



The World Bank

Procurement Policy Review Feedback Summary

Date: July 13, 2012

Venue: Kathmandu, Nepal

Total Number of Participants: 36

Overview and General Reactions

A consultation workshop was held in Kathmandu to gather input from participants representing government agencies, private sector and oversight agencies and independent citizen groups for the World Bank procurement policy review process.

In his opening remarks, Mr. Bigyan Pradhan, Acting Country Manager of the World Bank Nepal Country office, set the tone for the workshop in which he emphasized the fact that the review process was an opportunity for all stakeholders to share their experiences and to provide their candid views and suggestions which would be of great help in the review process. Mr. Pradhan went on to observe that the world was changing and doing business was getting complex, and that the Paris and Busan Declarations have stressed the need for harmonization with country systems and other development partners. He also emphasized the need to keep the central point of the exercise which was to attain greater performance for the Bank's resources for the ends they were allotted for. He thanked everyone and hoped for their critical input.

This was followed by a presentation by Mr. Nadjib Sefta, Regional Procurement Manager, SAR, who took the participants through a PowerPoint presentation that highlighted the background, the issues, the nature of the changing procurement environment as well as the fact that the world was a very different place since the policies in the World Bank were first drafted. Mr. Sefta also shared the review process and the on-line sites where participants could continue to be engaged. He also emphasized the "open" nature of this phase of the

review process. Mr. Sefta's presentation is attached herewith.

Mr. Nadjib Sefta then engaged the audience with the following key areas for discussion:

- The issue of trade-offs and acceptable risks when trying to strike the right balance between economy and efficiency, and between transparency and fairness. All four are desired but may be better defined when the context and risks are better understood.
- The fact that the World Bank does not procure but has a key role in oversight and when there are complaints filed. This triangular role with the bidder/contractor, the government and World Bank has to be well understood.
- Participants also need to understand the increased role of the use of country systems in the context of many stronger economies globally and multiple sources of financing available. The key issues were: who should play the critical role in procurement, how and what are the control mechanisms in place?
- The issue of convergence of the World Bank's procurement policy and country system also needs to be understood as a process. It will be some time before the two can converge. A process must be in place to enable this. The situation is complex because the tracks must also converge with other development partner's over time.
- The balance between 'public' interest and 'private' interest would also need to be balanced.

The floor was opened for the first round of discussions with questions of clarity on the presentation. There was a tea break followed by a second round of consultations. The key inputs have been captured in the reporting format.

Mr. Kiran Baral, Mr. Shambhu Uprety and Mr. Nadjib Sefta provided closing remarks and a commitment to continue the consultation process. The workshop concluded with an informal lunch for all the participants.

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 engagement of Parliamentary committees and the cabinet becomes key in moving the country system in the days ahead; beyond the people at the Ministry of Finance.
- When a country is undergoing the kind of political transition as Nepal; can we have a set of policy instruments to suit this need.
- The trend of bidding very low has become a major problem. The numbers that are quoted make it impossible to deliver any quality work and services.
- The policy review must take into consideration the socio-economic and political situation in the country. For example

	<p>in Nepal, the non-formal economy is large. Many procurements are for community driven development type works. We cannot just replace and undermine the local traditional systems. How do we integrate these informal ways?</p> <ul style="list-style-type: none"> • The estimates and rates (eg. for a bag of cement within Nepal) can vary a great deal. We need to incorporate ways to standardize this. • Clash of interest is the root cause of lot of problems. Decisions can always be justified. • We must look at the capacity to take decisions. In Nepal there is fear of being investigated by the CIAA for abuse of authority. • Elite capture at the local level and lack of elected bodies is a real challenge. • There are cartels being formed globally not just in a country but also for large projects – specially in hydropower. • The role of foreign companies in joint ventures is only ‘token’ and needs to be looked at. Cost goes up with no real value. • Fees for consultants vary so much and there are no standards.
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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?

