

# Implementing Public Procurement Guidelines

## – Case of Iran and the World Bank

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23RD IPMA WORLD CONGRESS  
15. - 17.6.2009, HELSINKI FINLAND

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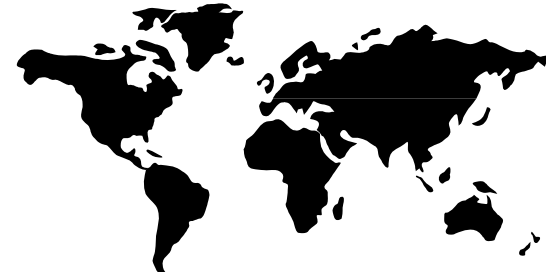
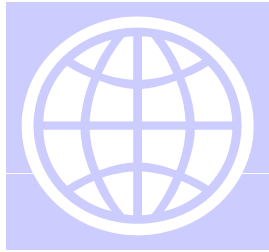
# Public Procurement Implementation

## Objectives and Lessons

1. How to improve procurement disbursement with proper education
2. Public procurement needs accountability, visibility, and fair processes
3. With proper training, utilization and effectiveness of loans may be improved
4. World standards in public procurement may be implemented in all countries

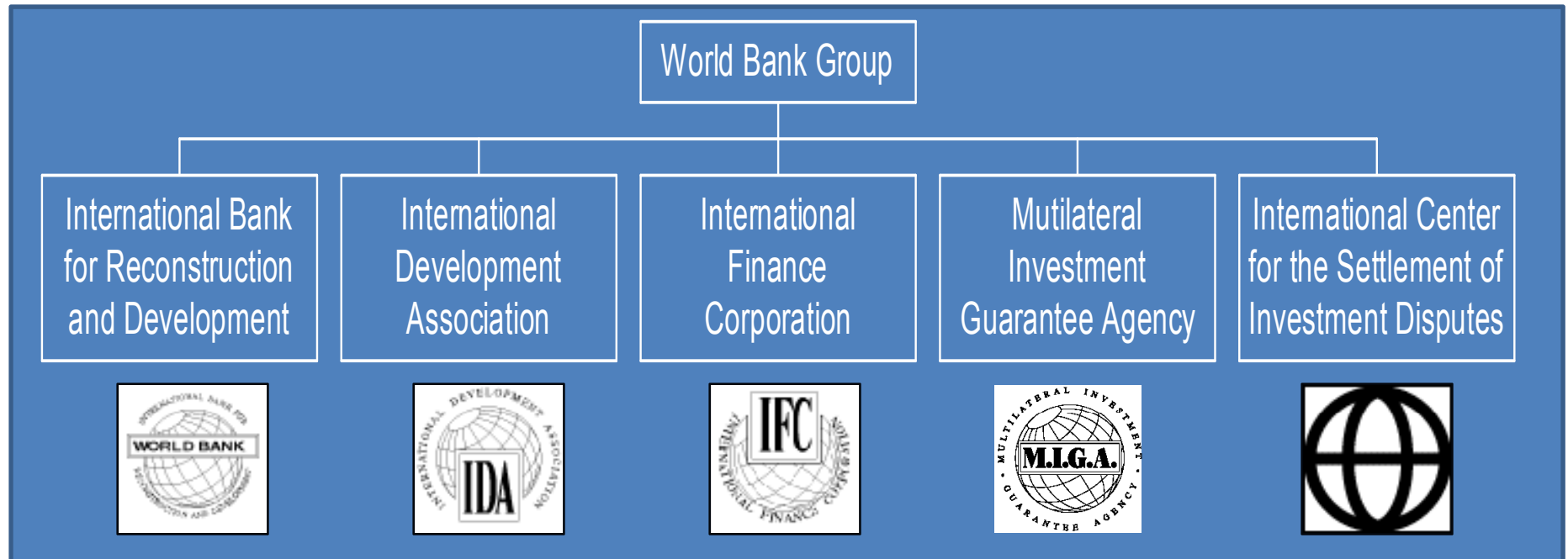
## Motivation and Background

1. In 2004, the World Bank reported that Iran's loan disbursement is 4%.
2. In 2005, a World Bank grant to Sharif University of Technology for Training
3. In 2006, training programs were held for 80+ Managers on WB Guidelines
4. In 2007, new rules and processes were put in place for Public Procurement



