



ADVANCING THE PUBLIC PROCUREMENT-GOVERNANCE NEXUS - THE CASE OF IRAQ

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Introduction: There is a strong link between efficient and effective public procurement and good governance. Public procurement is at the core of translating public policy into tangible results for citizens, delivering essential services, implementing projects and programs, and improving a country's business, investment, and social environments.

Public Procurement in Iraq: In Iraq, public procurement is a major component of the national economy, cutting across nearly every area of planning, program management, and budgeting. In 2013, over 40 percent (approximately \$51 billion USD) of Iraq's approved budget was channeled through the public procurement system. Doing business with the Government of Iraq, however, presents considerable challenges and high fiduciary risks. Issues with corruption and transparency in Iraq, as evidenced by the country's consistently low rankings in international surveys, have exacerbated those challenges. Existing institutional weaknesses have manifested themselves particularly in the governance and performance of the country's public procurement system.

World Bank Support: The World Bank began engaging on public procurement reform in Iraq in 2006, upon a request from the Government of Iraq for assistance in reforming the legal framework governing public contracts. Despite initial successes, progress on reforming the legal

framework eventually stalled. Two key lessons emerged from the experience in Iraq that informed the team's strategy for empowering the public procurement-governance nexus in FCV contexts: (i) addressing public procurement reforms should not occur in isolation. The experience showed that reforming a country's procurement function is unlikely without also considering the larger context of instability, corruption, and lack of capacity; and (ii) attempting to fix the entire system at once is not feasible and the approach should pursue smaller reforms that prioritize and highlight early successes (ref. [*Knowledge and Learning Note on Public Procurement Reform in Iraq*](#)).

A New Bank Strategy for Supporting Iraq: The World Bank MENA Governance, Procurement team shifted their strategy. The new strategy centers on pursuing smaller reforms including building the institutional framework, providing capacity building, implementation support, facilitating procurement in recovery and reconstruction, and enhanced monitoring. Early successes under the new strategy include supporting the Public Contracts Directorate (PCD) of Iraq's Ministry of Planning to forge strategic partnerships with six public universities to develop a supply of professionals who enter the civil service properly prepared to apply the principles of economy, efficiency, and competition within the public contracting process ("[*Developing More Capacity to Manage Public Funds*](#)", World Bank).

Recent successes include:

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- **Institutional Framework.** The World Bank supported the Kurdistan Regional Government (KRG) of Iraq in developing a new legal framework for public procurement, which was ratified by the Council of Ministers and officially launched in August 2016. Support was also provided to regulations for the implementation of procurement under Public Private Partnerships (PPPs) and on complaint handling procedures. The World Bank supported the Government of Iraq to prepare SBDs that have been mandatory since January 2017.
- **Capacity Building.** The team is building the capacity of key stakeholders in the public procurement ecosystem. Two face-to-face fiduciary trainings for over 120 Iraqi participants were held in December 2017 and March 2018 in collaboration with the Iraq-KRG Ministry of Planning and the Kurdistan Contractors Federation, the World Bank MENA Procurement Team delivered trainings to more than 100 companies on the newly enacted regulations and newly issued SBDs. In addition, a toolkit has been developed to equip SMEs with the skills they need to compete in the public procurement market place. In KRG-Iraq, 5,000 toolkits were distributed in cooperation with the Kurdistan Contractor's Union and 10 workshops were delivered, targeting 250 SMEs.
- **Implementation Support.** In Iraq, Bank procurement staff provide regular, on-the-job training, aid in the preparation of bidding documents, advise their counterparts during evaluation, and support the drafting of contracts. Advice has been provided to Iraqi Project Management Teams (PMTs) on the procurement of electricity infrastructure and connectivity, municipal waste, water and sanitation services, transport infrastructure, and health services in the reconstruction of areas affected by ISIS.
- **Procurement in Recovery and Reconstruction.** The team

operationalized the *Toolkit for Emergency Procurement for Recovery and Reconstruction* to facilitate procurement for the delivery of goods, services, and works. To re-construct the bridges around Mosul, competition among SOEs was used, as they were able to mobilize immediately and had access to the liberated areas. Simplified procurement methods and procedures, such as single source and direct contracting, were used. Request for quotations (shopping) was also allowed for up to \$1 million USD for works. To mitigate participation risk in the public procurement process, the team waived bid security requirements and allowed for advance payments of up to 20% of the value of the contract.

- **Enhanced Monitoring.** To mitigate the monitoring risk, the World Bank is using geo-tagging to improve monitoring and enhance quality control and a Third-Party Monitoring Agent (TPMA) to carry out visits to project sites to verify implementation in accordance with the project objectives and the signed contracts.

Conclusion: Going forward, the team intends to implement the *Toolkit for Essential Infrastructure in Fragility, Conflict, and Violence-Affected States*, which is a toolkit to assist policy makers and practitioners in governments to create an enabling environment for the participation of small and medium enterprises (SMEs) in private sector initiatives (e.g. public-private partnerships (PPPs)) for the delivery of essential infrastructure services in FCV environments; (ii) carry out an Infrastructure Sector Assessments (InfraSAP) with concerned sectors to maximize finance for priority infrastructure investments; (iii) continue improving monitoring through additional digital technologies; and (iv) support the establishment of an e-Government Procurement (e-GP) system to increase efficiency, cost effectiveness, and transparency.

References

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