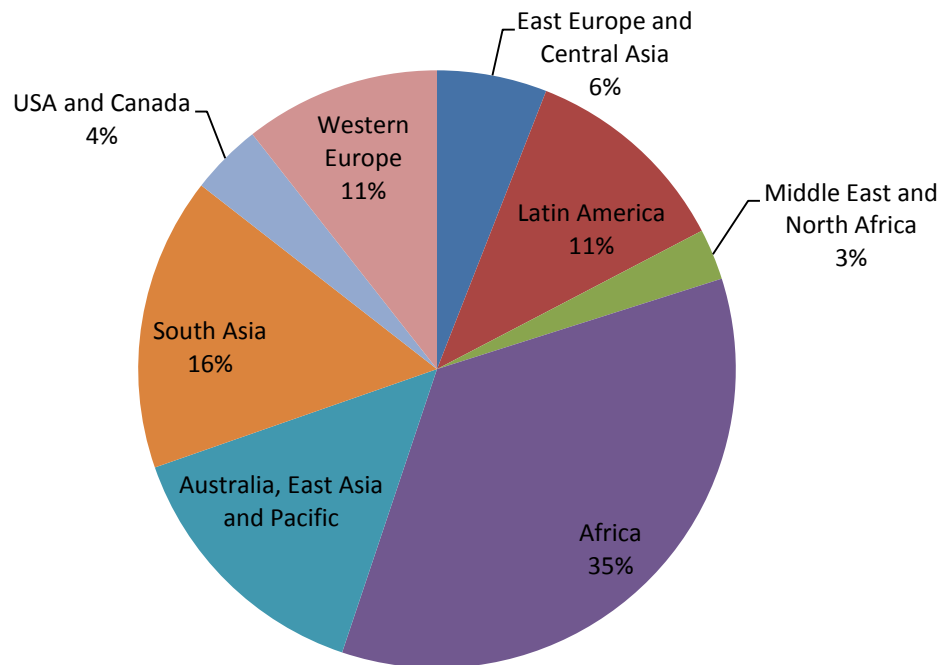


Executive Summary

- As outlined in the World Bank’s approach paper to its procurement policy review, an extensive effort was planned to consult with the Bank’s stakeholders, including client countries, other shareholders, development partners, civil society organizations, academia, and the business community in both Part I and Part II member countries. The goal was to seek their reactions and inputs, early in the process of conducting the review, on the issues to be addressed, their concerns, and their views on the new direction for the Bank’s procurement policy. To facilitate the consultations, a dedicated webpage (www.worldbank.org/procurementconsultations) was set up in order to provide a vehicle for individuals and organizations to submit their comments and to record the results of the consultations. This report summarizes the results of that effort.
- The main thrust of the consultations was a series of face-to-face meetings around the globe between World Bank staff and stakeholders. The World Bank held 64 such consultation meetings between May and November 2012.² Most of these meetings involved a cross-section of parties, representing different interest groups. Occasionally, meetings involved only bilateral partners, government officials, project entities or the private sector, dependent on the occasion. More than 1,900 stakeholders from government, the private sector, academia, and civil society participated. Stakeholders so far have come from 93 countries with more still to come. Figure 1 shows the distribution of the number of stakeholders to date across regions.

² Although the consultative period for the Phase I of the review was originally planned to end September 2012, it was extended to October 31st in order to allow more inputs. In addition, for logistical reasons, several country/regional consultations are still to take place. The inputs from those consultations will be reflected in updated versions of this summary as they are completed.

Figure 1: Regional representation of stakeholders



- The consultative process further included the option of providing inputs via email and online. In total 37 such contributions were received and summarized. These parties were largely procurement specialists from the private and public sectors.
- In addition to the inputs and contributions generated by the face to face consultations, the World Bank received written submissions directly from interested parties. In total, fifteen such submissions were received and posted on the Bank’s webpage. These parties were civil society organizations, business and industry organizations, individual companies and procurement experts. A written submission was also received from Spanish authorities.

