



- The World Bank procurement policy should focus on principles, with country systems providing specific guidelines.
- The revised procurement policy should reflect social and environmental responsibilities. Many stakeholders suggested green procurement and sustainable procurement.
- Stakeholders challenged the World Bank to adopt a more people-centered approach to procurement. Representatives of civil society noted that the World Bank is focused on working with governments, while development is about people. Changes in procurement policies should serve the community.
- The World Bank's procurement policy should be tied to governance and be used as incentive for public sector reform in developing countries.
- Stakeholders also suggested that the World Bank become a partner in procurement, rather than an institution that monitors compliance. A partnership would leave more room for flexibility and innovation.

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

- A large number of consultation participants called for a focus on quality and competence over price. Selection by technical capabilities would be preferable to current methods such as Quality- and Cost-Based Selection and Cost-Based Selection. This approach would require careful evaluation of bidders. A life cycle cost analysis would provide a good basis for the evaluation of goods. If bidder selection is based on the lowest price, participants worried that the lowest bidder may not have sufficient capacity to execute the contract.
- The World Bank should provide guidelines tailored specifically to countries and sectors, taking into account the social, political, and economic realities of different contexts. Standard Bidding Documents should be revised to fit different types of projects and different sectors better. At the same time, the World Bank should also provide broader policies that can be customized according to the needs of each project. This would require more technical and specialized expertise among World Bank procurement staff.
- Overall, stakeholders called for simpler procurement procedures and reduced requirements, especially for low value contracts, rural projects, and village-level implementing agencies. The complexity of documentation should reflect the scale and complexity of the actual procurement transaction and the nature of the project. The World Bank should also allow more flexible procurement methods such as competitive

negotiations, framework agreements, and pre-qualified suppliers with appropriate controls.

- A number of situations should be treated separately from the current procedures and may require specific guidelines. These special circumstances include consulting services, PPPs, local contractors, and operations and maintenance contractors.
- The World Bank should introduce a framework that allows local community groups to participate in the procurement of goods and services. Micro enterprises can provide limited volumes of goods but they do not qualify under the present rules of procurement.
- The World Bank has new (non-sovereign) partners, such as NGOs, and should take their specific characteristics into account. The World Bank guidelines should be revised to accommodate these emerging trends. The revised procurement policy should also reflect that the World Bank now widely invests in social sectors, public utility services, community development, etc.
- Stakeholders called for a risk-based approach to procurement and for focusing scarce procurement resource to countries, industries, and suppliers with higher risk profiles or lower capacity.
- The World Bank was asked to localize procurement, especially when the capacity of local suppliers in providing particular goods may be better than that of foreign suppliers.

### **Use of country systems**

- Stakeholders noted conflicts between World Bank procurement guidelines and national law. However, support for the use of country systems was not unanimous. There was overall support for this notion, but stakeholders also cautioned that country capacity, risk, and benefits should be taken into account. A shift toward using country systems should be accompanied by capacity building. Moreover, a need for World Bank oversight would remain to make sure that procurement principles are being followed.
- Stakeholders noted that despite the Busan agreement, donors still use their own procurement systems in borrower countries. The shift toward country systems is far from completed. The World Bank should contribute to this shift by improving communication with ministries and national oversight institutions.
- Country assessments will need to be the basis of using country systems. Procurement assessments should be integrated into the World Bank's Country Assistance Strategies and the overall reform agenda. Country assessments also help with pragmatic and programmatic solutions best suited for each country.

- Consultation participants noted that the use of country systems would prevent increased cost and complexity for developing countries from the duplication or “ring-fenced” separation of resources/systems for World Bank and national projects.
- The World Bank’s procurement policy should preserve a balance between the use of country systems and a level playing field for all bidders. Minimum standards for all countries should be introduced.
- Representatives of consulting firms noted that they rely on the World Bank policy for issues of transparency and integrity, while country systems may not reflect this focus. The World Bank should therefore ensure that countries strengthen their transparency and integrity provisions.

