



The World Bank

Procurement Policy Review Feedback Summary

Date: October 8th, 2012

Venue: Panama City, Panama

Country/es connected by video conference: El Salvador, Honduras, Guatemala, Nicaragua and Dominican Republic

Total Number of Participants: 32

Overview and General Reactions

The consultation was carried out for about three hours at the World Bank's Country Offices located in Panama City (Panama), El Salvador (El Salvador), Tegucigalpa (Honduras), Guatemala City (Guatemala), Managua (Nicaragua) and Santo Domingo (Dominican Republic). Representatives of the Private Sector, Government institutions, PIU staff and Civil Society participated in the consultations. The complete list of participants can be found in the attachment.

Two participating organizations additionally submitted written comments: (i) the Honduran Consejo Nacional Anticorrupción by means of its letter dated October 5, 2012, and (ii) the Guatemala Construction Chamber by means of its letter dated October 12, 2012.

General reactions

- The main outcome of the meeting was that participants welcomed the proposal to more broadly resort on Country Systems and remarked the need to strengthen Procurement Regulatory Bodies and to take into account regional and cultural factors while doing so.

- While participants expressed their appreciation of the value added by Bank supervision, they welcomed the initiative of reducing the allocation of Bank Procurement staff time to operational work and concurrently shifting their time allocation to capacity building activities. Participants proposed that procurement audits financed by loan/credit proceeds be regularly conducted to help ensure that fiduciary standards are kept despite the expected reduction of Procurement staff time devoted to operational work.

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?

- **Harmonization with local practices and regulations:** participants emphasized the need of reaching deeper harmonization between Bank and local practices and regulations, taking also into account cultural factors. Participants raised the need to extend harmonization efforts beyond procurement by including project planning and design techniques plus technical requirements in the agenda.
- **Sustainable project design:** the need of taking into account the whole project life during design stages (including maintenance in addition to construction) was highlighted by participants. Government planning and prioritization activities should be strengthened. The early involvement of fiduciary staff was mentioned as necessary.
- **Participation of local industry:** Participants considered that the measures taken by the Bank in order to help develop local industry have not been enough. They suggested that the process of assessing qualifications in the cases of associations be regulated in deeper detail in order to facilitate the participation of local companies in ICBs. In the case of works, the topic that needs more elaboration is how experience and resources provided by various members of the association should be added. Other participants further requested that quotas be assigned to local firms willing to bid as members of associations. It was also required that additional flexibility be introduced in order to facilitate the participation of local consultants, since requirements are considered too high.
- **Quality, Occupational Health and Security certifications:** Some participants raised the need to revise bid evaluation criteria in order to provide incentives to firms having obtained the previously mentioned certifications.
- **Bank securities:** the issue of securities issued by banks vs. those issued by insurance companies was discussed. Representatives of two Procurement Regulatory Bodies supported the Bank policy

	<p>that securities have to be on demand. They further explained that cashing a security issued by an insurance company is extremely difficult. Private sector participants indicated that the cost of bidding is high due to Bank securities and emphasized the fact that an on-demand security hinders their changes of being heard when a problem arises. They suggested that conflict resolution mechanisms be pursued prior to the execution of any security.</p>
<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"> • Bidding process: Participants emphasized the need of reducing the documentation requirements for bidders. • Bracketing: Some participants indicated that bracketing should be authorized in order to avoid awarding contracts to bids artificially priced too low. They further suggested that too low bids are related to money laundry practices. • Price adjustment mechanisms: Participants from the private sector agreed on the need for the Bank to make the mandatory employment of these mechanisms more general. • Bidding documents: Some participants indicated that they need to be improved and updated. In particular, one of the participants indicated that contractors should be allowed to lower amounts of advance payment securities during contract implementation.
<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"> • Bank supervision: Participants agreed on the fundamental importance of Bank supervision. • Concurrent Audits: Participants suggested that Bank supervision be partially replaced by concurrent audits funded with loan/credit proceeds. • Physical progress and quality control: Participants emphasized that physical aspects should be included in either Bank supervision or Concurrent Audits. The need of preparing and disclosing final implementation reports for each contract was emphasized. • Civil Society: Participants suggested that the Bank would need to resort more on Civil Society and Beneficiaries for project supervision. The need of supporting Government agencies dealing with F&C issues was highlighted. This support would require more dialogue with Bank F&C experts. The creation of portals to submit denounces and disclose results of investigations was requested. The concept that implementing agencies are accountable to beneficiaries was raised and the