The Main Messages: Recurring Themes and Frequency

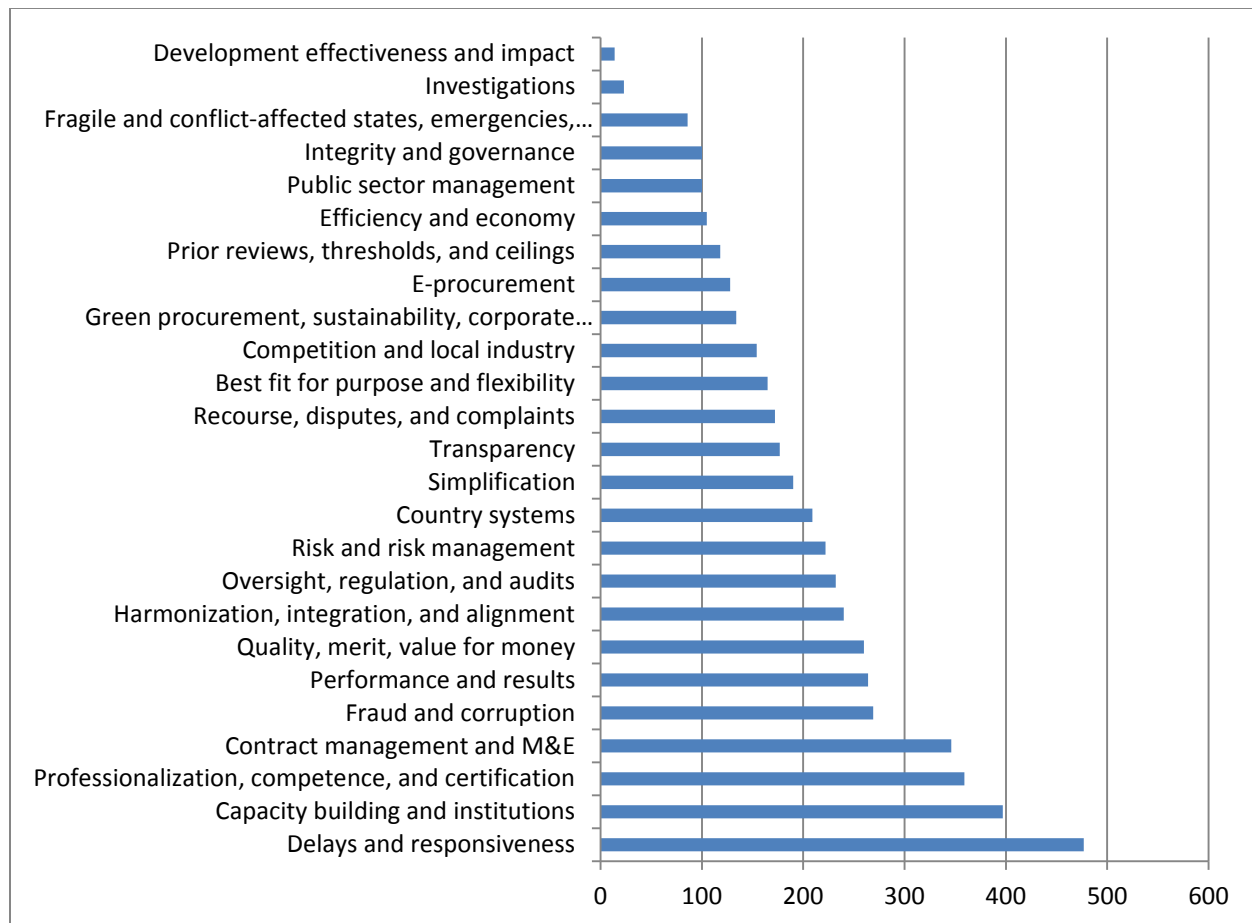
- This executive summary synthesizes all of these inputs, with separate regional summaries that consolidate the feedback from the individual consultations held in each region, with the proviso that some feedback is still pending. A summary for each region is provided in this document. Similarly, a separate summary is provided for the written submissions and for the online submissions.

