



The World Bank

Procurement Policy Review Feedback Summary

Date: September 17, 2012

Location: Wellington, New Zealand (by Skype conference with Washington, DC)

Total Number of Participants: 3

Overview and General Reactions

Background

This report has been produced in response to the “World Bank’s Procurement Policies and Procedures: Policy Review Initiating Discussion Paper” dated March 29 2012. MFAT’s New Zealand Aid Programme was invited to take part in the consultation and a video conference arranged for Tuesday 18th September 2012. MFAT consulted with its overseas Posts, NGOs and suppliers for input into the review.

World Bank’s Objectives

The World Bank’s consultation seeks to “flesh out” the scope of its review of its Procurement Policy and Procedures to identify and frame key issues “to position the Bank’s procurement policies and procedures in the context of the Bank’s modernization agenda and its multi-faceted international commitments”. These include enhancing development effectiveness and advancing related policy goals of trade and competition, governance and anti-corruption, public sector management, and accelerated investment in infrastructure” and “for the World Bank to adapt and incorporate new concepts and methods increasingly reflected in public procurement worldwide”. The review is to examine “the policies that apply under Bank-supported operations”, and “how those policies are put into effect, including the Bank’s procurement oversight and monitoring model”. This phase will underpin a proposal for an overall framework for procurement policies for

the Bank's Board of Executive Directors to consider in late 2012 or early 2013.

The review is in the context of the World Bank wishing to:

- Continue to exercise leadership in procurement in development and remain in the forefront of public procurement as a setter of international standards.
- Make greater use of the flexibility provided for under the recently-revised January 2011 Procurement and Consultant Guidelines applicable to the Bank's borrowers, specifically mentioning:
 - (i) implementation in small and fragile and conflict-affected states and for emergency operations,
 - (ii) supporting the implementation of Program for Results operations
 - (iii) harmonization with other Multilateral Development Banks, and
 - (iv) modernising procurement

New Zealand Aid's response to the consultation:

The recent Cuzco Declaration of the Procurement Task Force of the OECD/DAC Use of Country Systems Cluster and inputs to the Busan Fourth High Level Forum on Aid Effectiveness requires the Bank and other donors to reassess how they use country systems, encourages harmonization, and emphasizes developing local procurement capacities.

The World Bank is a partner of MFAT's New Zealand Aid Programme and lends and gives grants for major projects, often in challenging environments. As the World Bank has itself identified, donor's policies in the local use of public procurement can "improve development effectiveness by encouraging the use of country systems and harmonization, building competitive local industries, strengthening public sector management, improving governance and anticorruption, promoting sustainability, accelerating investment in infrastructure, and deepening international trade." The Ministry of Foreign Affairs and Trade acknowledges the progress that the World Bank and the other MDBs have made in aligning procurement policies, cross-debarment, labour standards, use of master procurement documents, e-procurement, and guidance on Public-Private Partnership (PPP) arrangements. However, it would like to suggest some areas for possible further improvement.

The Ministry's objectives for the consultation have been grouped by category below. These are to:

1. Suggest modifications to World Bank's Procurement Policy

- Widen the underlying concepts of the World Bank's Procurement Policy from "economy and efficiency" to include a wider definition of value for money, specifically with the inclusion of "effectiveness" and consideration of public costs and benefits;
- Encourage the use of simpler, faster and more flexible systems in fragile and conflict affected states, and in emergency situations; and
- Make projects more effective in the Pacific with more flexibility in formulating, programming, procuring and implementing the smaller sized projects that are inevitable in the region. While the need for probity is understood, for very small projects the World

Bank's rules and protocols can be too burdensome and complex to follow for capacity constrained small states.

2. Increase Technical Co-operation

- Widen co-operation to bilateral donors and promote closer technical co-operation and information sharing between World Bank and the New Zealand Aid Programme on procurement and public financial management, particularly for:
 - Pacific states – including co-operation with PFTAC and the IMF
 - Areas of New Zealand sectorial support such as Agriculture, Fisheries, Tourism, Renewable Energy, Law and Justice, Health, Education and Gender;
- Promote closer technical co-operation and information sharing on anti-corruption and sanctions to become aware of investigations and ineligibility of suppliers, NGOs and government agencies working in development. AusAID has an agreement to do this and New Zealand would like a similar agreement;
- Request an observer seat at the MDB Heads of Procurement Harmonization meetings. (We understand this has also been requested by AusAID); and
- Remain engaged in the consultation process.