# ***What is the World Bank***

Working for a world free of poverty



# ***What Does the World Bank Do Today?***

- ✓ In 2007, \$20.1 billion funding to developing countries.
- ✓ It works in more than 100 developing economies.
- ✓ Focus is poverty reduction.
- ✓ Work on getting basic education and health services to poor people.
- ✓ Build roads and bridges, better houses for poor people, water supply
- ✓ Help protect the environment
- ✓ Help create jobs for poor people.
- ✓ Help governments create better systems.
- ✓ HIV-AIDS, Fight corruption

# *Responsibilities*

**BORROWER**

**WORLD BANK**

**Identification (Joint)**

**Preparation (Borrower)**

**Appraisal (World Bank)**

**Negotiations (Joint)**

**Board Approval (World Bank)**

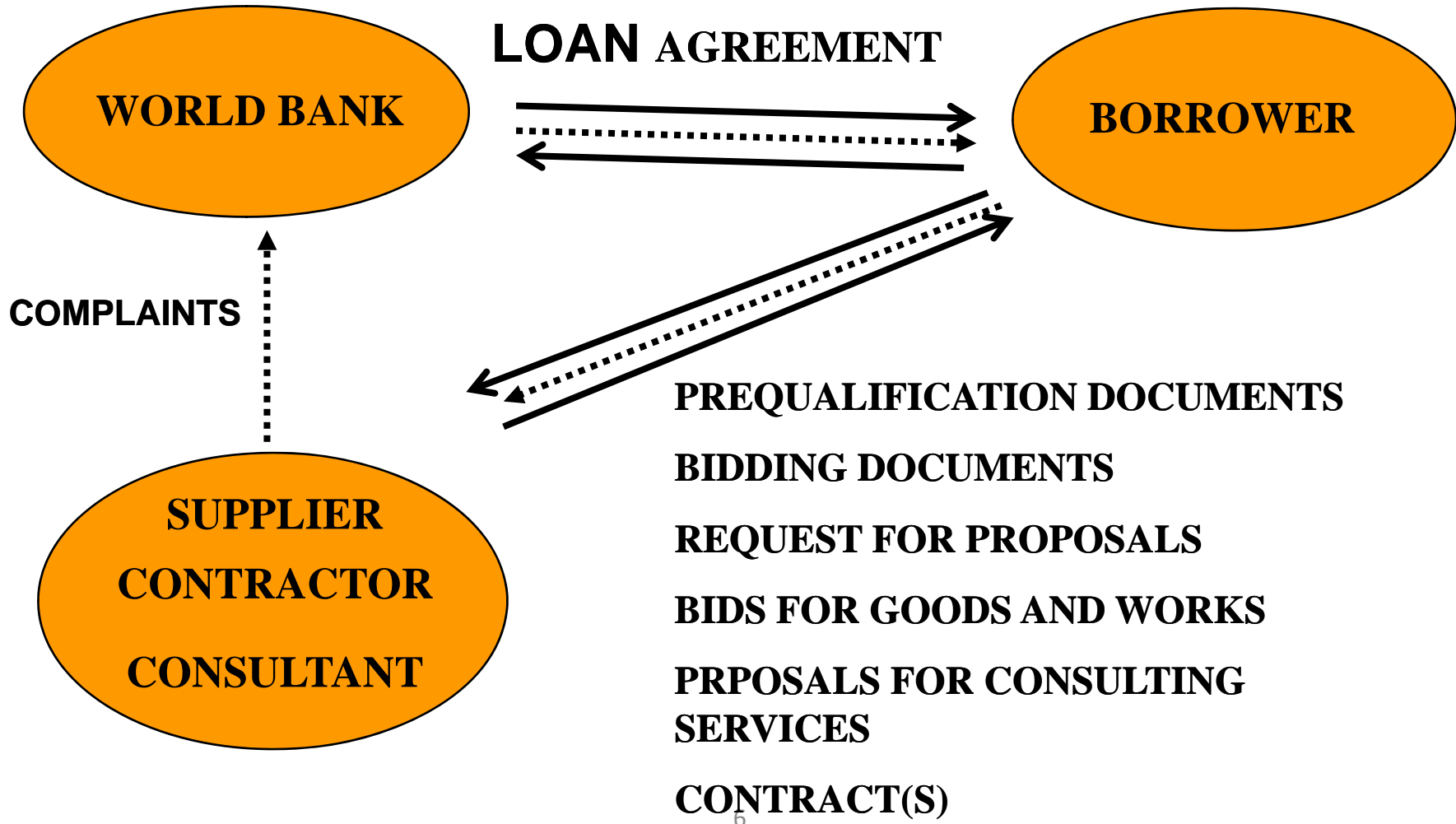
**Signing & Loan Effectiveness (Joint)**