- All of these inputs have been consolidated around the eleven major themes that emerged as the common threads and were repeated across the consultations. Differences among stakeholders are also highlighted in those cases where stakeholders had conflicting views.
- The guiding themes emerging from the consultations are as follows:
 - Need for **robust set of principles, reflecting** new concepts and overarching importance of development effectiveness, **value for money, integrity and sustainability**;
 - **Methods** that are **context specific, proportional, best-fit-for-purpose** and that create room for **innovation**;
 - **Use of country systems**, albeit not for everyone and not for all occasions, **with** due caution and **management of risks**;
 - **Use of e-procurement** and other technologies;
 - **Special attention** to the needs of **fragile and conflict affected countries**, along with **small economies**;
 - Serious effort on **capacity building**, especially for lower income countries;
 - More **upfront market analysis** and **strategic thinking about the shape of markets, competition, and impacts, especially on local industry**;
 - **Coverage of the full procurement cycle**, through to contract execution, with more attention on quality, results, and performance;
 - **Incorporation of** alternatives and/or expansion of governance and integrity aspects, including **transparency, access to information, monitoring by civil society**, internal controls, including more **effective audits, and dispute resolution mechanisms**;
 - **Thinking anew on fraud and corruption, including collusion**, throughout the procurement cycle;
 - Renewed **“push” on** advancing the global context for public procurement (**harmonization, international standards, capacity assessments, public procurement reform, common platforms, and overall public sector management**);
 - Reconsidering the Bank’s procurement policy means **reconsidering the Bank’s role: its internal organization, roles and responsibilities, staffing, efficiency, value-added, disputes handling; internal collaboration and; global**

partnership. More focus on implementation will also take time and encompass a signification shift, requiring time and attention. Implementation of such a change is a major challenge.

- In addition to closely analyzing feedback on these major themes, the frequency of a range of relevant procurement key words was analyzed in order to assess the level of stakeholder engagement on a particular topic. Figure 2 illustrates the weight that consultation participants assigned to those issues by listing the frequency with which they were mentioned in the consultation reports.
- As can be seen from Figure 2 below, there was repeated criticism of the interaction with the Bank: delays and responsiveness came up the most reflecting the frustrations of those who have to deal with the Bank on a day to day basis. At the same time, the broad issues of impact and the context in which procurement takes place—including fraud and corruption, value for money, quality, capacity building, harmonization and professionalization—come out loud and clear.

Figure 2: Frequency of procurement topics raised during consultations³



Feedback Summary of Main Themes

Robust set of principles (new concepts, development effectiveness, value for money, integrity, sustainability)

- Stakeholders overwhelmingly supported a move toward a principle-based procurement policy. Principles should focus on how procurement contributes to development effectiveness, outcomes, and impacts especially on the poor.
- The major principle should be value for money based on life cycle costs and benefits. The integrity of the procurement process—and the important of curbing fraud and corruption—is another key feature that should pervade the entire process.

³ Frequencies were calculated on the basis of all feedback received, including online feedback and individual submissions by governments and organizations. Frequencies do not include feedback from multilateral development banks.

- The revised World Bank procurement policy should also promote principles such as green procurement and sustainability. Some stakeholders also called for more attention to social provisions. Others called for the policy to support the development of a vibrant private sector, transfer of knowledge and development of local capacity.
- Stakeholders also thought that the Bank's procurement policy should be firmly grounded on a level playing field, accountability and transparency.
- Stakeholders concurred that procurement has to be seen as a strategic public function and reinforced the importance of integrating procurement policy with public sector and governance reform and a range of other reform efforts in countries.

Context-specific methods, best fit for purpose, room for innovation

- Stakeholders agreed that the World Bank should be more flexible in adapting procurement to different contexts. The revised procurement policy should allow for different approaches in different countries and individual borrowers according to criteria such as their capacity, the nature of national markets and sectors, the objective of a project, the size and complexity of a contract and the risks and rewards. One size does not fit all in procurement.
- Value for money, including quality, should be the guiding principle for the selection of all works, products and services. This entails that bids are awarded not to the lowest bidder, but to the most qualified one that provides the overall best value for money.
- The World Bank's review process and the complexity of the bidding documents should be highly correlated and proportional to the nature of a contract (e.g. value, complexity, sector, risks). The choice of method should be best fit for purpose. Small or run of the mill contracts do not require the same attention to details as large, complex, or risky contracts. Stakeholders saw considerable potential to make such changes.
- Innovation should be enhanced by the policy, not hindered, by locking in technical solutions. The best method should be selected to get the best outcome, duly balancing the interests of bidders not to block competition.
- Language is also an issue depending on the market. According to stakeholders, there are many markets in which bidding documents in the local language would facilitate the participation of local companies.
- Stakeholder also recommended the inclusion of diverse procurement methods beyond International Competitive Bidding, Quality and Cost Based Selection, and National Competitive Bidding. Generally, there should be more use of framework agreements, and

processes under e-procurement. Procurement under PPPs was another case of where innovations might be warranted. Direct contracting and sole source bidding also have their role in a well functioning procurement system. At the other end of the spectrum, there should be greater differentiation on community-driven development projects and village level procurement.