### **Fragile and conflicted-affected states, emergencies, small economies**

- Discussion focused mainly on small economies such as the Pacific Islands. Stakeholders noted that the World Bank’s procurement policy should be better customized to support small economies as well as fragile and conflict-affected states to develop their capacities. The World Bank’s contribution to building capacity specifically in small economies was criticized as insufficient. Bilateral donor representatives noted that in small economies, the World Bank is viewed as too rigid in dealing with clients on the one hand, and, on the other hand, as not providing the resources and support needed in light of the capacity constraints and conditions faced. The result is poor linkage between the commitments made at the design stage and implementation.
- Small economies face issues such as lack of economy of scale, low levels of local competition, and capacity constraints. These should be addressed in the revised procurement policy. Capacity constraints also dictate that procurement documents are written either in the local language or in English that is easy to understand. Simple, fit-for-purpose procurement documents, especially for smaller works, would enable more local contractors to engage in the process and potentially win contracts.
- Projects would be more effective in small economies if there were more flexibility in formulating, programming, procuring and implementing small value contracts. Stakeholders called for empowerment of country teams and local offices to make procurement decisions.

## **Capacity building**

- Capacity building was identified as major challenge for effective procurement as well as for appropriate operation and implementation. The World Bank should therefore carry out thorough capacity assessments.
- Professionalization of the procurement function was identified as critical. The World Bank should work with organizations that offer training and certification to build basic competencies as well as advanced professional expertise. This is particularly important to ensure that procurement can be context-appropriate. Training should focus on core capacities and on the role of procurement throughout all project stages.
- The World Bank should utilize online training and in-country training institutions to keep capacity building costs manageable. Capacity building should be targeted to staff of executing agencies, civil society organizations, government officials, and procurement staff in the private sector.
- The World Bank should support good practice sharing between countries to promote South-South co-operation. It should also share lessons learned from World Bank projects and facilitate any voluntary country capacity benchmarking efforts.
- Capacity building should be made part of contracts, unless projects are unlikely to be repeated.

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

- Bilateral development partners remarked that markets in borrowing countries are changing, and so is the relationship between borrowers and donors. Those changes include the development that in most cases bidders are companies based in the country while global companies tend to have affiliates in the borrowing countries; that borrowers are negotiating with donors; that large contracts are not only awarded to foreign contractors anymore; and that companies in emerging countries are increasingly participating in International Competitive Bids in other countries.
- The World Bank should ensure that thresholds for national procurement systems and domestic preference of local suppliers are appropriate to size of the projects in the country and the capacity of the local suppliers. Bid qualification criteria on national projects should not prohibit the participation of suitably experienced and qualified international suppliers.

- It was noted that companies in developed countries may be discouraged from bidding in ICB because their goods and services are unlikely to be the cheapest (but may be of higher quality) and because the value of contracts may be too small.
- Participants criticized that contracts are often awarded to foreign firms, which then subcontract local companies to implement a project. Contracts should be given to local firms directly. Stakeholders called for more incentives for local companies to participate in bidding. Large value contracts tend to discourage local bidders. Local bidders also struggle with the excessively high requirements for qualification
- Some stakeholders spoke out in favor of Joint Ventures, which can facilitate the transfer of technology from foreign to local contractors. Joint Ventures should always include at least one local member.
- For markets with low competition and few providers, the World Bank was asked to allow preferred providers.
- The estimated price of a bidding package should cover the contingencies of price escalation, increased quantities, and other risk factors.
- Stakeholders did not agree on the treatment of government-owned corporations and enterprises (GoEs). Some participants demanded that GoEs should not be eligible to participate in International Competitive Bidding as this might disadvantage the local private sector. Some representatives, however, pointed to the advantage of GoEs that might provide better goods or services for less money. The World Bank should be more flexible with regard to GoEs and consider country context.

## **E-Procurement**

- Stakeholders in general supported stronger utilization of e-procurement and other technologies. It was noted, however, that different capacity levels need to be taken into account. Capacity building would be needed. Capacity limitations include the availability of online access, the compatibility of IT systems, and data security.
- Stakeholders agreed that e-procurement would improve transparency and efficiency of the procurement process. It would also make the process more environmentally sustainable as less paper would be used.
- Even when relying on e-procurement, some cases may need more and more complex evaluation. The use of e-procurement should be flexible and appropriate for different project types.

