

Use of Country Procurement Systems
Consultation with Countries in East Asia Pacific
November 5 and 6, 2007

The following provides a summary of the discussions that took place between the World Bank representatives and participants from the governments of several countries in East Asia Pacific (Philippines, China, Thailand, Vietnam, Lao, Cambodia and Mongolia). In addition, Bank staff from the country offices participated.

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?

Thailand: Question was asked regarding the difference between this proposal and NCB?

The Bank replied that NCB was close to the use of country systems but not fully. The new proposal will move further and will include procurement that formerly was handled by ICB. In addition, there will be little use of prior review which is still used in many cases of NCB.

A question was asked on how the assessment will look at broader issues that exist in the country?

The Bank responded that it will use many sources of information available to the Bank when looking at the country as a whole, including the wide range of country diagnostics available. It will look at the broader PFM system by looking at PEFA assessments and CFAAs.

China: A question was asked by a CO staff how we might convince a particular country to participate.

The Bank responded that one of the basic criteria is that the country needs to declare its own interest in participating in this pilot program. The Bank can only keep the country informed as to the opportunity and the benefits as seen from the Bank's perspective. Some countries have already stated their interest while others have indicated that they are not ready or are not interested.

Vietnam: A question was asked as to whether we envision changing the guidelines. A question was asked concerning the use of standard bidding documents which are seen as being a critical aspect of good procurement. A question was asked about the high transaction cost of doing business with the Bank and how we see this proposal affecting this.

The Bank responded that we are currently discussing the need to make changes to the guidelines specifically with regard to the use of country procurement systems. We do not have the final answer. The Bank agreed that standard bidding documents are a good practice and this is one of the elements assessed as part of the OECD/DAC benchmarking tool. This will also be carefully reviewed as part of the Bank's equivalency assessment. With regard to the cost of doing business with the Bank, we do not see this proposal as significantly raising the cost to the borrower. The Bank and other donors may anticipate

greater investment in capacity development and the Bank will incur additional costs with regard to the piloting process. However, we anticipate that the use of country procurement systems will reduce the cost to our client countries over the longer term.

- 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?**

Philippines: The Philippines stated that the bar was set very high by the scoring criteria proposed using the OECD/DAC benchmarking tool. They also felt that the designation of some subindicators as critical and others as not should be more flexible and related to the specific country and how business is conducted in the country. They cited the example of the importance of civil society organizations in the Philippines. A question was raised concerning resources - for example who covers the cost of the independent audits? The Philippines also suggested that the audits be conducted by the official auditors of the country. A question was raised concerning monitoring and reporting and how frequent this would be.

The Bank agreed that the bar was set high and stated that this has been raised by many countries. We will look at this at the conclusion of the consultations when we revise the proposed methodology. We will also look closely at the designation of critical indicators and the required scores for other indicators. The point made about differences between countries was considered a good point and it has been raised by others. With regard to audit, the current proposal is that the cost of the audits would be covered under the specific project. The current proposal does not envision that these audits would be handled by the official government auditors. However, these items will be reconsidered in view of comments received. The Bank is likely to require quarterly monitoring of performance data and will probably have an annual progress report required. However, this has not been finalized.

- 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?**

Philippines: Question was asked as to why this proposal on handling of complex procurement is seen as necessary.

The Bank replied that very complex procurement usually falls outside the norm in any country and the capacity for handling this is therefore limited. The Bank has a great deal of experience since it works with so many different countries and finances many complex requirements. This is seen as an area where Bank involvement potentially adds value rather than depleting capacity.

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

No questions were received on 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?

Philippines: It was pointed out that most of the assessment indicators are qualitative and not performance based.

The Bank agreed that the OECD/DAC assessment tool is qualitative. The equivalence assessment will be more oriented to actual performance. It will be supplemented with local knowledge the Bank has gained from CPARs and other diagnostic. In addition, there will be performance based monitor used during the implementation of the pilots that will add to the process.

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?

Mongolia: Question was asked if the Bank would be reviewing and using existing OECD/DAC assessments from the JV for Procurement pilot program. Questions were also asked about the timeline for the piloting process and the number of countries that will be selected. There was also a question about the level of involvement of country office staff.

The Bank replied that it will use existing assessments including those that are being conducted as part of the JV for Procurement pilots. We will be conducting a specific validation exercise associated with the piloting methodology. The current timeline for beginning the pilots is the coming fiscal year which begins 1 July 2008. With regard to the involvement of country office staff, they will be as involved as would be normal under any Bank supported activities in their countries. There will be some additional activities, but some normal activities such as prior review will be greatly reduced. On balance, we anticipate some additional workload in the particular pilot countries. This is one reason we have proposed a criteria that the country director and country team be supportive of any country proposed for this piloting program.

Lao: Asked if we will find enough countries that will meet the criteria. Also questioned as to whether our timeline was too optimistic.

The Bank replied that we are committed to trying to identify 8-10 countries and to have all six regions of the Bank represented. However, we must revise the methodology on the basis of the consultations, obtain approval and then apply the methodology consistently. This will be the final determination on which countries will be included. With regard to the timeline, it has already slipped slightly with our revised proposal now due for Board consideration in late February. The rest of the process will play out according to the methodology. We hope to maintain a schedule that will start the pilots in the coming fiscal year.

Overall Conclusion: Generally countries are very interested in and supportive of the use of country systems in procurement. The main concern seems to be the complexity of the process of selecting countries and projects. Bank staff expressed some concern as to whether we are going far enough in the proposal and some concern as to the impact on workload.