

partners in this consultation process highlighted the importance of the review as a key part of the Bank's modernization agenda.

- Stakeholders further agreed that the World Bank needs to maintain its role as a standard setter in procurement as the World Bank policy is used as benchmark and basis for other institutions' procurement.
- Stakeholders emphasized the need for a principle-driven procurement framework, focusing on development effectiveness, quality and quality-based selection (instead of lowest cost), performance and value for money, sustainability and green procurement, corporate social responsibility, inclusion of local content in the tender and selection process, and social safeguards. It was pointed out that the World Bank needs to balance these principles with fiduciary concerns.
- Yet there was also recognition that the introduction of such new criteria can lead to more subjectivity in the evaluation of proposals and the risks that that may pose. It was suggested that the World Bank work with national decision makers to ensure sufficient country ownership and commitment.
- The World Bank procurement policy should take a holistic and long-term view. This includes providing technical advice and support, capacity building, and efforts to follow up on the commitments on the use of country systems under the Paris and Busan declarations.

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

- Stakeholders recommended that the World Bank use this policy review to develop a more flexible procurement regulatory framework, allowing for context-specific issues (for different countries and sectors, and hence markets and risks). At the same time, the policy needs to ensure that the procurement process remains consistent and effective and does not become overly complicated.
- Stakeholders pointed out that, while the World Bank's current Procurement Guidelines may remain appropriate for large-scale investments, they may be less appropriate for the variety of applications and development challenges faced today. The World Bank's thresholds for International Competitive Bidding, National Competitive Bidding, and Local Shopping need to be redefined to reflect best fit for purpose according to markets.
- A more flexible approach to client needs could mean taking a portfolio approach rather than accepting that one size fits all. This new approach should be informed by the results

of international research on public procurement. This would include that the World Bank needs to develop a taxonomy of borrowers and tailor policies to each situation.

- Country-specific approaches could be identified in the Country Assistance Strategies, which could define the procurement approach for each country, identify a hierarchy of goals, identify challenges and trade-offs, and set priorities for the country.
- The World Bank could consider separating small from large projects and simplify the procurement procedures for small projects considerably. The World Bank might not even need to monitor small contracts and post reviews have not proven to be useful. There should be more use of framework agreements, as in the EU.
- The World Bank's approach to public/private partnerships (PPP) could be improved by providing a cohesive and comprehensive framework for financing and working with PPP operations. Examples from the private sector include a standard and set of rules developed by an ADETEF/CICA Working Group.
- As part of a stronger move toward best fit for purpose, the World Bank could consider providing functional specifications as an alternative to purely technical specifications, which would create more space for innovation and alternative proposals and bids.
- Representatives of the Dutch government presented Rijkswaterstaat (RWS) as best practice in procurement. RWS' approach to procurement has shifted from the traditional focus on activity-based contracts to an innovative approach with incentives for the private sector to use their creativity and expertise through integrated contracts. RWS uses a value-based approach to procurement, including performance and price measurements, combined with quality control. Lessons learned from this approach are that best value procurement transforms the procurement strategy and ensures that bidders keep the interest of the client in mind.

Use of country systems

- Support for the use of country systems was not unanimous. Several consultation participants expressed concern about losing the "golden standard" of procurement provided by the World Bank. While flexibility should be allowed in certain, well-defined circumstances, the World Bank should strive to remain a key player with regard to international procurement.
- Private sector representatives pointed out that the use of distinct country systems would be difficult to negotiate for international companies. Companies would prefer a continued

role of the World Bank in procurement processes, including the possibility of having recourse to the Bank.

- When using country systems, borrower capacity needs to be taken into account. There is a need for improving institutional, legal, and contractual frameworks in developing countries. Country systems should be analyzed and compared to improve understanding of national differences.
- Stakeholders noted that democratic ownership and accountability are critical to successfully using country systems. Questions regarding the use of a borrower's language in the new policy were raised because many clients see English as an impediment to the conduct of business and would prefer documentation in their local language.

E-procurement

- There was considerable support for the use of e-Consult and e-procurement in order to streamline procurement processes and to increase transparency. E-procurement can be utilized to implement contract management and monitor contract execution. However, e-procurement would have to be tailored to borrower needs and capacities.
- Stakeholders asked that the user-friendliness World Bank's contract awards database be improved.

Fragile and conflicted-affected states, emergencies

- Stakeholders expressed specific concern for procurement in fragile and conflict-affected states because procurement provisions can make a contribution to better governance and more stabilization in these countries. World Bank procurement can shape nascent markets in the affected countries.
- The focus of procurement in fragile and conflict-affected states should be on contract execution. The World Bank needs to frankly assess and manage risk and accept the possibility of contract failure.
- The World Bank should analyze barriers to procurement in fragile countries and find solutions to overcome them (e.g., blanket insurance, bid security, advancing funds). Furthermore, procurement processes in fragile and conflict-affected states need to be significantly faster and more flexible than in other contexts. Local capacity and local processes should be developed. Procurement in fragile and conflict-affected states also

requires awareness of security issues, strong risk management, private sector development, and cooperation with UN agencies.

- World Bank procurement staff in fragile and conflict-affected states need to be highly qualified to act in this challenging environment.

Capacity building

- Stakeholders agreed that capacity building is essential for achieving (best) value for money. They acknowledged procurement as a strategic function and public sector management tool that requires highly qualified and educated staff, deserves appropriate recognition and salary, and needs to be assigned a clear position in the civil service hierarchy of a country. The professionalization of procurement officers was recognized as major challenge since in some countries, especially in low income countries, procurement is often seen as an administrative function rather than as a profession.
- Capacity building and the development of professional organizations should be part of a broader strategy to strengthen country systems through World Bank financed operations, including DPL and PforR.
- Capacity building should be aimed at helping clients modernize their country systems by promoting procurement practices that are environmentally and socially sound, supporting innovations and applying life-cycle accounting.

