

Use of Country Procurement Systems
Consultation organized by Foreign Affairs and International Trade Canada
Ottawa, Canada
October 29, 2007

Foreign Affairs and International Trade Canada organized a meeting with representatives from the private sector and other interested stakeholders to discuss the World Bank's proposed piloting methodology for increased reliance on country procurement systems. A list of participants is provided. The question and answer period followed a brief presentation by the World Bank on the proposed methodology. 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?

It was suggested that many countries would prefer to use something other than their own systems as they recognize problems in their systems. The Bank was asked if countries were asking for this new methodology and was this really just another way of the Bank's standard being imposed on countries.

The Bank responded that the new methodology is intended to be an incentive to get countries to address issue in their own country procurement systems. We agree that some countries currently prefer to rely on the Bank's procurement guidelines as their own systems are not functioning well. We see the benefits of a well functioning system in procurement as contributing to the overall development of a country and going well beyond the projects financed by the Bank. We stated that the Bank's procurement standards were fully consistent with the OECD/DAC benchmarking tool and that both were based on good international practice. We further stated that no country will have this methodology imposed. It is one of the stated criteria that the country must want to participate as a pilot. Several countries have already indicated their interest in participating in the pilots.

The Bank was asked if countries that are able to qualify will be "favored" and others who cannot qualify will be "penalized".

The Bank responded that this pilot program will not have a negative impact on countries that do not wish to participate or do not qualify. In fact, a key component of the piloting program is capacity development. A country that wishes to participate and benefit from this program is likely to benefit from increased capacity development whether they are selected as a pilot or not.

A question was asked about PIU phase out and where people working in PIUs will go?

The Bank responded that the phase out of PIUs is covered under another objective of the Paris declaration. Our pilots will not use PIUs as we wish to rely on country systems and country capacity that is currently serving the government implementing agencies. In addition, the Bank is supporting the Paris Declaration and is working to decrease the use of

PIUs. However, it is still recognized that some country situations demand flexible solutions to the implementation of projects, including the use of PIUs.

- 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?**

It was noted that the proposed methodology is intended to seek out the best performers and does not recognize the countries that are interested in development but may not be able to pass the benchmark. It was further stated that the pilots will sacrifice the ability to learn from having greater variation in capacity among the selected pilot countries.

The Bank responded that the methodology is clearly setting a high bar that will not be easy for countries to achieve. The Bank has stated its commitment to maintain its procurement standards. We discussed the concept of "equivalence" and the commitments we have as an institution. The Bank further stated that we would look again at the methodology proposed based on the comments received during the consultation process. It was pointed out that consultations with client countries were just beginning and we expect many comments on the process proposed for selecting potential pilot countries. The Bank is committed to have a good range of countries, 8-10, in the pilot program and to have at least one country per region.

- 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?**

The participants generally felt that complex and specialized procurement is often not well handled even in high capacity countries. They felt that this procurement would benefit from more oversight and specialized procedures under the pilots.

The Bank agreed to look closely at this area and we are looking at various options for procurement that falls into the complex, high value category.

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

There was a question as to whether this method of handling selection of consultants would result in a larger number of contracts going to local firms, and fewer to consulting firms outside of the country.

The Bank responded that we are intending to look at questions of this nature as part of our monitoring and learning from the pilots. Further, it was felt that most countries wish to

obtain the best quality when they hire consultants. They normally will seek external consultants if the local capacity does not provide the needed expertise, regardless of the value of the assignment. The OECD/DAC benchmarking tool looks to see if the country system provides a method to select on the basis of quality or quality and cost evaluation.

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 Bank was asked if who would cover the cost of these additional measures and how we could see the process of reliance on country systems as reducing costs when there are clearly additional costs involved.

The Bank responded that most of the assessment and monitoring was already a part of project preparation, country diagnostic work and general supervision and oversight of Bank projects. We further stated that we hope to learn more about cost as part of the piloting process. However, some cost with regard to financing capacity development will require additional commitment from the Bank and other donor partners. Costs directly associated with implementation of the project, such as independent third party procurement audit, will be borne by the project. Cost savings are seen as a longer term outcome in recognition that new initiatives usually cost money in the shorter term.

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 Bank was asked as to how it sees impact on the type of firms that provide procurement advisory services based on their knowledge of WB procedures.

The Bank responded that we see this initiative as potentially expanding the market for such companies. The Bank has already been contacted by some who see this as an opportunity.

The Bank was asked about the overall vision which they did not see as being clear from the proposed methodology.

The Bank responded that the overall vision is really a commitment to the development of well performing procurement systems that will contribute to achieving development goals and objectives at the country level.

Overall Conclusion: The participants were both cautiously optimistic and cautiously pessimistic about the Bank's proposed methodology. Both terms were used.