**Implementation (Bor.)**

**Supervision (WB)**

**Project Evaluation (Joint)**

# Roles In **WB** Procurement Process



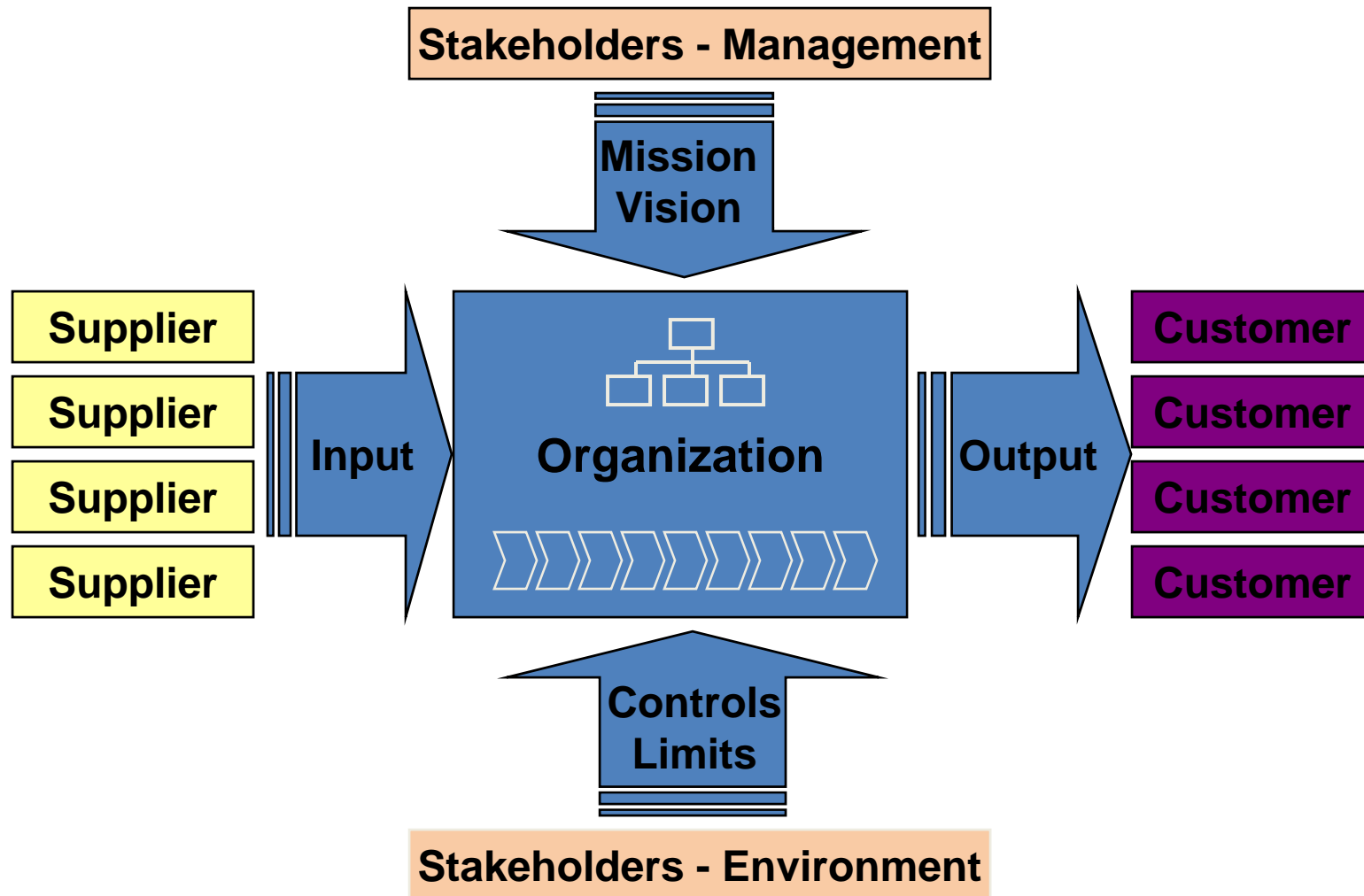
# ***SELECTION STEPS***

1. Prepare terms of reference (TOR)
2. Estimate cost (budget)
3. Advertise for expressions of interest (>\$200,000)
4. Prepare shortlist
5. Determine/confirm selection procedure
6. Prepare and issue request for proposals, including
  - Letter of invitation (LOI)
  - Evaluation criteria
  - Proposed contract
7. Evaluate technical proposals
8. Obtain Bank's no objection if required (prior review)
9. Open and evaluate financial proposals
10. Inform the Bank of result of the COMBINED EVALUATION
11. Negotiate and sign contract
12. Notify unsuccessful firms

# GUIDELINES

- 1.1 Purpose
- 1.9 Conflict of Interest
- 1.10 Unfair Competitive Advantage
- 1.11 Eligibility
- 1.14 Bank Review
- 1.17 Misprocurement
- 1.22 Fraud and Corruption
- 1.24 Procurement Plan
- 2.3 Terms of Reference (TOR)
- 2.5 Advertising
- 2.6 Short List of Consultants
- 2.9 Preparation and Issuance of the Request for Proposals (RFP)
- 2.12 Contract
- 2.23 Combined Quality and Cost Evaluation
- 2.24 Negotiations and Award of Contract
- 3.2 Quality-Based Selection (QBS)
- 3.5 Selection under a Fixed Budget (FBS)
- 3.6 Least-Cost Selection (LCS)
- 3.7 Selection Based on the Consultants' Qualifications (CQS)
- 3.9 Single-Source Selection (SSS)

# Organization Basics



# ***Make-Buy Decisions***

## **Cost**

- Investment
- Fixed, Variable

## **Suppliers**

- Available
- Reliable

## **Lead-Time**

## **Strategy**

- Mission, Vision
- Core Competency

## **Subject**

- Standard/Unique
- Confidentiality

## **Capacity**

## **Outsourcing - Contracting**

- ✓ All non-strategic core competency
- ✓ Non-competitive Operations/Projects
- ✓ Standard Parts/Processes/Products
- ✓ Research/Development/Upgrade
- ✓ Over capacity, No available expertise
- ✓ Even intellectual and management

