

## Advancing Good Governance Seminar

June 12, 2014 – 12:00-1:15pm

### **Paper and Discussion: Brookings Institution – Is There Room for Discretion? Reforming Public Procurement in a Compliance-Oriented World, a Discussion on the Paper Topic**

The panel discussed the key points in Jeff Gutman's paper on reforming public procurement and emphasized that procurement is an essential instrument in the governance tool kit. The panelists concurred with the paper's conclusion that it is important that international finance institutions ("IFIs"), including the World Bank and the African Development Bank, focus on the ultimate results and outcome of their procurement, and move away from the "box-ticking" approach to assessing compliance. The panelists also embraced the idea of engaging with citizens and civil society to ensure that resources are spent in a transparent and hopefully non-corrupt manner.

#### **Key Points from the Session**

- 1 In overhauling their procurement policies, IFIs must place a greater focus on a multi-stakeholder approach.** Globally, IFIs are considered to have the "gold standard" of policies and procedures related to loans. However, the existing policies and procedures were designed to regulate large infrastructure projects and not the type of procurement IFIs currently fund, such as vaccinations for war-torn countries. Instead, they were designed for large infrastructure and bank-type projects and are behind in terms of modern relevance. Although the flow of funding from IFIs is a relatively small part of procurement, IFIs can assist governments in setting up institutions to make better decisions about the resources they have. The final beneficiaries must be a major part of the procurement system because *their* resources are being spent. The best way to reform procurement is to adopt a multi-stakeholder approach with the government, civil society and the private sector reviewing procurement together. Doing so has helped many countries bring a certain degree of discipline to their government structures as reforming procurement in turn reforms decision-making and facilitates the delivery of value for money.
- 2 To advance and improve procurement, procurement officers must be given discretion.** There is an "evangelical" fight against discretion being exercised – much time is spent on whether a policy or procedure is sufficient to counter corruption and governments and procurement officers alike are afraid to make decisions and be held accountable. The minimization of discretion also limits the space for competence to be exercised and promoted. As excessive and impractical policies and procedures are enacted and implemented, other spaces open up for corruption. For example, a contractor can comply with all the rules promulgated by the IFIs, but use substandard materials to limit a project's useful life and then bid for the maintenance work. By hiring competent procurement officials who have the skill set necessary to design a start-to-finish procurement process, IFIs will be better able to ensure effective procurement outcomes and limit individuals' ability to subvert the procurement systems.

- 3 Teaching civil society organizations to sharpen its focus on procurement contractors and their implementation may facilitate projects while alleviating the current gridlock.** By giving civil society a supervisory role in the procurement process, focusing on the end results of procurement, we can ensure that IFIs and companies are held accountable. Currently, civil society is not yet ready for its role as it lacks the resources to be able to monitor projects, and also lack the expertise and training to understand the decision-making processes and inefficiencies in procurement. Additionally, governments must commit to disclose information that is accessible and comprehensible to all stakeholders. Ideally, an assessment team would exist, tag certain projects for further consideration and meet on a monthly basis to review that set of projects and how the information publicly available jived with the projects as the team understood them. The team would also make recommendations for handling any problem areas.
- 4 IFIs must seek feedback from beneficiaries not just when a project is being prepared, but also after it is implemented.** Currently, IFIs focus on the policies and procedures surrounding funding a project, but do not monitor what happens to the project after funding is provided. By mandating that IFI loan and procurement officers consult impacted communities to assess the impact and outcome of projects, not just the input of them, IFIs will ensure that their funding is making a measureable difference. Additionally, they will be better able to assess whether any loss of funds or incomplete implementation is occurring.

#### **Emerging Questions**

- 1** How can IFIs and stakeholders ensure that competence is promoted alongside compliance?
- 2** How can stakeholders ensure that IFIs' new procurement principles are applied properly and not lost in a rush of new investments after they are promulgated?