	<ul style="list-style-type: none"> • Capacity building has to be an on-going process. • It is easier to bid for and sign a contract than to close a contract. There are issues to resolve during execution of a Project beyond the procurement phase and need to be incorporated. Thus the review must look at the closure process as well. • Harmonization has to be done in-country at central and local levels as well. • Need to simplify the documents to get “value for money” for smaller projects. • The Price of the same ‘car’ can vary so much that there is something wrong. We can introduce framework contracts and dynamic purchase contracts to address these variations, as some countries in Europe. • In case of a HUMANITARIAN crisis or a disaster, the procurements process must be speed up. • Project management is a key variable that reflects procurements as one component. • Do away with “one size fits all” policy. • Both public and private sector procurements should be looked at. Motives are different . • Country per capita needs to be factored in. • Fraud happens at later stage than procurement, need to look at whole life cycle. • Need to strengthen M & E functions, departments, people, logistics, and team capacity. • There should be a separate policy for procuring services of Civil Society Organization (CSO), i.e. not-for-profit organizations. They should not be referred as “firms” (as in the case of registered consulting firms). Since CSOs are not profit making organizations, they are not as strong as private consulting firms in financial strength. Therefore,
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	advance payment should be higher, i.e. 20% instead of 10%.
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?	
	<ul style="list-style-type: none"> • Capacity to manage the full cycle of the Project beyond just procurement phase is key. We must train and build capacity continuously. • A lot of ‘fraud’ happens outside the system and may not show in the procurement process. • There must be room for INNOVATION. • People must be ENGAGED and this requires a strategy. • Can have “Independent” monitoring or over sight groups. • Need to “diversify” human resources at all levels. • Recognize EXTERNAL forces at work in fraud. • In order to ensure use of fund for the purpose intended, there should be more focus on DDAs and external monitoring. More focus on annual or one and half yearly external monitoring could contribute a lot.
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?	
	<ul style="list-style-type: none"> • When the amount and duration of procurement is small, how can we streamline the process. Can we have a cut off amount and time. • The role of the auditors at various levels must be made clear. Auditing standards are needed to look into performance of contracts. • There should be flexibility in procurement documents and processes to address diverse procurement environment.
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?	
	<ul style="list-style-type: none"> • The simpler the process, the more chances of compliance and enforcement. Simple also means less time to process. Training should be part of the process. • Nepal needs to benefit from the best practices globally. The World Bank can help document these and educate everyone. • Innovation is key to success. We need to look at “third party monitoring” by the citizen sector as a possible tool. • Software development and the launch of a procurement portal is nearing completion. This will have general as well as specific applications suitable for various departments. The WB should support the portal and not duplicate efforts.

- Compliance does not mean performance. E- procurement is a good tool but many government offices do not have the capacity to manage it.
- The new policy should be backed up by simple TEMPLATES and guidelines.
- Learning should be an on-going process.
- Need for simple manuals and guidelines.
- False documents are a problem in e-bidding and must be backed up by a verification mechanism.
- There is need for more public information and education at the level of students , community and even in the curriculum
- There must be NORMS for consultant fees.
- Paid ads for transparency at all levels.
- We can operate a HOTLINE for addressing complaints.
- We can have ANTI-BRIBE PACTS signed by both sides.
- CERTIFICATION of key personnel must begin after proper training. Bangladesh is doing it.
- Launch and update contract data management system
- Need capacity building for life cycle based evaluation.
- Let us review model procurement documents and then go for post review.

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?

- The government of Nepal does have procurement policy reform agenda, we need to constantly engage in the review process.
- This is a great time to upgrade both the WB and country system to reflect greater commitment to FAIRNESS
- Nepal is undertaking its procurement and monitory policy review with the chief secretary leading the team. The timing of the WB review is good and seeks involvement of WB in the process over the next 2-3 months.
- Harmonization at national level is desired but the field level reality in the country may vary. In terms of pre-qualifications and thresholds, a different set of guidelines may be required to suit these.
- Role and responsibility of MONITORING has to be made clear.
- There must be a process for recognizing each other's systems and identifying gaps, tradeoffs and capacity to better understand RISKS.
- What do we do in a state of lawlessness?
- Need to recognize politicians, police, etc are in jail which means system is in place
- Under WTO, new guidelines are coming. Look at OECD benchmarks. WB and ADB need to harmonize. JICA also active in this work.

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

- If we could agree on verifiable indicators for economy, efficiency, transparency and fairness, monitoring and evaluation would be made possible.
- There are many issues that need resolution after the initial procurement stage. Need to look into full life cycle.
- Need a clear implementation plan for "new" policy.
- Collecting feedbacks from member countries, borrowers, clients and CSO partners on the effectiveness of procurement policies might be useful.

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?

- Bribery and pilferage of public money is a crime and there should be a "zero tolerance" policy in place.
- The economic goals for which the procurement is being done should be made very clear and articulated well. Accountability will then be easier.
- Decentralization and delegation of authority from the center to the field is key to success. Thresholds need to be raised.
- Dispute resolution mechanism must be put into place and all ambiguity removed.
- Country social agenda should be clear.
- The terms— "firm" and "client—" are not sensitive to not-for-profit organizations (CSO, CBO, etc). It is suggested to replace both the words with "partner."