

Use of Country Procurement Systems
Consultation with US Private Sector - Chicago, IL
December 6, 2007

The following provides a summary of the discussions that took place between the World Bank representatives and the participants from firms in the Chicago, Illinois area.

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 Bank was asked to provide some history about the proposed methodology including: why the drain on capacity; basis for earlier criticism; impact of anticorruption initiative.

The Bank responded that the move towards use of country systems began in 2005 and took on importance with the Paris Declaration and the Bank's and other donor organizations recognition that aid effectiveness would be improved with better performing country systems. We recognized that an incentive for countries to improve their systems could be provided by increased coordinated support for capacity development followed by use of improved systems. The drain on capacity is caused by many donors introducing parallel systems for the management and control of funds, including use of funds under various procurement rules. Countries were confronted with learning many systems which caused confusion and wasted scarce capacity. The Bank's earlier proposal on using country procurement systems benefitted from the first round of consultations where the private sector provided its concerns. In addition, the assessment tools available to assess country systems improved, including the OECD/DAC benchmarking tool and the PEFA assessment tool used to assess PFM systems. The Bank's recent governance and anticorruption initiative is strongly supportive of the benefits of the use of country systems in improving the governance conditions within a country. With regard to corruption in general, the Bank anticipates no changes in the way we will deal with corruption as each of the pilots will involve the signing of a Loan Agreement as is currently the case and the Bank's anti-corruption provisions will be made applicable to the pilots. Supervision of Bank projects will continue as is currently the case, but will be enhanced by audit and by the use of the new dynamic risk tool.

A comment was made concerning an "opacity index" used by the EXIM bank and if the WB uses this index. It was stated that this index helps to identify risk for the private sector.

The Bank responded that it was unaware of this index. We asked if more information could be provided and stated that we would look at many sources of information with regard to determining the pilot countries.

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?

A question was asked if we would plan to use country systems eventually in every country. A question was asked about complaints and resolution of payment issues.

The Bank responded that we were taking a step by step approach and would learn from the pilots and determine the next steps with regard to expanding the use of country systems. If we retain and validate the proposed methodology, it will remain a basis for determining if a country is ready with regard to the capacity and capabilities of their country systems. With regard to complaints and payment, both of these areas are covered under the OECD/DAC benchmarking tool and both have specific performance indicators proposed that will help the Bank monitor performance in these areas.

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?

FIDIC is an organization that has helped to create contractual terms and conditions that are used primarily by the Bank in more complex works contracts. A question was asked if countries have comparable contractual terms and conditions and whether they enforce them fairly. A question was also raised concerning the use of third country arbitration. A question was also asked about audits and finally about the opportunity for the private sector to provide direct feedback to the Bank on the pilots.

The Bank will conduct a thorough assessment of the procedures used by countries for implementing procurement by using all available data from CPARs and from existing assessments as stated in the methodology. In addition, in conducting the equivalence, the Bank will look at what the country uses in the way of bidding documents, including the terms and conditions used and how they are applied. We will use these assessment to determine if the procurement documents and procedures, including use of arbitration as defined in the contracts, are being applied fairly and without bias to foreign firms. We also stated that while we find FIDIC to be of high quality, we will not require the use of FIDIC terms and conditions if the country has and uses a fair set of such conditions in their contracts.

The Bank will use audit to help monitor performance of the pilots and to provide specific information on procurement. These audits will help understand lessons, areas where improvements are needed and what is working well under the pilots. We intend to keep lines of communication open so that the private sector may communicate directly with the Bank with regard to the pilots. Currently all private sector companies can communicate directly with the Bank. We will likely create and maintain a specific feedback website.

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

The issue of the level of the thresholds was questioned with some stating that \$200,000 was a good level and others stating the it was high or low.

The Bank responded that this is an area that will be looked at closely based on the feedback provided during the consultation process. There does not seem to be consistency with regard to the comments received in this area.

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?

A suggestion was made that there be tiers or levels of countries determined.

The Bank responded that in some ways this will be the case as a country that does not qualify to be an initial pilot will continue to get capacity development support to help raise the standards and performance of the system.

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 suggestion was raised concerning the use of value based procurement.

The Bank said that most borrowing countries have not yet moved in this direction as it can often increase subjectivity and increase the potential for corruption. Currently most countries do provide for evaluation of factors other than price, but this usually done by quantifying these factors. Use of criteria in making the award decision should be fully disclosed in the bidding documents.

A question was asked as to why the US Trade Associations were not in favor of the proposal for the use of country procurement systems.

The Bank responded that there were many comments that have been provided by US organizations and these have been posted on line.

A discussion took place on why the Bank's procurement and selection of consultant guidelines were not being used as the basis for assessing a country procurement system.

The Bank stated that while the guidelines are based on best practice, they were created for use in a specific environment of Bank-financed projects. They were not created to serve as a model for creating a government procurement system which goes way beyond what is covered in the guidelines.

An issue was raised with Letters of Credit.

The proposed methodology does not currently address this detail, but this is an area that can be examined during the Bank's equivalency assessment.

Overall Conclusion: Support was stated for the parallel program of capacity development that is part of the proposal.