- At the same time, there were notes of caution: methods that involve less competition and innovative procurement methods, such as competitive dialogue, design and build, etc., are not for every case.

Use of country systems

- Support for a stronger reliance on country systems was acknowledged as important, but not unanimously. Consultation participants from middle income countries strongly advocated for this shift, citing the stability of their procurement systems and increased efficiency through the use of country systems. Many low income countries also argued that having to deal with multiple donor driven systems spread their already low capacity even more thinly and created parallel systems that were difficult to manage. Part II private sector participants supported this view. CSOs also advocated for the Bank to reflect its international commitments to support country systems as the default.
- On the other hand, some donors, Part I private sector representatives and a number of participants from poorer countries warned that reliance on country systems could add to the risks of fraud and corruption, reduce competition, and add inefficiencies. Some saw that the use of country systems should thus be contingent on sufficient procurement capacity as well as risk assessment and mitigation. Others saw that building capacity and developing country systems ought to be separate policy goals from the Bank's procurement policy per se.
- Participants, mainly from the donor community and the business sector, also emphasized the value of the Bank's "golden standard" of procurement that can provide a check on country systems and help harmonize procurement policies. International bidders saw value in dealing with fewer systems rather than with a multitude of country-borrower systems.
- Stakeholders universally called for increased support to countries if procurement should be based on increased use of country borrower systems. The Bank's role should be helping countries improve their local systems, providing best practices, setting standards, indentifying weaknesses, and filling gaps.

- The Bank should not only look at the laws and regulations governing country-borrower systems but how they are applied, the professionalism of procurement staff, and the level of transparency. How to do this was further debated: some thought that the assessment should be based on self-diagnosis in order not to be seen as Bank led and criticized the Bank's current set of tools for such assessments.

E-procurement

- There was general support for the use of e-procurement. Among the advantages listed were increased efficiency and increased transparency. E-procurement could also counter F&C and facilitate data capture and analysis. It could aid two way communications between bidders and Bank borrowers.
- Some stakeholders warned that not all countries have sufficient capacity to implement e-procurement. E-procurement further might not be suitable for large, complex contracts. It should be optional for SMEs. Their capacity to access e-procurement should be strengthened.
- Security of procurement data was also named as challenge for e-procurement.
- This is an area in which the Bank could take a lead, to help develop standard platforms, provide capacity building, and increase access by local companies, among other things.

Fragile and conflicted-affected states, emergencies

- A number of stakeholders expressed specific concern about procurement provisions for fragile and conflict-affected states and emergencies. Procurement procedures should be significantly simpler, faster, and more flexible in these cases. The risks may be high but so can be the rewards.
- Fragile and conflict-affected states as well as small economies tend to have poorly developed and uncompetitive local markets and have low capacity to execute, which results in more international companies winning contracts. The development of the local industry should be promoted by the World Bank procurement policy.
- There is more that the Bank can do to facilitate procurement in these situations. For example, publishing on local languages and facilitating matters such as bidding bond requirements are concrete steps that the Bank could take.

Capacity building and strengthening public sector administration

- Stakeholders identified capacity building as a top priority, especially for low income countries. They held that procurement can only contribute to development effectiveness if there is sufficient capacity in the country. Capacity building should be systematic and long-term, cover the entire project cycle, and target a wide range of actors, including the private sector and civil society. It should be firmly part of the Bank's procurement policy as an area in which the Bank should take a meaningful and critical role. If not, it would be a missed opportunity.
- The World Bank should also work toward building a procurement profession both in countries with low capacity and more globally. This would entail systematic training and professionalization. It was suggested to establish national professional procurement institutions and to promote accreditation.
- The World Bank should promote South-South learning as well as technology transfer from developed to developing countries. Training partnerships and Joint Ventures can be useful for these purposes. Some stakeholders emphasized the role of international companies as a source for such skill development and knowledge transfer.

Market analysis (shape of markets, competition, impacts, especially on local industry)

- Stakeholders listed a range of market-specific issues that should be taken into account in procurement. Several highlighted the need for the Bank to be more conscious about the impact of procurement on local industries and on the poor. Among the main issues raised was competition within local markets and between local and international companies. Representatives from national firms and borrower government called for more support for the local industry, including domestic preferences, while representatives from the private sector in developed countries called for strong openness and international competition.
- The reliance on open competition and evaluation based on lowest cost for works came under particular criticism, especially in low income countries with poorly developed markets, and particularly when construction contracts are let on the basis of fixed costs. This can lead to aggressive bidding and/or collusion with contractors hoping to make up for losses and/or bribes during implementation. Value for money is the compromise.
- The question of quality pervaded much of the consultations. Generally, stakeholders supported increased emphasis on quality, for example, in dealing with the issue of abnormally low price bids if that posed an acceptable risk to satisfactory completion or in the award of consulting contracts if the selection criteria based on cost and quality can be

manipulated. On the other hand, stakeholders recognized that quality may be a subjective factor which could make the procurement process less consistent and more open to manipulation.

