission.

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?

- One of the major element missing in the public procurement policies of World Bank and most other donors is “TRUST”. Whereas, the private sector procurement empahsises on TRUST as succesfully seen in Vendor Development and long term relationship established between buyer and supplier. Public procurement needs to understand that getting a few constructive offers is better than meeting any number requireemnts on participation in the name of competition and transparency. One critical challenge for this review is “how to bring Trust in procurement process between buyers and bidders.
- Vendors/Suppliers must be introduced early and made a part of the procurement planning processes as is done in private/public sector, especially automobile and construction sectors. Organisations will benefit from their technical expertise from the very beginning. The major problem today in public procurement is distrusting the vendor. It is in the interest of organisations to build their capacities.
- There is an urgent need to mígrate from tactical / compliance driven public procurement to strategic procurement. To make this move, tremendous amount of political will is required. The new policy must address this issue by recognising and accepting procurement as a strategic function in an organisation, addressing value for money and accountability.
- Corruption is a big issue. The most severe impact of corruption done by a minority in a system is the risk averseness shown by the rest majority in taking any procurement decisions. 85% of the people who are not corrupt are working out of fear or lethargy as they fear how their decisions would be looked at. The challenge is to ease the decision making process of the non-corrupt majority without getting caught between the audit and the vigilence.
- As of now, the Bank has been looking at procurement from specifications to award, as conventionally defined under “Procurement.” The UN system has made a strategic move of this function to that of Supply Management inculding the Logistics and Contract Management and Delivery. A shift from mere procurement administrative tasks to **Supply Management** is the call of the day for the World Bank.
- In moving from Procurement to Supply Management, the Bank needs to reorganise itself in Category Management sectors and teams. The Bank needs to develop expertise around many categories like Health, Education, Agriculture,

	<p>CDD, PPP, ICT, Heavy Engineering etc., within the proposed Supply Management Function.</p> <ul style="list-style-type: none"> • Spin-offs expected in improving the country economic situation are not being realized by following the Bank's procurement methods of ICB, etc. Consider the multiplier effect of money spent in the country if all selections are made within the country. Domestic industry must be given high weight. Best fit and value for money – these definitions need to undergo change.
<p>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?</p>	
	<ul style="list-style-type: none"> • There is a disconnect between buyers and end-users. Adequate penalties need to be introduced for effective vendor ratings and evaluations. The new policy shall also look at real feedback of the past performance can be brought in more effectively in future selections. • Negotiated route to arrive at Value for Money is now gaining momentum across the world. The Bank is shying away from this approach with a puritarian manner. The new policy shall address this requirement. The Bank can build in the mechanisms for efficacy of negotiated route, possibly through reverse auctions, use of IT, etc. • The current model of procurement arrangement is treated as set in stone. The Bank should move to principle-based procurement guided by a brief statement of the principles booklet. Further decisions on what methods, procedures and monitoring supervision arrangements should be made on the decisions of the procurement and country management teams. • Obviously there cannot be a proliferation of sector specific requirements. It would be better for the Bank to spell out general principles in the Guidelines (which should not be interpreted as fatwah/ rules). There could be a bare set of mandatory requirements and the rest only as good practice guidance. • Technical specifications need to be strengthened in the new policy. It should have a life cycle approach to the bid evaluations. Address the issue of what is the fair and reasonable cost. Some mechanisms need to be put into the guidelines that would require the suppliers to provide break – downs on operating costs, material deviations, etc. Specifications must be performance- and output-based. The new policy should be able to address the long standing issues of supply side of corruption: suppliers, bid rigging, collusion, and integrity pacts. • Environmental Procurement shall take into account social securities to small and medium scale industries in countries.
<p>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?</p>	
	<ul style="list-style-type: none"> • Be honest about how risk is measured. A realistic approach to risk assessment is required. Identify an appropriate approach, even if the project is “High Risk,” find ways to minimize and bring it down to a desired level. • It is not a good idea to bring reforms in governance or anti-corruption measures using procurement leverage. By doing so, procurement will become delayed and bureaucratic. At the same time, there is no significant evidence that

	<p>corruption has reduced in the borrowing countries, at least according to Transparency International indices. Then there is a dilemma of denying funds to a poor country, as the government is corrupt. While issues of governance and corruption need to be addressed, procurement cannot be the tool. If there is any evidence of corruption, all involved should be suitably penalized.</p> <ul style="list-style-type: none"> • The new policy can focus on the aspect of capacity development of local government institutions, gram panchayats. Relying on country systems, the World Bank needs to make these investments. A concentrated effort to facilitate government system for capacity building is required. Overhaul of the procurement systems is required. • In more than 60% of the post review cases, there have been complaints of delay in delivering, non-maintenance of records, etc. Effectiveness of procurement is not monitored. Procurement plans are treated stand-alone and not integrated with project implementation. Review reports do not get disseminated. Strict measures need to be taken for non-compliance. • Periodic vendor evaluations must be made part of the procurement planning. Concurrent review, rather than post review, is required. PPR is not effective for good project implementation. Procurement Performance Satisfaction Index must be introduced which can be a motivating factor for agencies. • Keeping the estimated budget in mind, how should savings be done and also be considered credible. Stakeholders look at options for involving beneficiaries, have feedback and evaluate the impact of procurement. • The Bank cannot dictate to borrowers, but can only suggest. It is not the Bank's money, ultimately it is tax payers' money, hence the objectives, policies and attributes must get the Value For Money, provide access to all eligible bidders, promote adequate competition. It must ensure transparency and openness, build in accountability into the process, reduce scope of corruption, develop domestic economy and compliment other government policies. • The elephant in the room is political corruption which is not discussed at all and for which the Bank has no cure. We are setting up anti-corruption systems but (many) system administrators are corrupt and manipulate everything. The Bank is not capable of addressing this. • Adopt a low key approach on anti-corruption measures which are not getting implemented (and which will never be - in today's materialistic world), without reducing the role of procurement monitoring in Bank projects. The focus should be on procurement rather than corruption. Apart from holistic supervision at a macro level, the Bank should concentrate on the last line of the extract of the agenda reproduced above.
<p>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?</p>	
	<ul style="list-style-type: none"> • Need to shift from compliance-based to principle-based procurement systems. • Every country or client has its own procedures. There is a need to move from tactical to strategic procurement, expense analysis, category management, long term arrangements, and negotiations frameworks. Different tools and approaches

