

Use of Country Procurement Systems
Consultation with the Nordic¹ Private Sector
September 17, 2007

The World Bank met with the Nordic Private Sector (NPS) in Copenhagen on September 17, 2007 to present the methodology for the Use of Country Procurement Systems to seek feedback and comments. These comments have been summarized around the six issues posted on the website.

1. The World Bank has proposed a detailed methodology for a procurement country system piloting program in 8-10 countries. What remaining questions need to be addressed or clarified about this program?

Some of the participants were initially concerned that only Middle Income Countries (MIC) would qualify for the pilot exercise and that the Low Income Countries (LIC) would not and consequently not benefit from the expected capacity development that this exercise will generate.

The Bank agreed that the concern is legitimate and stated its intention to give all interested countries due consideration.

The participants were not clear on how the Public Expenditure Financial Accountability (PEFA) assessment, which encompasses a broader framework than procurement, would be used in the methodology and how the other donors will be involved.

The Bank explained that the PEFA assessment, if available, would be used to provide information on the status of the public financial management system in the country. It will be used in the selection of the pool of potential pilot countries. As for the donors, the Bank pointed out that it will take the lead in selecting pilot countries for projects financed by the Bank.

Some of the participants wanted to know what kind of consultations the Bank is having with other donors.

The Bank is covering the methodology during the Joint Venture for Procurement meeting that includes both multilateral and bilateral donors as well as recipient countries. In addition, the Bank will make a presentation at the next MDB HOP (Heads of Procurement) meeting to be held in Tunis late October.

There was an interest to know how many countries are involved in the pilot programs for safeguards.

The Bank will make sure that such information will be made available on the website.

2. The OECD/DAC benchmarking index provides for scoring of 54 sub-indicators on a 0-3 scale with a score of 3 representing best practice. 30 of 54 sub-indicators in the OECD/DAC tool have been identified as critical and require achieving the highest score of 3 for 22 of the sub-indicators or a score of 2 with an agreed action plan for 8 of the sub-indicators. Is this achievement level appropriate and if not, why?

¹ Denmark, Sweden, Norway and Finland

Some participants believed that the criterion for selection is too stringent and it may exclude many countries from participating in the pilot program. They also wanted to know how the different capacity levels in handling procurement across the sectors in the country would be dealt with in the methodology.

The Bank explained that for procurement, the assessment will be carried out at three levels: there will be a first selection of a pool of potential countries based on general procurement and performance track record of the country, then an assessment of the quality of the public procurement system at the national level based on the OECD/DAC benchmarking tool, and how such system meets a test of equivalence with Bank policies, and thirdly an assessment of risks, capacity, and the performance of the implementing agency at the sector/project level. The procurement pilots will be by sector/project rather than by country. The Bank will aim at clarifying the process and incentives during the consultation process.

3. Under this proposal, not all procurement would be included in these pilots. Should the Bank include complex, high value procurement such as those [e.g. highway construction, power generation equipment, information technology] now cleared by the Operations Procurement Review Committee (OPRC) in the use of pilot country procurement systems?

The NPS raised their concerns about advertisement of bidding opportunities, quality of bidding documents and contracts including conditions of contract and resolution of complaints. They were also concerned about monitoring the award process to ensure compliance with the evaluation criteria.

The Bank is still considering how to handle high-value complex procurement in recognition of the many issues raised above. The Bank will maintain its fiduciary oversight of the projects through supervision, post reviews (with an adapted format) and independent third party audits. In addition, the proposal provides for reviewing bidding documents, contractual terms and conditions as part of the assessment, and will monitor the implementing agencies' performance throughout the life of the project. The Bank will also continue to monitor the handling of complaints reported to us.

4. Is the proposed handling of the Selection of Consultants in the pilots satisfactory? If not, how can this be strengthened?

The NPS did not raise issues with the proposed methodology for the selection of consultants. However, they indicated the need to clarify how the thresholds would be established for each country.

The Bank explained that the thresholds to be used reflect the conditions of each country's market, and how the proposal addresses the particular issues of consultants' selection. It agreed that the establishment of thresholds requires clarifications.

5. Are the proposed performance based measures sufficient to address transparency, access to information and governance and anticorruption issues (GAC) that have been raised with regard to the pilots of country systems in procurement?

The NPS raised concerns about "safety nets" if the country's performance deteriorates over the life of the project. They were also concerned about how the Bank will monitor performance and compliance in implementing country rules and regulations.

As mentioned above, supervision will remain key.

The Bank explained that the Loan Agreement will contain fraud and corruption provisions, remedies such as misprocurement and the ability to rescind pilot status. The country's performance will be monitored against the agreed criteria to ensure that performance under the pilots is maintained or improved. This will be laid out in more and clearer details in the final document.

6. Do you have other suggestions that will strengthen the World Bank Group's efforts to help countries improve their procurement systems and help us learn from these pilots?

The NPS suggested that the Bank provide support in form of grants to assist the countries in building their procurement capacity. Some of the participants believed the use of country systems would strengthen the development of the local private sector.

The Bank intends to take the suggestions and comments provided by NPS into consideration, and clarify how capacity development would be supported.

Overall Conclusion

DANIDA, as the host of the consultation meeting, concluded by asking the group whether he was right in saying that the consensus among the NPS was supportive of the proposed methodology subject to consideration of the above concerns. They all agreed.

Participants

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