

**Use of Country Procurement Systems
Consultation with the Private Sector and the Civil Society of Colombia,
Mexico & Central American Countries**

**México City, México
November 6, 2007**

LCR Procurement Team and the CMU for Mexico and Colombia (LC1) organized a meeting with representatives from the **private sector and civil society** of Colombia, Mexico and Central American Countries (Costa Rica, Guatemala, Honduras, Nicaragua, Panama, El Salvador and writing comments of Dominican Republic) to discuss the World Bank's proposed piloting methodology for increased reliance on country procurement systems in the Region (see annex I - list of participants). A comments and Q&A session followed a brief presentation on the Methodology done by the Bank.

The consultation summary is organized 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?**

Participants were overall supportive of the proposed policy. Some participants commented that the methodology is well structured and the policy would influence a positive change in the region.

Participants expressed their agreement, in particular, with the piloting process which they see as important for the credibility of the policy and to learn from early experiences.

Participants also emphasized the need for further reforms in the countries to improve transparency and accountability. Several examples were provided of how CSOs actively support and monitor improvements in domestic systems.

Participants also expressed concern that capacity in some country may be too limited to achieve the minimum standard required.

Participants inquired on the level of cooperation among development partners in this exercise.

The Bank responded that the donor community has worked together to develop the OECD methodology and harmonization is an objective in every country. In particular, the Bank has worked jointly with the IDB on all recent Country Procurement assessments and other analytical work on public sector procurement in the region. Each country will be evaluated on its own merits using the standard methodology and a high degree of coordination with donors can be expected.

However, final decisions will be made by the Bank and other development partners individually.

Some participants asked what the next steps will be after the piloting process is completed.

The Bank responded that piloting process will generate lessons and feed-back which will be further assessed to determine if and how to expand the program to other countries. Clearly, the success of the process will be critical for further implementation.

Some participant asked whether very complex projects would be included.

The Bank responded that very complex projects will likely not be included in the piloting process.

Some participants asked whether all aspects of the local system would be used, even when some areas would benefit more from continuing to apply the Bank's policy.

The Bank explained that capacity building is an essential element of the piloting process and reliance on the local systems will be gradual depending on the progress made in improving the different aspects of the system. Initially, it is likely that in most countries some aspects will be relied upon, while others will be initially excluded while they are been strengthened, as agreed with the country.

Some participants commented that the countries should be in the lead in conducting the evaluations and that evaluators should include civil society representatives.

- 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?**

Participants supported the concept of an objective scoring system, but CSOs' representatives re-stated their belief that CSOs should be involved in the scoring exercise. These participants worry that the indicators may sanction bad practices if their application does not benefit from in-depth and objective knowledge of the local reality.

Some participants emphasized that the most critical indicators are those that deal with transparency and anti-corruption. Areas which require particular strengthening are those covered by sub-indicators 9 (The country has effective control and audit systems) and 10 (Efficiency of appeals mechanism).

Participants pointed out that these areas are already covered adequately by the Inter-American Convention against Corruption, but not always by national laws which need to be brought in compliance with the Convention. Special emphasis should also be given to the bid/proposal evaluation process.

Some participants from the private sector highlighted the critical importance of indicators number 7a (There are effective mechanisms for partnerships between the public and private sector) and 7b (Private sector institutions are well organized and able to facilitate access to the market). These participants recommended, in particular, focusing on the partnership with the private sector in developing policies and bidding documents.

Some participants pointed out that, while greater attention needs to be focused on critical indicators, all indicators should be monitored closely as the development of sound systems is the result of a comprehensive reform effort.

The Bank thanked participants for the suggestion of involving civil society in the exercise and indicated that it will be considered. The Bank agreed that an active partnership between the private and public sectors is important to improve procurement processes and develop a dynamic procurement market. The Bank also agreed on the need to manage and monitor procurement reforms in a comprehensive manner to ensure that they are sustainable and critically linked to other key aspects of public sector management.

With respect to the methodology, the Bank explained that the decision to rely on a country system for procurement will be based on several assessments and an extensive set of information on country conditions covering a much broader range of issues than those addressed in the OECD-DAC benchmarking tool. The Bank has developed a comprehensive methodology to assess and monitor the status of procurement reforms which in addition to the OECD-DAC tool includes: (i) the CPAR and ensuing action plans; (ii) an assessment of the equivalence of different aspects of the local system with Bank policies; (iii) and tools to measure and track capacity and compliance, and performance and fiduciary risk at the level of the sector/executing agency for each pilot project.

- 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. power generation equipment, information technology] now cleared by the Operations Procurement Review Committee (OPRC) in the use of pilot country procurement systems?**

This particular question was not discussed.

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

Some participants commented that this aspect is not very clear in the discussion paper and should be further developed to explain how it will be addressed in practice.

Some private sector participants commented that Bank rules may favor foreign consultants leading to limited transfer of technology, violation of local social responsibility rules, and unjustified higher costs and expressed a preference for national rules. Others, however, felt that the general preference for selecting consultants based on price in the countries has had very negative impact both on quality of the products and the development of the local industry.