# ***Procurement***

- Purchasing
- Supply Chain Management
- Acquisition
- Contract Management

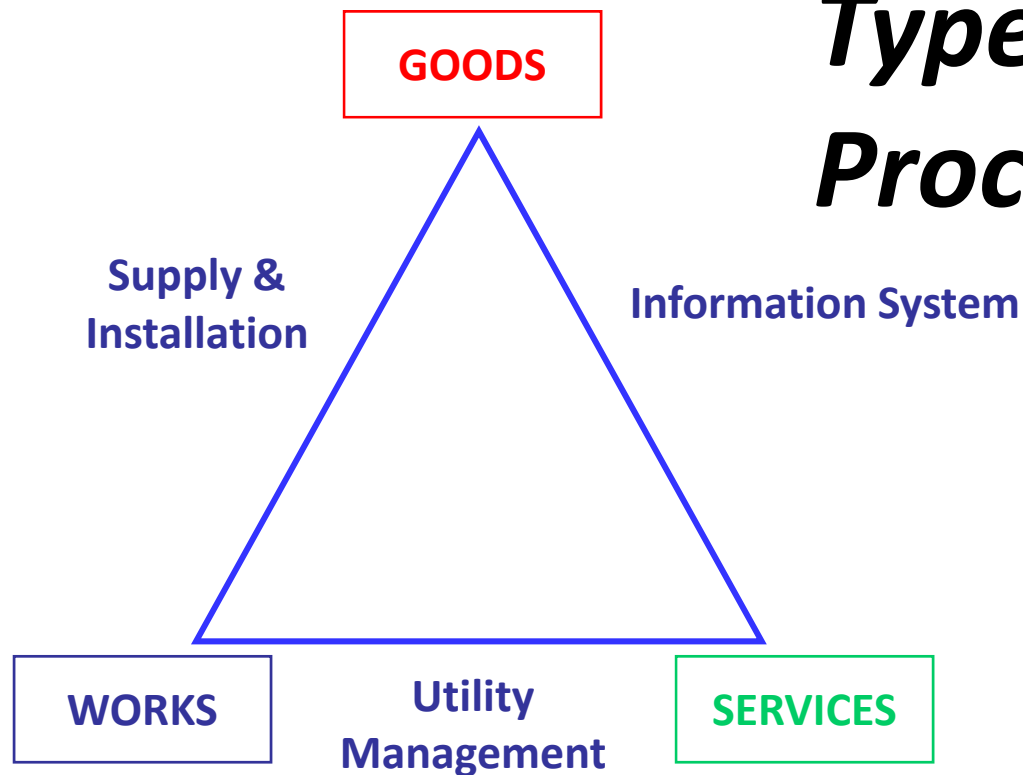
**Procurement comprises the essential activities associated with all of above.**

The whole life-cycle process of acquisition of goods, services and works from 3<sup>rd</sup> parties

- Beginning when a requirement is first defined and Ending with the ultimate disposal of an asset or end of a service contract.

- Goods like commodities, raw materials, machinery, equipment and industrial plant
- Works (engagement of construction contractors)
- Services like transportation, insurance, installation, commissioning and training, initial maintenance

## *Types of Procurement*



# ***Public vs. Private Procurement***

## **Private Procurement**

- ❑ Efficiency, Speed
- ❑ Stable Relations

## **Public Procurement**

- ❑ Openness, Fairness
- ❑ Full Competition

- Governments, unlike most corporations, buy goods and services from practically every industry
- Public procurement decisions are often much more complex than simple business decision.
- Government buying is open to public scrutiny & input.
- Public procurement has traditionally placed process above outcome.

# ***HISTORICAL CONTEXT***

**OVER THE LAST 100 YEARS THERE HAS BEEN INCREASES IN**

- ◆ Government spending
- ◆ Spending on public procurement
- ◆ Public procurement legislation
- ◆ Private sector participation
- ◆ Importance of public procurement to national economy
- ◆ Competition among national and international companies