## **Coverage of the full procurement cycle**

- Stakeholders widely called for an extension of procurement to encompass the entire project cycle, starting at the planning phase and continuing throughout implementation. The World Bank should move away from a solely fiduciary role to encompass more of the project cycle, while keeping judicial aspects independent from the rest of the process. Participants called for a better integration of all aspects of project management, from upstream project design and procurement planning to downstream contract execution and payments. Technical specialists, such as engineers should be involved early in the project stage and should be allowed to contribute to contract management.
- Consultation participants acknowledged that the full procurement cycle needs to include appropriate risk management. To mitigate risk, a thorough review of project documentation and project feasibility is required.
- Evaluation and integrity management were also identified as major components of the full procurement cycle. Performance measurement is critical. The World Bank should move away from a focus on compliance to measure performance and outcomes. The emphasis of the World Bank's involvement should shift downstream, with greater emphasis on ensuring that borrowers and implementers fulfill their obligations.
- When assessing contract cost, the full project cycle including delivery, inspection, verification and validation outside the country should be taken into account.
- The World Bank was encouraged to take a more holistic view of bid evaluation. If that is done merely on the basis of documents submitted by the bidder, lack in bidders' capacity may be overlooked. It was recommended to establish a database of consultants and contractors awarded under Bank financed projects. This database would be helpful for the Borrowers to cross check the information provided by the consultants/bidders to mitigate the risks of evaluating falsifying documents. The revised procurement policy should introduce more specific penalty mechanism for violations in bidding. Responsibilities of related parties for wrong decisions in bidding and poor contract management should be clarified.

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

- Participants called for increased transparency in the procurement process. The World Bank should systematically require disclosure of information on evaluation results, procurement selections, and project results.

- The World Bank should work with national independent accountability institutions, such as anti-corruption agencies, to establish and implement preventative measures that increase transparency and decrease fraud and corruption.
- Civil society should be involved in monitoring and oversight. Oversight should also include feedback from consultants working on projects and other people with knowledge of the project. The capacity of different groups, especially civil society organizations, to monitor procurement should be enhanced.
- The establishment of a technical review panel with private sector participation was suggested. This panel could promote transparency and limit corruption in agencies. In general, private sector participation in review, monitoring, and evaluation was recommended.
- Some participants suggested debarring non-performing contractors.

### **Fraud and corruption**

- Stakeholders emphasized that the fight against corruption should be proactive and use a range of tools and avenues. Development partners should collectively work on this issue.
- Representatives of bilateral development partners championed closer technical cooperation and information sharing on anti-corruption and sanctions so that they will be aware of investigations and ineligibility of suppliers, NGOs, and government agencies working in development.
- The World Bank can deter fraud and corruption by clearly defining specifications and project needs in advance.

### **Harmonization**

- Stakeholders acknowledged the lack of a global consensus on internationally accepted procurement standards as major challenge facing effective procurement and procurement reform. Participants all welcomed increased harmonization of the World Bank procurement policy with those of other development partners as well as other international instruments. This is particularly important given that funding in developing countries is provided by a multitude of sources. The World Bank should lead the harmonization with other multilateral development banks.

- With regard to harmonization, the World Bank will have to take into account the emergence of new donors, such as China and Brazil.
- The World Bank should work more closely with development agencies that have predominant roles in specific countries, such as AusAID in the Pacific Islands.

**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.
- Consultation participants suggested that the World Bank's Integrity Department should be more active and involved in all dimensions of projects, in particular contract execution and management. In general, the World Bank was asked to strengthen fiduciary oversight. In reassessing its role in the procurement process, the World Bank was encouraged to examine the possibility of taking on a more direct and active role in bid evaluation and selection.
- The World Bank was asked to set an example with regard to transparency and require detailed information on procurement notices. The institution should also revisit its website to ensure that appropriate information is posted in a timely and precise manner.
- The lengthy and complicated review process was criticized by a large number of stakeholders.
- Some stakeholders suggested that the World Bank's corporate procurement policies be included in this policy review.