The Bank explained that, based on its experience, few countries have adopted policies and procedures for selection of consultants which are similar to the Bank's policy. Consequently, it is expected that it will be difficult to apply the "equivalency" approach to consulting services. However, the proposed policy includes the possibility of using national procedures acceptable to the Bank for contracts below the threshold set for each country for short-lists of consultants comprising national firms only. This threshold depends on the competitiveness and maturity of the local market for consulting services. In addition, the Bank will consider carrying out an in-depth assessment of the equivalency of local rules in pilot countries where the conditions are appropriate and the country requests it. In these cases, the policy would be applied in a very similar way as for goods and works. A matrix of minimum requirements for equivalency based on the principles of the Bank's Guidelines on Selection and Employment of Consultants would be developed and utilized. If equivalency is established, local rules can be used. In all other cases, all contracts above the threshold discussed above will need to follow the Bank's Guidelines.

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?

Civil society participants commented that the policy and methodology will help increase transparency in the countries. However, they cautioned about the many facets of corruption which go well beyond procurement and emphasized the need to focus also on broader political economy aspects and structural market aspects. They also called for a "tripartite" effort involving public and private sector and CSOs with equally important roles.

It was suggested by one participant that all the sub-indicators of the fourth Pillar, related to transparency and integrity (9 to 12), be considered as critical. Some of the indicators currently considered as non critical (column III of annex 3 in the consultations paper) are those that most facilitate monitoring by civil society. This participant specifically suggested to modify the table in annex 3 as follows:

- 9 (d) to the column II (critical indicator for which a score of 2 is acceptable)
 - 10 (d) to the column II
 - 10 (e) to the column I (critical indicator for which a score of 3 must be achieved)
 - 11 (a) to the column I. It is critical as it is the only one referring specifically to access to information. It should be clearly explained what "complete" information means.
 - 12 (e) to the column II or, possibly, in I. This would guarantee better social control and monitoring by the civil society.
 - 12 (g) to column II.
- Some participants also emphasized the critical importance of implementing electronic procurement (E-GP) systems for efficiency and transparency.

The Bank agreed that anti-corruption strategies require a much broader effort than improving the procurement system, including an active monitoring role for civil society. It also mentioned that the proposed methodology for relying on the country systems in procurement includes a much broader set of aspects than those captured by the OECD-DAC benchmarking tools, including some of the market and political economy issues mentioned by the participants which are addressed in the CPAR.

The Bank thanked the participants for their detailed recommendation on adding critical indicators which will be further considered, and explained that it has introduced the classification of the indicators between critical (requiring a score of 3) and others (requiring a score of 2) for the purpose of its own decision process on relying on country systems in procurement. Each indicator will be assessed on its own merits.

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?

One participant suggested to include projects with Public/Private participation (PPPs) in the evaluations.

One participant commented that the private sector should also be strengthened as it is the key partner for the government in the procurement market.

The Bank responded that it remains very interested in helping strengthen the private sector and that there are projects on competitiveness, productivity, and private sector development in many countries. With respect to procurement specifically, the dynamics of the relationship, the market response to procurement opportunities, and the efficiency of operational practices are assessed under the third pillar of the methodology.

Annex I

List of Participants Private Sector and Civil Society

Country Systems Consultation Meeting LCC1 – LCC2 – Guest List Private Sector - November 5th 2007 (Morning Meeting)	
Name	Entity
Enzo de Laurentiis	IBRD (LCSPT Manager)
Costa Rica	
N/A	
Guatemala	
Lorena Colom de Acevedo	Camara de Comercio de Guatemala
Marvin Flores	Accion Ciudadana
Honduras	
Oscar Calona	COHEP
Katia M. Pastor	CHICO
Rafael Medin	CCIT
Issa Aguan	CCIT
Oscar Chinae	ONCAE
Cesar Sevi Bran	CINCO
Nicaragua	
Roberto Lacayo	Cámara Nicaragüense de la Construcción
Bruno Vidaurre	Cámara Nicaragüense de la Construcción
Osiris Lira	Ética y Transparencia
Panama	
Luis Navarro	Fundación para la Libertad Ciudadana
El Salvador	
Angel Diaz	Cámara Salvadoreña de la Industria de la Construcción
German Vega	Cámara Salvadoreña de la Industria de la Construcción
Daniel Martinez	Cámara Salvadoreña de la Industria de la Construcción
Mario Rivera	Cámara Salvadoreña de la Industria de la Construcción

Jorge Jose Daboub	Cámara de Comercio e Industria de El Salvador
Mario Margaña	Cámara de Comercio e Industria de El Salvador
Mauricio Mendoza	Cámara de Comercio e Industria de El Salvador
Valeria Luna	Cámara de Comercio e Industria de El Salvador
Colombia	
Mexico	
Ramon Carrion Can	
Francisco Trevino	
Reyes Juarez	
Jeremy Transp. Meicana	
Rafael Vazquez	Asuntos int coparmenx
Marion Lopez	CANACITNTRA
Edgar Bedorre	
Roman Vidal	
Irma Sandoval	Abogaod

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