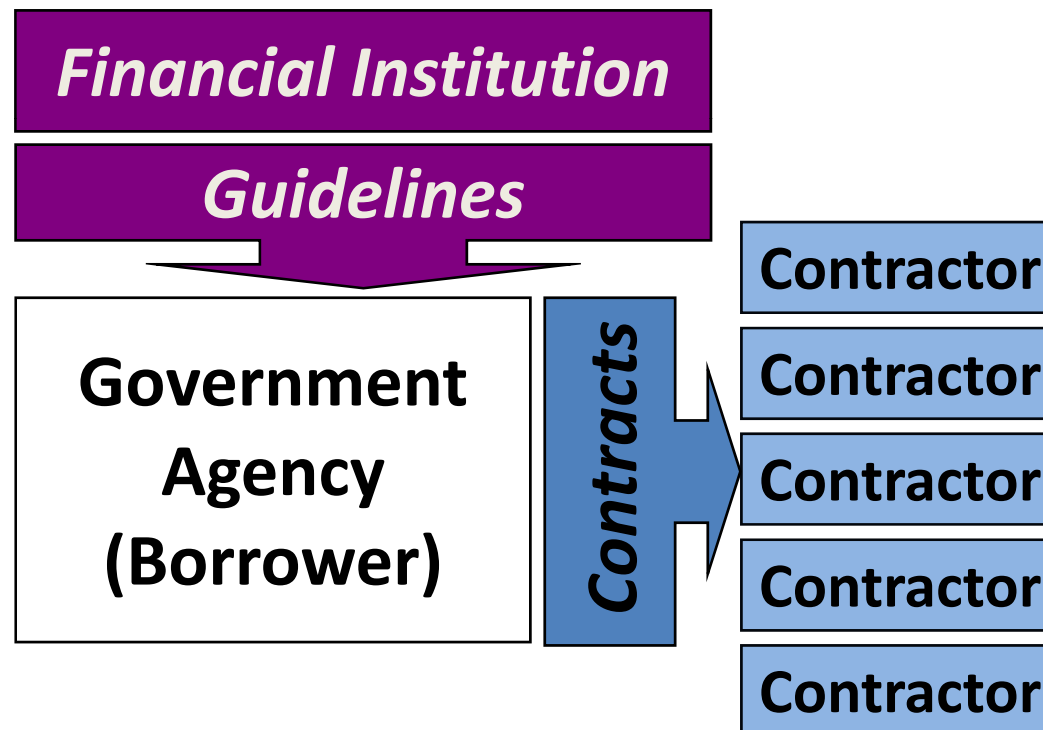
# ***Public Procurement***

Government Procurement is the acquisition and utilization of goods and services required by government institutions from conception of the need for the product or service to its utilization and ultimate disposal.

***Sound public procurement is an essential cornerstone to good governance***

A very stringent, rule-bound buying environment where buying “correctly” is more important than buying “effectively”.

# *Procurement under Financial Institution Guidelines*



# ***Procurement policy framework***

## ◆ **Policy main objectives**

- Economy = value for money
- Efficiency
- Openness
- Transparency
- Accountability

## ◆ **Complementary objectives**

- Domestic preference
- National security
- Regional development
- Social equity

# *The principles applied in WB Financed projects*

## Universal Principles

- ◆ Economy
- ◆ Efficiency



## World Bank Guidelines

- ◆ ICB/NCB
- ◆ Lowest evaluated bid

- ◆ Openness
- ◆ Transparency



- ◆ Advertisement
- ◆ Publication

- ◆ Accountability



- ◆ Purpose for which funds are intended
- ◆ Post review

# ***Components of a P.P. System***

P.P. System components:

- Legal framework
- Organizational framework
- Capacity building system
- Procurement procedures/tools
- Decision making and control system
- Anti-corruption program
- Private sector participation
- Contract administration and management
- System for addressing complaints

# ***Risk assessment of P.P. System***

- Culture of accountability
- Status of P.P. Staff/salary structure
- Degree of independence from political interference
- Quality of staff
- Use of standards, procedures
- Delegation of authority and responsibility

# ***Specific issues and Emerging areas***

- Records management issues
- E-procurement
- Green procurement
- Contract administration
- Control systems
- Performance measurement

# ***TWO TYPES OF PROCUREMENT (the World Bank vs. Iran)***

- **WB:** Accumulated international experience of world bank and IDA
- **Iran:** Accumulated local experience of MPO
- **Both:** Generally good practice

- **WB:** Basis is Open Competition (International).
- **Iran:** Basis is Open Competition (Local)
  - Are of satisfactory quality and compatible with the balance of the project.
  - Will be delivered and completed in a timely manner.
  - Are priced so as not to affect adversely the economic and financial viability of the project.

# ***TWO TYPES OF PROCUREMENT (WB – Iran)***

- ***World Bank***

- Two Guidelines for Consultants & Works - Goods
- A flexible variety of contract thresholds for Works, Goods and Consultants

- ***World Bank*** (works & Goods)

- One stage bidding – technical & commercial evaluation is required
- Two stage bidding – technical finalization and evaluation are done in two steps.

