



The World Bank

Procurement Policy Review Feedback Summary

Date: June 28, 2012

Venue: London, United Kingdom

Total Number of Participants: 14

Overview and General Reactions

A first round of consultations on the Procurement Policy Review was held in the World Bank's London office on June 28, 2012, with a group representing a range of stakeholders—development partners, civil society, business, development think tanks, and academia. On the Bank side, the meeting was attended by Myrna Alexander, member of the Bank's Procurement Review team, and Ian Nightingale, Lead Procurement Specialist in the Bank's central Procurement unit. The list of participants is provided.

The Overview to the Review, provided on the Bank's Procurement Consultations webpage, was presented by the Bank team. The meeting then proceeded with a series of questions about the review and its approach, and suggestions offered by participants on what the Bank might do.

Key Points Raised by Participant

- It is important to acknowledge and recognize that most procurement is undertaken by clients/borrowers and not directly by the Bank. The ability of the Bank to directly deliver or control proceedings is often limited. Developing the capacity of clients will be

critical.

- The review was welcomed. Indeed, the framework for development assistance has changed over the years with more emphasis now on value for money and making sure that aid is “free and fair.”
- This is being accompanied by more focus on strengthening the policy framework in developing countries, emerging international standards (e.g. construction procurement standards in South Africa) and less emphasis on procedures.
- Value for money, which may mean different things to different people, is an effort to get better value (e.g. using “design and build” methods). Value for money also entails examining acquisition costs and how to help clients in this process. In this context, the use of e-procurement and harmonization among donors are positive developments.
- Procurement can profoundly shape markets. There needs to be more understanding of both the buyers and the sellers. The textbook publishing industry in Africa was cited as an example of where the Bank’s procurement policies have negative effects on local markets: the markets for textbook publishing in developing countries are segmented, many UK publishers have exited from these markets, and only major global suppliers may be the only ones left.
- Another example of how the Bank’s policies can negatively affect markets is the case of the local construction industry. The letting of large contracts, say for five years, under a particular project is then followed by a long period without any new contracts. Breaking larger contract packages into smaller lots might make it easier for local suppliers to win work on a regular basis.
- The Bank’s policies might also be hampering the emergence and growth of small local contractors that need a steady source of work. Intense competition in the market for small contracts means that local SMEs might win one contract but not get another for many years. Regular work for the most promising contractors could be facilitated by framework agreements or serial tenders.
- In principle, procurement ought to serve development and it can contribute towards, or distract from, the realization of other economic goals. But there may be conflicts, which have to be recognized and managed.
- Generally, procurement processes seem to be more effective in the case of works, less so for goods as there are many technical aspects, and more problematic for consultants. The present policies may not be suited for small-scale cultural goods, as in the textbook publishing example.

- There is also a perception that the Bank does not properly oversee the contracting of consultants and that this part of Bank financed procurement is not “free and fair.”
- As the Bank moves ahead, procedures should be simplified and more flexibility added, along with an acceptance by the Bank of other ways of doing things: this means “fit-for-purpose,” what is most appropriate, and methods more proportionate to the value of the transaction. It means working with a range of countries with different needs and capacities, such as Uganda that is reforming and China that is modernizing its procurement policies.
- Procurement reforms are challenging and entail cultural shifts that affect people, processes and standards, as in the case of Bangladesh. There may be bureaucratic resistance. Moreover, these changes go beyond the procurement specialists and need to include those associated with the full procurement cycle.
- It is clear that the Bank needs to move away from a “one-size-fits-all” approach and the key question is how to categorize different capacities and needs based on evidence and demonstrated by the value being added to procurement outcomes. See responses to Question 4 for more suggestions.
- How procurement is carried out in fragile and conflicted affected countries is a priority area, with procurement generally taking too long. See Question 4 for more suggestions.
- A recurring theme is the importance of contract management—as a means of adding value, for realizing development objectives, responding to risks of F&C, and ensuring quality. Capacity on the ground is critical. Professionalization of Bank staff has to be pursued.

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 quality of Bank staff handling procurement especially in fragile states is an issue that needs to be addressed.
- Changes in standard contracts may be needed: the Bank should look at “Open Book” accounting and how contracts are priced and alternatives to FIDIC models.

	<ul style="list-style-type: none"> • International construction standards ought to be examined and included in standard documents. • The review should analyze more how consultants are engaged. For example, IT procurement: how to do it—goods or consultancy? • As demonstrated in research on public procurement, implementation of any new policy by the Bank will be a critical challenge: it will need to be based on evidence and examples of what works and will take time.
<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"> • New processes such as value for money, full cycle procurement, and framework agreements should be adopted. • Adoption of a more principle based approach to procurement to provide greater flexibility, encourage more local market participation and help expand local economies and incomes. • Greater understanding of markets and market shaping, working with both sellers and buyers. • Evidence-based management of the procurement process based on quality, results and outcomes.
<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"> • The Bank should adopt a new approach to dealing with F&C and pay more attention to white elephants and contract administration/execution. • Risk management should play a central role and ought to include the risk of not acting or acting too slowly offset by high rates of return. • A critical factor is the oversight by staff in country—their quality and authority. • E-procurement can be used to increase transparency, monitor contractor/supplier performance and as a means of reducing corruption.