3. Continue with Public Procurement Capacity Building

- Encourage the World Bank to continue to support improvements in public procurement and support public financial management budgeting and auditing “country systems” in developing countries (World Bank is a major donor of Technical Assistance in this area) where possible to develop the underlying systems for ALL public procurement. This could include wider training in principles of good public procurement on World Bank courses for project participants working on the Procurement and Consulting Guidelines;
- Support good practice sharing between countries to promote South-South co-operation and sharing of learning from World Bank projects, facilitating any voluntary country capacity benchmarking efforts;
- Encourage (and fund?) shared cost benchmarking of donor infrastructure and consulting projects to support realistic estimates to reduce the number of advertised bidding opportunities cancelled due to inadequate funding; and
- Request that, where World Bank has mandated the use of Procurement Agents, part of the contract should include procurement capacity building, unless the projects are “one-offs” that are not likely to be repeated.

4. Increase use of Country Systems

- Request World Bank to make greater use of country systems (with any **necessary** adjustments to reduce risk) to:
 - Reduce the time to implement World Bank funded projects so that development projects achieve their outcomes earlier;
 - Allow countries to use more advanced systems such as eProcurement where these add to efficiency and effectiveness;
 - Allow the use of framework agreements or master agreements with “lots” within a large programme, as well as other measures designed to encourage the participation of more local contractors, tendered separately for each individual

programme;

- Strengthen review processes to support public private partnerships where these provide good value for money in developing countries;
 - Ensure good accounting, budgeting and audit practice is encouraged for all public projects and, where these are adequate in the country system, use these as the first choice for the Bank's projects;
 - Prevent increased cost and complexity for developing countries from the duplication or "ring-fenced" separation of resources/systems for World Bank and national projects;
 - Allow the use of pre-tendered national contracts for low value goods and services, and pre-qualified suppliers for very low value contracts, provided that there is no deliberate "slicing" of requirements to avoid competitive bidding thresholds.
- Encourage World Bank (in conjunction with other donors) to continue to provide "Country Procurement Assessment Reports" and/or other public procurement capacity and risk assessment tools that can be used by the New Zealand Aid Programme and others. The New Zealand Aid Programme does not currently have the funds to undertake these and values other donors' efforts to input into its own risk assessments.

5. Encourage Trade and Economic Development of Private Sector

- Ensure that any 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;
- Ensure that bid qualification criteria on national projects do not prohibit the participation of suitably experienced and qualified international suppliers;
- Ensure that the qualification criteria and tendering procedures involved in bids for World Bank funded projects are at the optimum level to allow good quality suppliers and partners to provide value for money outcomes without layering unnecessary cost or delay into the bidding process; and
- Ensure that suitably qualified and experienced New Zealand suppliers have full access to open international competition for World Bank procurement and technical assistance opportunities, which should be 100% "untied".

6. Facilitate proliferation of Good Public Procurement Practice

- Apply a risk-based approach, i.e. focusing scarce procurement resource to countries, industries and suppliers with higher risk profiles or lower capacity;
- Allow more flexible procurement methods such as competitive negotiations, framework agreements and pre-qualified suppliers with appropriate controls;
- Consider how procurement within projects can add to the development legacy by facilitating transfer of international good practice to local industry;
- Ensure procurement staff are aware of good public procurement practice outside the World Bank and their own country of operation so that they can provide wider advice to development partners;

- Encourage use of benchmarks to inform procurement decisions to identify where value for money improvements or possible corruption exists;
- Support process cost optimisation for World Bank and partner countries with large volumes of borrowing using end-to-end procurement improvement using streamlining initiatives such as Lean Six Sigma;
- Change current documents/templates (e.g. bidding documents) to be more business friendly and written in plain English;
- Identify key providers (suppliers and NGOs), on a regional, supra-region or global basis to promote Key Performance Indicator sharing, e.g. aggregate regional/global picture to lift performance/results;
- Consider sharing performance data on major suppliers with other donors;
- Research and profile supply markets for development where bids fail or few suppliers are available to increase the effectiveness of projects; and
- Manage major suppliers across projects to ensure the best resources are not automatically transferred to the latest bids; identify how best to motivate them and determine Bank's risk exposure to them.