



The World Bank

Procurement Policy Review Feedback Summary

Date: October 2, 2012

Venue: Jakarta, Indonesia

Total Number of Participants: 33

Overview and General Reactions

The World Bank hosted two consultation sessions in the context of the procurement policy review in Jakarta, Indonesia. Participants came from government, civil society, and the private sector. The sessions were led by Enzo De Laurentiis, Regional Procurement Manager for East Asia and the Pacific. Mr. De Laurentiis opened the discussion by introducing the purpose of the review process. Feedback from stakeholders is summarized below.

General observations

- Participants expressed appreciation for the World Bank's support to procurement reform programs by the Indonesian government. Support from the World Bank allowed the government to establish an independent national procurement agency (LKPP). The government is currently working on establishing dedicated procurement service units in each government agency and staff them with qualified procurement professionals with the required knowledge and skills.
- Stakeholders recommended that the World Bank take the political economy of Indonesia into consideration and use its global knowledge to apply best practices for introducing good governance in procurement.
- Capacity building was identified as major issue by many participants. Institutionalized training is necessary to take procurement implementation beyond business as usual. Government representatives identified retaining qualified

procurement staff as major problem.

- Participants also discussed use of country systems for World Bank-financed projects, e.g. the use of national SBDs, national e-procurement systems, and other instruments. Government officials requested a review of their own international competitive selection method for hiring of international consultants for use in World Bank-financed projects. In this context, stakeholders identified a number of conflicts between World Bank procurement guidelines and national law. For instance, the World Bank does not allow for automatic rejection of bids that exceed estimated cost while Government regulations require this rejection. Also, the World Bank has not yet accepted GOI's e-procurement system for use in World Bank-financed procurement in Indonesia, while implementing agencies are required to use it under the national procurement regulation (Perpres 54/2010 mandates use of e-procurement by 2012).
- It was noted that the domestic preference for Supply & Install contracts (re-introduced in the 2011 Procurement Guidelines) does not provide clear directions on its applicability to particular types of S&I contracts. Government regulations require up to 70% local inputs in power plants and 60% local inputs in hydro projects.
- Stakeholders strongly suggested reducing requirements for the World Bank's prior review and no objections to only major issues, while lesser important issues such as minor amendments to bidding documents and contracts should be subject to post review. The two stage bidding process was recognized as important for high value, complex and sensitive contracts.
- The relationship between the World Bank and implementing agencies was discussed. Participants noted a lack of trust from the side of the World Bank.
- It was recommended that the World Bank rationalize and improve the oversight function of contract implementation.
- Specific provisions for NGOs and CSOs were discussed. It was suggested that the World Bank introduce a management fee/institutional support fee for CSOs as they are not making profit, but still need to remain economically sustainable and finance their own capacity building. Participants also recommended to apply different modalities to NGOs in the selection process as many of the criteria used for selection of private sector consultants and suppliers is not feasible. For instance, lower qualification requirements should be allowed to allow CSOs/NGOs the opportunity to participate within their limitations of qualifications.
- Participants complained that the selection process for hiring of consultants in World Bank-financed projects can take more than one year and contracts are sometimes signed more than six months after the original proposal validity period. There are many other lengthy processes during contract implementation including prior review and no objection requirements.
- Stakeholders also suggested involving suppliers in providing inputs in the preparation of technical requirements/specifications of complex procurement so as to bring in the latest technology in the market. This is being done by, PLN through "Supplier Sounding".