

Use of Country Procurement Systems
Consultation with CSOs
Washington, DC
December 13, 2007

The World Bank met with representatives from Civil Society Organizations (CSOs) to present the methodology for the Use of Country Procurement Systems and 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?

The participants wanted to know what will be presented at the Board meeting in February 2008.

The Bank responded that in June of last year a paper was prepared to update the Board of Executive directors on the status of the use of country systems in procurement. The Board then requested OPCS to prepare a document outlining a detailed methodology for selecting countries for the proposed pilots. If approved in February by the Board, the Bank will begin the process of identifying countries and selecting pilot projects.

The participants asked for clarification on the methodology.

The Bank approach includes several assessments which tackle a much broader and more extensive range than the OECD/DAC benchmarking tool in order to rely on country systems in procurement. The Bank has created a comprehensive methodology to assess the status of a country relying upon a broad country-based assessment. This assessment includes the OECD/DAC benchmarking tool and CPARs as well as related procurement reforms, action plans, and equivalence with Bank policies assessment, tools aiming at measuring and tracking capacity and compliance, and performance and fiduciary risks at the sector/executing agency level for each pilot project.

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 asked for clarification on the different versions of the OECD/DAC benchmarking tool and asked if it has changed significantly from version 3 to version 4. They also asked whether the newest version of the methodology is less stringent compared to what was initially presented in 2005.

The Bank replied that there is only one version of the OECD/DAC tool which has been approved by the OECD/DAC Procurement Joint Venture in June 2006. No other version was published although there have been several drafts before the final adopted version was published. Although the Bank actively participated in the work of the OECD/DAC Procurement Joint Venture, which the Bank co-chairs, the tool is

the result of a collective effort that has associated both partner countries to the Paris Declaration on Aid Effectiveness and multilateral and bilateral donors. Some comments have indeed focused on the OECD/DAC tool and what is perceived as flaws. The OECD/DAC tool adheres to the Paris Declaration and it compliments the Bank's own assessment tool – the CPAR.

The indicators used in the previous Bank proposal were based on the results of the OECD-World Bank roundtable, with many overlapping, which is the main rationale for having streamlined indicators and sub-indicators, and using instead the 54 sub-indicators of the OECD/DAC benchmarking tool, which have the additional merit of relying on an internationally-vetted tool and allowing for harmonization of assessments by the donor community.

The Bank also stressed that there is no country in the world that has an absolutely perfect country procurement system.

One participant asks how the Bank will assess the sub-indicators.

The Bank clarified that it will not rely on any aggregate rating/score, each sub-indicator being assessed on its own merits. The classification of the 54 sub-indicators between critical (to score the top 3 rating) and others (still to score at least a 2 rating) has been introduced by the Bank for the purposes of its own methodology to rely on country systems in procurement. To be noted, the OECD/DAC tool provides some guidance on how to score each sub-indicator as well as a broad-banding approach to produce a single rating for the purposes of indicator 2(b) of the monitoring exercise under the Paris Declaration and in preparation of the High-level forum to be held in Accra later this year. The methodology to use country systems in procurement proposed by the Bank relies on several assessments at the country level, a broad assessment based on CPARs (and other information available to the Bank) and the OECD/DAC tool, as well as an assessment of equivalence with the Bank procurement policies.

- 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?**

No questions/comments were presented.

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

No questions/comments were presented.

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 asked how the GAC and the country systems will be integrated and how the CSOs will fit in when this kicks off.

The Bank acknowledged that the GAC and Country Systems in Procurement are related and will be implemented in consideration of one another. The Bank clarified that the Fraud and Corruption definitions and procedures laid out in the Procurement and Selection of Consultants guidelines, as well as the broader Anti-corruption guidelines that were approved as part of the Sanctions Reform package, will apply to all pilot projects.

The participants asked for clarification on how the Bank will monitor progress of the reliance on country systems in procurement. They also asked about how the Bank will ensure consistency from country to country.

The Bank answered that the methodology includes many features to continue to monitor the pilot projects, inter alia third party independent audits, post-reviews, and continue to handle complaints submitted directly to the Bank.