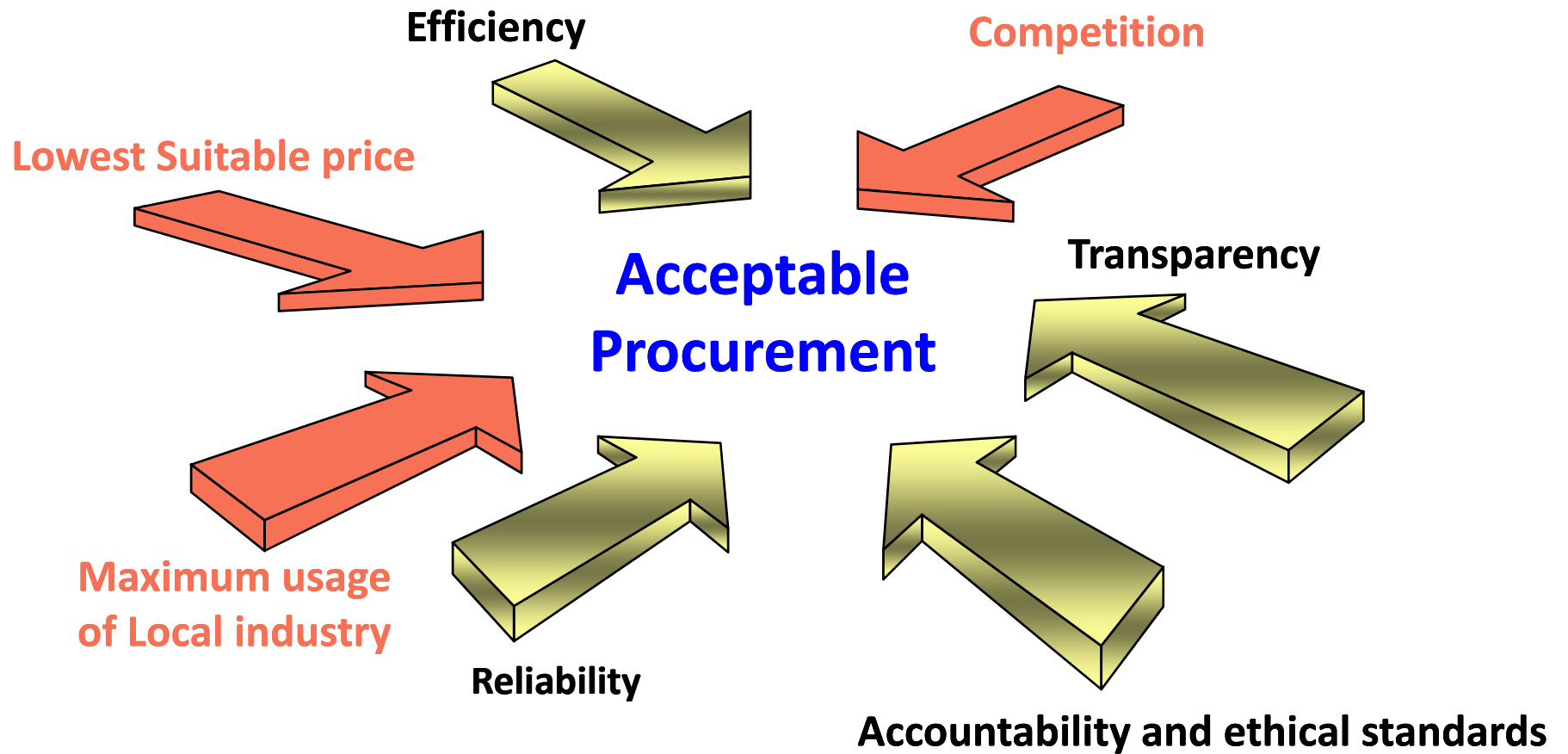
- ***Iran***

- One Bidding Law
- One pre-set threshold

- ***Iran***

- One stage bidding – technical & commercial evaluation is not required
- Two stage bidding – technical & commercial evaluation is required

# *Principles of Procurement in Iran is not specifically detailed*



***Conclusions: Implementing Public  
Procurement Guidelines  
– Case of Iran and the World Bank***

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