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

- Stakeholders frequently referred to the local economy as important aspect to consider in procurement. The revised procurement policy should be supportive of local industries and SMEs. The policy should provide more room for local content in tenders. In any case, the World Bank should avoid negative effects on local markets.
- Because procurement can profoundly shape markets, the World Bank's procurement procedures need to take better account of the country and market specific characteristics of buyers and sellers. Concerns were raised about the World Bank's approach to competition and how procurement can ensure a more level playing field for all suppliers.
- Stakeholders raised the issue of consultants and asked that the policy review give more attention to how and when consultants are contracted. The World Bank procedures for hiring consultants were criticized as being vulnerable to manipulation.

Coverage of the full procurement cycle

- Stakeholders strongly encouraged the World Bank to consider the entire project life cycle and supply chain in the procurement policy. A stronger focus on contract management, contract performance, contract monitoring, risk management, and quality assurance was highly recommended. Procurement should also be involved from an early stage in the project cycle so that procurement processes can be better prepared.
- CICA presented the Well-Prepared Project (WPP) as best practice for managing the full procurement cycle, which focuses on risk assessment and risk management and the definition of responsibilities throughout the project.
- Bilateral development partners in the UK noted central questions that should be considered when managing the full procurement cycle. These questions include: How is the process using competition? Is it on the basis of defined inputs or defined outputs? How are markets expected to respond? What are the drivers of cost? What is the thinking behind the choice of the procurement method? How is the project being designed to manage contract execution and delivery? What are the breaking/turning points? Is there flexibility to scale up or scale back as needed? What can be done to promote competition?
- Stakeholders called for effective monitoring systems to make sure that local projects have development impact. Performance indicators should measure value added through procurement. The World Bank should also monitor the number and nature of complaints, allegations of fraud and corruption, and sanctions. It should measure the degree to which the World Bank adopts private sector approaches to procurement and follows private sector commercial practices. Monitoring indicators should include the prior review of large contracts, the measurement of results overall and the use of remedies.
- Stakeholders called for more oversight in the contracting of consultants.

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

- The procurement policy review should be closely tied to improving transparency and domestic accountability. The World Bank data system should be improved to provide better information about the stage of tendering and project implementation.
- Procurement documents should be published in a timely and consistent manner.
- The procurement policy review should pay attention to dispute settlement, arbitration, a more responsive and faster complaint handling system, provisions for whistle blowing,

and World Bank oversight. Oversight could be limited to large contracts, while smaller contracts could be governed through frameworks and e-procurement.

- Representatives from the private sector noted that the Bank should do more to publish additional details on contract awards under World Bank-financed projects and to disaggregate the data so that contractors and their subcontractors may identify them more easily.

Fraud and corruption

- Stakeholders paid particular attention to fraud and corruption and appealed to the World Bank to address procurement within a wider government and anti-corruption context. Some participants noted that there may be a trade-off between a more flexible approach that promotes value for money and more rigid rules that prevent fraud and corruption.
- The current World Bank policy was perceived to be ineffective with regard to fraud and corruption. Stakeholders called for more support to prevention, such as more transparency (especially at the local level and for beneficiaries), collective action initiatives to fight corruption, the use of integrity pacts between employer and contractor/supplier/service provider, the concept of self-cleaning programs, capacity building, auditing, professionalization, reliance on independent observers, and stronger contract management.
- Bilateral stakeholders suggested that control mechanisms should be tailored to the risks and capacities in a country. They would welcome a shift in the World Bank's stance on fraud and corruption toward greater realism about the risks combined with preventive measures and greater analysis.
- Participants also proposed that the World Bank conduct a more robust analysis of blacklisting practices and debarment effectiveness in its client countries.

Harmonization

- Some participants stressed the importance for the World Bank to develop harmonized procedures in collaboration with development partners. They called for simplification of the overwhelming amount of requirements for service providers, suppliers, and contractors. Simplification of procedures is needed so that all parties can better understand what is expected of them when bidding, when signing contracts, and when being paid by the employer or directly from the Bank.

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

- Participants stressed the importance of maintaining a strong and genuinely independent procurement function within the World Bank. Even when relying more on country systems, a strong and even reinforced procurement function would be needed in order to allow for independent assessment and monitoring of the procurement functions/activities in the countries concerned. The fiduciary role of the World Bank for individual transactions should remain important.
- Improving efficiency is important. So are the tradeoffs between risks and rewards. The World Bank should reconsider the length of the procurement process, especially when integrity investigations are being pursued.
- Internal capacities and incentives have to be addressed. Stakeholders called for more professionalization of World Bank staff, especially in fragile states and with regard to oversight in all countries. The World Bank's procurement capacity in countries should be measured. World Bank procurement staff should not be compliance officers, but rather technical colleagues and part of the project team. They would need strong policy backing from the central World Bank procurement unit. The World Bank should provide internal incentives for staff working toward realizing procurement objectives.
- UK authorities offered advice and lessons for the Bank from the UK's own procurement reform efforts. Public procurement is increasingly used to achieve broader policy goals. The key features include a shift toward value for money, a focus on risk identification and management, integration of market specialists, stronger supply chain management, stronger focus on the design/pre-tendering stage and contract implementation, added oversight/governance, and increased efficiency. They highlighted that the reform is not just a revision to the rules but changes to perceptions, skills, and attitudes. It takes time, needs buy-in by senior management and requires substantial effort to implement.