The Bank will ensure consistency through the approval mechanism to be put in place, i.e. the review of all pilot projects and assessments by the most senior procurement staff in the Bank through the Operational Procurement Review Committee. The Bank will also rely on the expertise of the Regional Procurement Managers who have extensive country-based knowledge and experience. The Bank realizes that it is necessary to explain more thoroughly in the next draft of the methodology how equivalence assessments will work in practice.

A concern was raised with regard to prior review, and the participants asked why the Bank will stop conducting prior reviews. The feeling was that the prior review signals that the Bank has the ability to mitigate risks in real time and by taking back this opportunity the Bank will not be able to mitigate till long after the damage is done.

The Bank explained that it would not make much sense for the Bank to acknowledge the use of country procurement systems on the one hand, and then on the other conduct prior reviews on a systematic basis, hence de facto implying that the results of the assessments were not truly robust. Relying on country systems means that the risks have been assessed as low, and hence, reliance on post reviews and audits would provide the necessary comfort, notwithstanding the fact that the Bank will retain its audit rights, and the ability to apply remedies through the Legal Agreements. Finally, the Bank has proposed under the current proposal to retain prior-review of most consultant services and complex and non-standardized contracts.

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?

A participant was concerned that neither the CPAR nor the OECD/DAC tool assess or refer to the social dimension of procurement. The participant suggested that this issue be clarified and that there ought to be observance of labor clauses, supervision of labor laws etc.... just as the Bank is committed to look at GAC issues. One participant referred to social dumping and remedies with regard to those who do not comply with social law, anti-corruption, labor law etc.

The Bank thanked and stated that it will take the suggestion into consideration. The Bank added, however, that it is difficult to ensure social protection through procurement, and that there is a need for broader protection laws and systems. The Bank remains committed to continue to raise those issues as part of its dialogue regarding procurement with borrower countries, and that it is a collective effort that should take place at country level.

The Bank has included core labor standards in bidding documents and contract forms for civil works through the applicability of the country labor laws and specific clauses in the general and particular conditions of contract, but clarified that CLSs are not part of the Bank's core procurement policy. CPARs also address, in a limited way, the issue of labor standards.

The participants were concerned that if every country has different policies and documents it increases the Bank's costs in reviewing them.

The Bank acknowledged the issue, and stated that it is planning to budget for the tasks associated with country systems pilots. Concerning the costs of reviewing documents the Bank explained that a good country system has Standard Bidding Documents and that the Bank will review those as part of its assessment. The problem is rather when there are no Standard Bidding Documents.

A participant thanked the Bank for including the CSOs in the consultations as it increases the Bank's credibility. However, the presentation was considered a bit broad. Since there are experts around the world who would appreciate to be consulted on details, it might be a good idea to form working groups for this purpose.

The Bank clarified that a panel of internationally independent experts is currently reviewing the overall methodology and will participate in a workshop after all comments have been received. In addition, the Bank has committed to organize follow-up meetings with constituencies that would so request.

The participants asked for clarification on how the Bank sees harmonization working together with country systems and other donors.

The Bank explained that it sees reliance on country systems and donors harmonization in procurement as complementary as both aim at strengthening the procurement policies and procedures of the borrower countries. The Bank has been a leader to harmonize with other MDBs and there has been considerable progress with regard to policies (guidelines are mostly harmonized despite remaining differences) and harmonized Master Procurement documents have been prepared for many sorts of procurement. The objective to reach full and true harmonization is, however, when the

country's own systems are used, because they are effective and efficient, instead of external systems. The Bank expects that the other MDBs, which have also vetted the OECD/DAC tool, conduct CPARs jointly with the Bank in most cases, and rely on similar policies, would be able to conduct assessment and equivalence in the same manner at the country level, while each could use different procedures at the project level, depending on its approach to measuring capacity and performance and its appetite for risks.

Overall Conclusion: The CSOs welcome the use of country procurement systems and value that they have been invited to comment. They also commented that the methodology and the approach that the Bank proposes to rely upon are much clearer as a result of the meeting. However, the CSOs suggested that the Bank gives more thought as to how the CSOs can be involved during implementation as this is not in the methodology at present.