- A number of the Bank's current procurement practices were named as inappropriate for some markets. These includes short listing (especially the number of firms on the short list and the geographic distribution), the quality and specificity of TORs, technical specifications of goods, experience and nationality requirements, the inflexibility and complexity of Standard Bidding Documents, the stance on Joint Ventures, the treatment of state-owned enterprises, the hiring of government officials, and non-governmental organizations, among other things.
- Stakeholders across a wide range of interests strongly suggested that past performance of bidders should be part of the review and evaluation of bids. Many participants suggested establishing a database with data about past performance of bidders.
- A number of stakeholders called for an open relationship with the private sector, both on the part of the Bank and its borrowers, focusing on problem solving and knowledge sharing. This is the case of procurement of medical equipment, an area in which the Bank's technical capacity is seen as low. PPP is another area in which more collaborative approaches may be warranted.
- CSOs made the suggestion that an independent commission be formed to examine the barriers to local firms and SMEs in order to help promote greater participation. Representatives from the private sector in low income countries requested support to help meet mobilization and other costs.

Coverage of the full procurement cycle

- There was overwhelming support for the notion of the World Bank policy covering the entire procurement cycle, including project design, procurement planning, tendering, contract management, and implementation. This was seen as a major requirement to improve the contribution of procurement towards development effectiveness.
- Upstream the Bank's role ought to be to advise on the technical specifications and quality control parameters and procurement planning. Downstream, monitoring the implementation of World Bank-financed contracts by the Bank should shift from primarily compliance at the award stage to results and accountability. The Bank should watch for fictitious works, material changes and quality of the end product. Results should be carefully measured with regard to efficiency and value added. Other actors, such as civil society and independent oversight agencies, can be brought into this process.

- Risk assessment and risk management was identified as major part of the full procurement cycle. The private sector was named as good source for examples for how to manage and mitigate risk. More collaboration on defining how to address contract management is needed.

Transparency, access to information, civil society, audits, dispute resolution

- Stakeholders expressed strong opinions regarding the need to expand and improve transparency in procurement throughout the complete cycle—from the definition of needs to the invitation to bid, evaluation and implementation. The World Bank was encouraged to make the procurement process more transparent by providing more information on reviews and evaluation, bidders, contract award, sub-contractors, etc.
- Stakeholders suggested leveraging technology to provide a platform for procurement information for all World Bank-financed projects. The World Bank was encouraged to improve free access to procurement documents through the World Bank’s website.
- Beyond this, the World Bank should work with civil society and independent oversight institutions to improve project monitoring, evaluation and performance audits. The results of these efforts should feed into remedies and follow up actions. The Bank should work to ensure that information is accessible and of adequate quality.
- Consultation participants called for stronger mechanisms for dispute resolution. Stakeholders criticized the World Bank’s current complaints handling system. There was a call for more clarity in defining what a complaint is, more transparency in complaints handling by the Bank and for the Bank to take on a more direct role in handling disputes by setting up an Ombudsman, for example. Another alternative is to set up independent Dispute Boards, which could be financed with loan proceeds.
- In addition, some stakeholders recommended that there be alternative mechanisms for recourse in case local mechanisms did not function as intended. Some asked that the World Bank follow complaints through to the end and help enforce decisions.

Fraud and corruption

- Stakeholders welcomed the World Bank’s current focus on fraud and corruption, but called for more preventative methods, more upstream analysis and a more holistic approach. Some questioned the effectiveness, value added, and enforceability of the Bank’s current procurement provisions and their real impact on reducing fraud and corruption. Investigations alone were deemed insufficient to prevent fraud and

corruption. Instead of a sole focus on the bidding process, attention to contract management was further suggested as such a measure that would ensure the integrity of the entire procurement cycle.

