

Use of Country Procurement Systems  
Consultation<sup>1</sup> with the Italian Private Sector  
September 25<sup>th</sup>, 2007

The World Bank met with the Italian Private Sector in Rome on September 25<sup>th</sup>, 2007 to present the methodology for the Use of Country Procurement Systems to seek feedback and comments. These comments have been summarized around the following six key questions.

**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 explained that lessons drawn from a piloting program that only includes good performers will only be positive. They thought important lessons could also be learned from not so good performers as well.

*The Bank explained that if the results of the piloting program are good and the Bank decides to move forward with more countries, all the countries would have to meet the performance criteria set in the methodology. One possibility of inclusion of not so good performers will be, not in the use of their national procurement systems per se, but as countries benefiting from capacity development assistance. Hence lessons learned from the not so good performers could be on the impact and success of capacity development assistance that will be put in place.*

Some of the participants believed that the only way to achieve harmonization at the country level is for all the other financial institutions to agree on “procurement standards” that can be used in all of the borrowing countries. They also wanted to know if there has been any coordination with other donors.

*The Bank pointed out that the Bank has defined a methodology to determine the risk it is willing to take it in selecting pilot countries for projects financed by the Bank and that the risks will be different for different institutions/aid agencies. Therefore there cannot be one set of “procurement standards” for all; each aid agency will have to set their own.*

*The Bank explained that the Bank is going to take the lead in selecting the pilots for projects funded by the Bank but that the methodology was presented to the Joint Venture for Procurement meeting that included both multilateral and bilateral donors as well as recipient countries on the 20<sup>th</sup> of September in Copenhagen. In addition, the Bank will make a presentation at the next MDB HOP (Heads of Procurement) meeting to be held in Tunis late October this year.*

Certain participants believed that the use of national procurement procedures, which includes the use of national languages, will reduce competition and transparency. They

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<sup>1</sup> The meeting was organized by the Italian Association of Italian Engineering, Architectural and Technical-Economic Consulting Organizations.

also pointed out that there would be extra costs related to them familiarizing themselves with a number of different procurement systems as opposed to a few IFI procurement procedures.

*The Bank explained that the national procurement procedures will have to pass the test of equivalency to the Bank's guidelines to be considered acceptable. It would be the private sector's decision to decide whether or not to do business in a specific country in line with difficulties, costs, advantages etc. Finally the pilot phase will be used to draw lessons one of which would be the impact of increased reliance on use of country systems on competition.*

It is also worth noting here that a few other participants saw the advantages of moving to country systems, to national capacity building to improve efficiency and transparency in public procurement systems. They talked about the changes being proposed as necessary as we embrace globalization and emphasized that the challenge for the suppliers/contractors is to become more competitive to be able to bid, ideally, in any part of the world.

- 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?**

The participants suggested that the methodology classified certain sub-indicators as non critical when in their opinion should have been critical. They confirmed this in writing, after the meeting and made specific recommendations to increase the number of critical sub-indicators and indicators that scored a two that should be accompanied by a Capacity Development Plan.

*The Bank thanked them for their suggestions and will examine each one of them before finalizing the methodology.*

- 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 participants raised concerns about publication of procurement plans, award criteria that they believed were too focused on price and not enough on technical quality, safeguards and environmental issues and supervision of the projects not only in protecting the rights of the contractors but also to ensure that the funds are being used for purposes intended.

*The Bank took the time to explain how bids are evaluated and award criteria selected. It went further to explain that it will maintain its fiduciary oversight of the projects through supervision, post reviews (with an adapted format) and independent third party audits. In addition, the Bank explained that it will monitor the implementing agencies'*

*performance throughout the life of the project and the handling of complaints reported to us.*

*The Bank is still considering how to handle high-value complex procurement in recognition of the many issues raised above and will ensure that these are identified at the time the procurement plans are approved.*

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

The participants welcomed the proposed methodology for the selection of consultants.

**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 participants were concerned about the publication and updating of procurement plans, performance of the projects during implementation and wanted mitigation measures in place for non compliance.

*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.*

**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 participants wanted to see the Bank continue its efforts in harmonizing with other donors/IFI. They wanted to Bank to revisit award criteria to include safeguards and environmental issues. And finally some participants suggested that the Bank become a party to all contracts to fight corruption.

*While the Bank intends to take the suggestions and comments provided by the participants into consideration, it clearly explained that the Bank will not become a party to any contract but that supervision will remain key.*

## **Overall Conclusion**

Most of the participants were torn in their responses. While they saw the increased reliance on use of country systems as the way forward, something inevitable in the long run, they had serious concerns as to the impact on their business in the immediate future. They wanted to have the reassurance of the Bank's presence in the overall process and wanted to see safety nets to protect their rights.

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