



The World Bank

Procurement Policy Review Feedback Summary

Date: October 10-11, 2012

Venue: Tunis, Tunisia

Country/es connected by video conference: AfDB staff based in several countries

Total Number of Participants: About 30

Overview and General Reactions

The consultations on the Bank's Procurement Policy review were led by Bernard Becq, the Chief Procurement Policy Officer of the World Bank and hosted in Tunis on October 10 to 11, 2012 by the African Development Bank (AfDB). These consultations involved a broad range of AfDB staff from various units and departments, and procurement staff in particular, and inter alia all the hub coordinators who are based in field offices.

The Consultations meetings were chaired by Mr. Vinay SHARMA, Director, Procurement and Fiduciary Services, at AfDB.

The Chairman gave a brief introduction of the purpose of the consultations and thanked Mr. Bernard Becq and the World Bank for the opportunity they gave to AfDB staff to: (1) be informed of the status of the Bank's procurement policy review and (2) express their views, suggestions and eventual recommendations.

The Bank introduced the procurement policy review approach and timeline, and presented the main findings and recommendations of the different consultations held until now. The strong commitment of the World Bank Group's new President and Senior Management

in conducting the review and holding wide consultations with all stakeholders was stressed. The review is part of the renewed Bank focus on results and support to borrowing countries through a wide and comprehensive modernization initiative and broad investment lending reform, as well as harmonization with other donors, including inter alia other multilateral development banks (MDBs).

Following the introduction, the floor was open for questions, reactions and suggestions.

The participants centered their concerns and suggestions on broad topics as well as practical subjects and issues, and opened avenues about the way these issues could be addressed through a revised procurement policy.

The specific topics raised by the participants were as follows:

- **Procurement cooperation between MDBs, international financial institutions (IFIs), and key development partners:** Harmonization of MDBs' procurement guidelines, especially those of WB and AfDB, needs to be strengthened at the implementation level, which needs more flexibility and better understanding on the ground. In this context, Mrs. Yacine Fal, Procurement Division Manager at AfDB raised some issues encountered in joint financing activities, inter alia in Morocco and Ivory Coast. While the issues go beyond procurement (applicability of all Banks' policies, status of Legal Agreements, concept of Lead Bank and decision-making according to whose rules, etc...), the review provides an opportunity to address those that have an impact on procurement (e.g. applicability of different sanctions regimes, eligibility, and joint prior reviews/selectivity of reviews).
- **Capacity-building and Country procurement reforms:** How to address the human capital dimension upfront was seen as a key issue, and procurement reforms are not sustained by donors in a holistic manner. In that regard, the broad interest for procurement reforms has not found its way in investment lending, and TFs and grants, as well as PSM projects with limited components regarding procurement systems, have not provided a satisfactory answer. What should be the role of the MDBs and how can the development objective be supported by a different focus of the MDBs procurement policies? One option would be to develop a comprehensive tool (beyond traditional training) that could be used by donors and countries across the board.
- **Country concerns:** There is an opportunity to address, through the procurement policy review, borrowing countries' (re)emerging concerns, all related to the key question of the accruing benefits to the local economy and people, as follows:
 - ✓ competitiveness and growth of the national private sector and its access to public procurement opportunities;
 - ✓ local content, industrial integration, and domestic preferences;
 - ✓ sub-contracting of local firms by foreign contractors, joint ventures between foreign and local companies, and role for SMEs in MDB-financed contracts; and

✓ transfer of knowledge

- **Public Private Partnership (PPP):** PPP projects, allegedly involving complex structures and procedures, are increasingly financed by MDBs. At present, PPP arrangements are considered in many countries as part of their public procurement policies and contemplated as a procurement method in the Banks' Procurement Guidelines. Should PPP arrangements be part of such or subject to separate policies, and if the latter, how to make sure that there is consistency? The Heads of Procurement (HoPs) of the MDBs have issued two guidance notes in this regard that have been posted on the Harmonization website hosted by the WB. The procurement policy review has identified a need for a specific approach and the Bank is currently engaged in an internal discussion to present to the Board an initiative to streamline PPP operations with the objective to better align the approach of the WBG units, including IFC, that finance PPP projects.
- **Program for Results financing (P4R):** The Bank explained the rationale and objectives of the recently-approved "Program for Results" (PforR) lending instrument, and shared the relatively limited experience (only two projects have been approved so far). There is a clear link, however, between the PforR and the procurement policies in that both aim at addressing, at least in part but in a more effective manner, the issue of increased reliance on country procurement systems.
- **National Competitive Bidding (NCB):** At present, International Competitive Bidding (ICB) is the default procurement method in the Banks' Procurement Guidelines and NCB is an alternative method that can be relied upon under specific conditions. However there is a need to better utilize NCB methods to inter alia better support the local industries, although this raises many complex issues such as the above-cationed ones. They could be addressed through a procurement policy more open to development objectives. And more adapted to considerations of local/regional preferences and/or acceptance of countries' industrial/local content prone procurement policies. A suggestion was made that all contracts subject to NCB methods should only be post-reviewed.
- **Monitoring & Evaluation, and Bank controls:** A paradigm shift is required to focus more on contract management rather than exclusively on a ring-fenced procurement approach through prior control as well as on performance rather than on compliance with standard procedures that do not always fit the purpose. In addition, risk management must become a true and dynamic exercise, allowing performance monitoring, rather than a box-ticking one that is carried out upfront and not used during implementation. An integrated approach to procurement and contract management entails many challenges, inter alia in regard to the country accountability framework, Fraud and Corruption issues (see below), and the enforcement of Bank remedies. Such a paradigm shift should be approached from a risk management and fiduciary control perspective with the objective to exercise adequate fiduciary controls as per the Bank's mandate while dealing with the rigidities of the current policy and accounting for the broader

development objectives: a better balance between risks and development objectives is needed, and country control mechanisms and procedures as well as external and independent audits should be increasingly relied upon.

- **Fraud and Corruption (F&C):** A key concern for all MDBs is the reputational and operational risks attached to F&C cases under a Bank-financed contract when a country would use its national systems (in that sense not really any different from what currently happens under NCB). Countries would, in general, have to accept a higher level of accountability.

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?

- The participants raised a number of specific issues, summarized above, which can be addressed through a revised procurement policy framework.

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?

- The participants expressed the need to see public procurement reforms in general --as well as the Bank procurement policy review for that matter-- in the larger context of the radical changes occurring in many recipient countries, including in particular those in the MENA region with the post spring transitional environment.

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?

- As noted in the above-captioned summary, the participants stressed the need to focus more at the highest level on capacity-building and support to strengthening procurement reforms (broad country development agenda across all sectors and projects), and at the project/transaction level on performance and contract management as well as risk management rather than procurement prior reviews and controls.

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?	
	<ul style="list-style-type: none"> • No specific suggestion was made
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?	
	<ul style="list-style-type: none"> • No specific suggestion was made
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?	
	<ul style="list-style-type: none"> • As noted in the summary, the participants stressed the need to develop tools and methodologies, as well as secure resources, to walk the talk of capacity building and strengthening country procuremen reforms.
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"> • No specific suggestion was made
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"> • No specific suggestion was made