- Some stakeholders also recommended that the Bank consider measures such as Codes of Conducts or Ethics, the EU’s Declaration of Honor, and Integrity Pacts or Pledges among the tools that it uses.
- Participants also noted that country systems and country governance including independent oversight agencies need to be strengthened to prevent fraud and corruption.
- Some stakeholders encouraged the Bank to accept the debarment or de-registration of companies by local companies if those processes are documented and transparent.
- All parties need to be involved. The Bank’s approach to fraud and corruption should be holistic, with borrowers ratifying the United Nations Convention on Anti-Corruption, and take into account a country’s anti-corruption program, including the right to pursue legal action against local officials. The parties—the World Bank, oversight agencies and civil society organizations—need to increase their capacities to carry out risk assessments, provide due diligence, and use “red flags”.

Harmonization

- Stakeholders were unified in their call for stronger harmonization of procurement policies among MDBs as a first order of business for the Bank but also including other donors. They had differing views how far the harmonization process has actually proceeded and how far it should go. Some stakeholders highlighted the need to include emerging donors from the South in this process. A proliferation of different international instruments and standards was seen as significant hurdle to effective procurement.
- There was recognition that the use of country/borrower systems were to become the default mode, as articulated at the Busan meeting on aid effectiveness, the issue of donor harmonization becomes less of a priority. Instead, it is subsumed by the dual efforts to use country-borrower systems and to strengthen those around an acceptable set of international norms.
- The World Bank was called upon to take a leading role with regard to the harmonization of donor systems, going beyond MDBs. There was also a call, especially from middle income countries, for global institutions such as the Bank in working towards more clarity on international public procurement standards. CSOs advised against the liberalization of public procurement markets as part of the Bank’s policy conditionality.

Bank's role (internal organization, roles and responsibilities, staffing, professionalization, efficiency, fiduciary, reviews, value-added, processes and disputes)

- The changing role of procurement in development and the increased focus on results and the full procurement cycle necessitates new staff skills and responsibilities. World Bank procurement staff will need to assess risks and capacities in a reliable and consistent manner, will be more engaged in project design, and perhaps spend less time on transactional work. This entails a broader understanding of procurement and requires that the World Bank assess skills and experience gaps as well as training needs. The World Bank may also need to increase procurement staffing in countries if staff is to be involved in contract management.
- The Bank's capacity to deal with fragile and conflict affected countries, as well as to respond to the needs of small economies, was questioned by a number of stakeholders. This is another area that needs to be strengthened.
- While appreciating the Bank's contribution and its technical advice, many stakeholders criticized the Bank as taking too much time, not being responsive and focusing on compliance and not outcomes. The World Bank was encouraged to simplify its requirements, which are seen as too complex for many small firms in developing countries. The Bank should be more efficient and more transparent, to trust its counterparts, and to become a partner rather than be a supervisor of procurement.
- Several stakeholders highlighted the need to heighten the sector-technical competence and specialization among Procurement specialists and the need for the Bank to address the lack of technical skills more generally, especially in fast moving areas such as ITC and medical equipment. In part, this calls for more interaction on a sector-industry basis.
- Several stakeholders recommended that the Bank modify its approach to prior review and post reviews on the basis of contract size and complexity. Some advocated a sharply reduced number of prior reviews, targeting only the top largest. These should also be screened in terms of compliance with environmental and social safeguards. In such cases, evaluation should be on the basis of Most Economically Advantageous Tender. At the other end of the spectrum some stakeholders called for sharply reducing the thresholds for local shopping.
- There should be accompanying changes to the Bank's model of project supervision and implementation support. There should be increased emphasis on quality assurance, risk management, and accountability, as outlined in the "Well Prepared Project". Options also include establishing a Project Management Advisory Board to help local project execution.

- A number of specific recommendations were made to modify the Bank's current policies, with respect to green/sustainable procurements, PPPs, legal frameworks, SDBs and templates, pre-qualifications, use of the two envelop systems, use of qualitative criteria, preparation of TORs for consultations, short-listing of consultants, framework contracts, negotiations, alternative bids, insurance, the role of engineers, technical specifications, how to deal with abnormally low tenders, and measuring performance, both on the part of contractors/suppliers and borrowers.
- Several institutions that have already gone through the process of modernizing their own procurement systems warned that the process requires senior management buy-in, is time consuming and demanding, and encompasses a profound cultural transformation. Recognizing this, a stakeholder advocated for the new policy to be piloted first.
- Finally, some stakeholders warned that more time would be needed for consultations as the review proceeds.