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?

- The main step will be to use country systems, as articulated in the Busan declaration and its predecessors.
- The Bank faces a major challenge in how to do that, specifically in framing a procurement policy that works for the wide range of the Bank's clients and their needs.
- This may be most acute in the case of fragile and conflict affected countries.

Overall Approach

- The Bank needs to find an overarching way to deal with its diverse clients and their needs. This could entail taking more of portfolio approach, rather than one-size-fits-all, building on the results of international research on public procurement. More specifically:
 - The Bank needs to devise a taxonomy, not just a topology, of its borrowers. This could prove to be a lever for achieving development results.
 - The question is how to categorize the differences among borrowers. Some dimensions that the Bank could consider include capacity, use of technology and so on. This could be based on the stages of development of countries as identified in public procurement research.
 - This taxonomy may be used by the Bank to tailor its policies to each situation. The Bank could give different weights to different dimensions of that taxonomy, depending on the situation.
 - Rolling out such a new approach will take time and resources to be convincing. There needs to be evidence and examples of what works. This implies a period of piloting and developing tool kits.

Fragile and Conflict Affected Countries

- Specifically In working in fragile countries, the Bank should:
 - Get local capacities operating quickly and deal with capacity in a holistic manner.
 - Use the full extent of the flexibility that exists under OP/BP 8.00.
 - Spend more time on getting local processes to work than to adopt new procurement laws, which are likely

	<p>not to be the highest priority</p> <ul style="list-style-type: none"> ○ Deal early with security issues which are very real ○ Recognize that F&C may be even more toxic in such situations ○ Try to involve the local private sector and access their capacity ○ Work more closely with UN agencies and other bilateral development partners ○ Manage risks, including the risks of not acting or acting too slowly ○ Assign the right people in country ○ Take care not to undermine other reform or capacity building efforts - 'Do no Harm'
<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"> ● As noted earlier, e-procurement can be employed for contract management and simplify various procedures. But this is not “one-size-fits-all” either and needs to be tailored to diverse borrower needs and capacities. ● The Bank should follow up on the agreements reached at the Busan IVth Aid Effectiveness meeting. ● The Bank’s guidance and best practice notes on e-procurement need to be refreshed and updated. ● In addition to the anticorruption benefits, e-procurement systems can assist capacity building by facilitating greater data capture and analysis, which can help shape procurement policy/strategy and secure government buy-in.
<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"> ● It would be helpful for the Bank to analyze/compare country systems to generate more understanding of the differences. ● Since it is likely that all of the MDBs face similar issues as the Bank (as their policies are largely similar), it will be important to keep them involved and to think through the implementation implications. ● The Bank should act on the Busan commitments.

7. What suggestions do you have to monitor and evaluate the Bank's Procurement policies and assess their impact and effectiveness?

- A key measure of success will be the extent of the use of country systems. This is the direction that the Bank has to go and needs to be built into the new framework.
- A corollary is the incentives to borrowers to reform, so additional measures include the extent of capacity building and the extent and nature of country level experimentation.
- The policy further needs to have a dynamic nature—a measure is how easily it can be adapted and/or used in different contexts (e.g. by country and sector).
- There should be evidence of value added, within the Bank and by clients. There should be examples of the strategic use of procurement. At the same time, there should be evidence of “pushing the boundaries” and even failure.
- There should be an available set of indicators of risks.
- There should be some measure of the Bank's capacity, especially in-country.
- Timeliness needs to be measured.
- The thresholds for ICB should be raised by sector/country as capacity and capability increase.

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?

- Many of the points raised warrant further discussion and there was interest in following up with participants on areas that need more work. In particular, the Bank committed to:
 - Arrange a separate consultation with a wide range of private sector actors. It has been agreed that this session will be hosted by British Enterprise and take place on July 23, 2012, in London.
 - Access and use the results of international research on public procurement and frameworks for conceptualizing procurement systems by the University of Bath. This would help in developing the

needed taxonomy and the link to stages of development.

- Pursue possible collaboration with Oxfam on the benchmarking of procurement systems, with particular emphasis on the institutional dimensions.
- Follow up with CIPS on professionalization and certification of procurement specialists both for the Bank and for clients.
- Share the recommendations for working in fragile countries from ODI with the appropriate Bank groups involved in these countries.
- Explore with Engineers Against Poverty the use of international construction standards and alternative contract models.
- Respond to the requests on e-procurement by Crown Agents.
- Continue to exchange information and ideas with DFID as the review proceeds.