	<p>recommendation that mechanisms to discharge such accountability be implemented was made.</p> <ul style="list-style-type: none"> • Remedies by the Bank: Participants suggested that a mechanism a la “reprimand letter” be formally extended to all project supervision activities in addition to F&C. The need of involving the Government at the time of making decisions regarding sanctions was suggested. • PPPs: some participants suggested that the use of schemes involving private-public partnerships would help increase transparency while others were against the idea because these schemes imply abandoning the application of local procurement law. • Change of government administration: some participants highlighted the high inherent risk of projects that continue implementation after a change of government administration. • High PIU staff rotation: some participants identified staff rotation as one of the most important sources of risk. • Local Registries: Participants suggested that the employment of local registers would help mitigate risk because firms are prescreened during the register process. They also indicated the need of strengthening these registries.
<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"> • Regional agreements, context and idiosyncrasy: Participants highlighted the need for the Bank to take into account these regional legal and cultural aspects at the time of deepening harmonization efforts and moving towards country systems. From the regulatory view point, they even suggested the need for the Bank to prepare specific Procurement Guidance Notes applicable to each region or sub-region. These notes would complement the Guidelines while local law would rule those aspects that are not regulated by the Bank. From the cultural view point, they emphasized the need to work on attitudes not only on capacity. • Market studies: Participants indicated that the Bank should conduct market studies more often.
<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"> • E-procurement: after careful consideration of the performance of each country procurement platform, the Bank may consider deepening the acceptance of framework contracts and other e-procurement methodologies.

	<ul style="list-style-type: none"> • Training: Participants raised the need of receiving more training from the Bank.
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"> • Use of country systems: according to members of Regulatory Bodies, it would require the strengthening of these bodies. This would include measures to avoid the usually high rotation of their staff and training not only to staff working for these bodies but also to control agencies. In line with the idea of training, participants would find having access to Bank Post Review Reports very useful to build their capacity. Participants also mentioned the need of working on national Standard Bidding Documents. Other participants made comments on the need of a previous Bank assessment. • Civil Society participation: Other participants indicated that resorting on country systems would require more involvement of civil society. Others explicitly indicated the need of articulating social audits. • Difference between regular Government activities and a Project: some Participants raised concerns about the use of country systems for Bank project implementation because these systems have been designed for activities that do not have a closing date, as Bank projects do. In this line, they expressed concerns about the possible delays and --even jeopardy of project implementation-- resulting from the handling of complaints within the local regulatory framework. Careful consideration of personnel motivation and attitudes should be taken into account.
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"> • Cross check of audit reports prepared by different audit institutions: Participants suggested that this comparison would bring valuable information at the time of designing procurement policies. • Benchmarking: Participants suggested that benchmarking other IFIs policies would be useful.
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"> • Bank decision making process: the need of increasing delegation to local offices was raised by participants. They also expressed the view that prior review work could be reduced considering that some decisions may not need Bank no objection even in processes subject to prior review. They mentioned, as an example, postponements of bid/proposal opening and extensions of bid/proposal validity. • Bank AC Policies and its implementation: Participants raised the need for the Bank to share more

information on these topics with Client countries.

- **Cross check of bidder's databases:** Participants suggested that this check would bring valuable information at the time of identifying firms having showed questionable ethical behaviors.