	<p>need to be recognized in the new policy to leverage economies and best value for money.</p> <ul style="list-style-type: none"> • Bid documents should be revised to be able to attract more responses. Price negotiations should be allowed. “Why should L2 be given the L2 price?” • The Bank needs to examine why bidders are not responding. The Bank officials who give NoL should be held accountable. • Procurement should not be allowed on the basis of samples, proper technical specifications need to be established.
<p>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?</p>	
	<ul style="list-style-type: none"> • The technology has grown tremendously in last 10 years, leaving big gaps and a lot of scope for improvement. The Bank must now introduce policies/guidelines on using Reverse Auction, e-Procurement, and Green procurement • Instill tomorrow’s requirement, such as Green Procurement, into the new policy. • A technically trusted environment must be introduced for e-Procurement. • Emphasis is now seem to be on e-Procurement and reverse auction. All countries in the world or all parts even in India are not well tuned to handle e-Procurement. It requires lot of funds, efforts and time to build capacities of vendors. • The Bank shall carry out an extensive analysis of e-Procurement outcomes in countries before adapting it. There are studies that have pointed to the inefficiencies generated by country-wide e-Procurement implemented in Chile. Even in India, if Andhra Pradesh is turning out 2 bidders only for all works contracts through e-Procurement, what is the benefit accrued? • Concerned about providing secured safety systems for e-Procurement. What kind of security is enough, what could be the safeguards, measures and actions? The new policy should be able to address these issues. • There should be a method to review the claims of efficiencies of e-Procurement. • More service providers are needed in e-Procurement. The Bank must consider having a secured Central Procurement Portal with standard protocols, time stamping systems, digital signatures and a trusted environment. Insist on electronic payments.
<p>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?</p>	

	<ul style="list-style-type: none"> • There is a need for harmonization not only with borrowing governments but also with other major players like EU, UN, etc. Since the principles are the same but procedures are different, lack of harmonization is a deterrent for capacity building initiatives. • Entire justice system needs to be strengthened. The lack of law/enforcement is a deterrent. • General feeling is that countries should not insist on Joint Ventures. “Transfer of technology” is the call of the day. • The level of public procurement outside EU is less than 1%. • Is the World Bank going to be instrumental in bringing down bribery? • IDA and IBRD should be flexible, and reduce the amount of procedures at the country level. • The new policy must address the issue of political corruption. • The Bank and GFR (India) procurement systems have lots of similarities. It has been generally felt that the ICB is not an appropriate method most of the times for getting value for money; however, there have been many instances where ICB method of procurement has led to huge savings. This must be continued.
7. What suggestions do you have to monitor and evaluate the Bank’s Procurement policies and assess their impact and effectiveness?	
	<ul style="list-style-type: none"> • Procurement outcomes must be monitored. Indicators need to be developed for processes, outputs and outcomes. How we measure M & E varies from project to project. Post award reviews could be different from country to country. • Go by project indicators rather than procurement indicators. The Bank should be interested more in the project outcome rather than the procurement process – though it is not the ideal way, there is no other way in today’s world. • Procurement is being evaluated as per guidelines; the review must also address that there is a need to evaluate outcomes. • The World Bank should consider facilitating contract management for timely project implementation. • Grievance redressal system must be allowed at any point during the procurement process and beyond some thresholds.
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?	
	<ul style="list-style-type: none"> • Procurement policy should be the focus and not procurement guidelines. Policy framework should be legally binding. • CDD should be given identity and there must be scope for innovation. • Transform procurement to supply chain management.

- The Bank must have central procurement portal.
- There is a need to simplify documents as they intimidate the suppliers. There is a general belief among the vendors that the complexity is there on purpose, in order to deprive them of getting orders. The new policy should also look into cutting down on the stages of prior review, replacements of staff should be allowed; however, frequent changes can be curbed by introducing penalties.
- Many participants advocated for different set of rules for IBRD and IDA. Framework agreements should be region-based.
- As per the existing policy, the Bank insists on bulk procurement of goods for long-term projects, in order to take advantage of economies of scale. This needs to be made flexible. Staggered procurement must be allowed.
- Framework procurement should be encouraged, as in drugs and pharmaceuticals sector. This will help to reduce repeat purchases, and deliveries will be faster.
- Low value, high volume procurement must be done through running contracts.