



The World Bank

Procurement Policy Review Feedback Summary

Date: NOVEMBER 14, 2014 (afternoon session with multi-stakeholders)

Location (City, Country): Beijing, People's Republic of China

Total Number of Participants: 55

Overview and General Reactions:

A half day consultation session with multi stakeholders was conducted on November 14, 2014 in the World Bank offices in Beijing. The participants were mainly from the business community and comprised state-owned companies, private sector firms, contractors, suppliers, consultants and procurement agents. Three of the participants were university professors/researchers in public procurement from one of the top universities in China. The complete list of participants is attached.

Joao Viegas Malta, Manager, Procurement Program OPCS made a presentation on the rationale of the Review, summary of feedback received from Clients through the first round of global consultation, the overall reform timeline, and the key proposed changes and principles to the Bank's procurement policy. The presentation was followed by open discussions and responses to the guiding questions posed for the consultations. Joao Viegas Malta and Elmas Arisoy, Procurement Practice Manager, PIO GGP provided clarifications and facilitated the open discussions.

The Bank's China procurement team and EXT also participated in the consultations.

Overall feedback:

- Many of the participants had attended the 1st consultation workshop held in Beijing in September 2012.

- Participants highly welcomed the review process and appreciated it is a timely change. The participants acknowledged the Bank's support in introducing open competitive bidding in China, and its contribution in strengthening institutions and building capacity in public procurement in China.
- Participants actively participated in the discussions and in principle agreed to most of the key changes proposed by the Bank with some caveats.

Specific Feedback from Stakeholders

1. How should the Bank implement support to borrower procurement capacity building and institutional strengthening?

- The Bank may consider certification and registration of procurement professionals in China specialized in Bank project procurement.
- China currently has programs for regular training and certification of procurement professionals. The Bank should participate in this program and cooperate with the relevant institutions in setting out the curriculum.
- There is great potential for development of private firms in the market. It is expected that many more private companies will participate in procurement under Bank-financed projects.
- There is a shortage of skilled public procurement professionals in the market. It is suggested that the Bank should provide more funds through projects to the training of such professionals.

2. How should the Bank operationalize the potential broader use of value-for-money criteria in borrower contract award decisions?

- Use of value for money criteria in contract award decisions is appropriate. However proper guidance should be provided by the Bank to implementing agencies on how to apply VfM criteria in bid evaluation evaluation. The evaluation criteria should be disclosed in the procurement documents.
- The use of the Lowest Evaluated Responsive Bidder (LERB) method in bid evaluation in its self is not bad. In China, the problem is with the quality of the designs and technical specifications. Most bidding documents in China are prepared based on preliminary design only. Therefore, neither the technical specifications nor the quantities of works or goods are well defined.
- Compared with the LERB method, VfM criteria are difficult to develop. With a few exceptions, the use of the merit point system

should not be encouraged as the weighting for the factors tends to be arbitrary and bid evaluation is very subjective. Controlling and monitoring the subjectivity of the members of the evaluation panel will be extremely difficult. Based on China's experience over the past decades, the merit point system is bad practice and should not be reintroduced in China.

- Applying VfM in procurement is good in theory, however, China is a big country and the capacity of implementation agencies at the national and subnational levels and the different sectors is varied. The development of VfM criteria for different contracts will be a challenge to both the Bank and the implementing agencies.
- For civil works contracts, the Bank should encourage use of design-build to achieve VfM.
- Introducing non-price factors in bid evaluation is in the right direction. However, oversight and controls should be strengthened to ensure transparency. The non-price factors to be applied should be disclosed in advance and any biased factors should not be allowed.
- The circumstances under which non-price factors can be applied and how to apply them should be clearly defined in advance to avoid abuse and subjectivity in bid evaluation.
- The scope and limits of negotiation should be disclosed in advance.
- The Bank should carefully consider local culture if it intends to introduce negotiations in procurement of goods and works. Allowing negotiations could lead to protracted complaints and delays in bid evaluation and contract award.
- Past performance and "credibility" of the bidder should be used as evaluation, qualification and contract award criteria.

3. How should the World Bank target its procurement staff resources to get the best results?

- Some implementation agencies have successfully implemented several Bank-financed projects. In such cases, the Bank should consider to reduce the number of prior review contracts and rather strengthen post review.

4. How and when should alternative procurement arrangements be used for procurement in Bank projects and how should they be assessed?

- The Bank's current procedures are reasonable, however the differences between the Bank's procedures and domestic procedures leads to delays and inconsistencies. If the country's procurement system is transparent and provide reasonable assurance that value for money will be achieved, then the Bank should accept the use of the country's procurement system

5. How should sustainable procurement matters be addressed in Bank-financed contracts?

- The Bank should pay more attention to climate change and environment protection in procurement. Focusing only on life cycle cost is not sufficient. Attention should be paid to environmental issues throughout the project, starting from the preparation of the master plan and the design stage, rather than focusing on environmental issues only in the bidding documents. More specific guidance is expected to be issued by the Bank.

6. How should the World Bank manage fraud and corruption issues in the procurements it finances?

- Currently, if a bidder is found to have submitted fraudulent or faked documentation in the bid, the only punishment is to disqualify the bidder from the particular bidding process. However, this is not sufficient in terms of sanctions. The Bank may consider sharing the information with relevant supervision authorities in China and provide support to the authorities to set up a system to debar these bidders for a period. There is no systematic sanctions and debarment procedure in current domestic practice.
- China is planning to establish a "credibility" system in all areas including procurement to ensure that there is effective oversight and effective anti-corruption controls are in place. The Bank should consider cooperation with China in this regard. Providers with a poor performance record or those found to have engaged in F&C should be debarred for a period. The Bank should recognize local debarment.
- The provider should be disqualified if it is not performing or has safety issues on on-going contracts

7. What would be suitable procurement metrics that the Bank should use to improve performance?

- None

8. What role should the Bank have with regard to complaints monitoring?

- Currently the processing of complaints takes too long and this should be addressed.

9. What should be the Bank's role in contract management, and with regard to improving performance of suppliers?

- Lack of supplier's performance evaluation in the current practice is an issue. Supplier's capacity, site management, contract performance, should be evaluated and this should have an impact in future contracting
- The Bank should ensure that providers are paid on time.

10. General comments on other issues emanating from the Bank's proposals?

- The Borrower Procedures and the Guidance should be very detailed to avoid abuse of discretion by the implementing agencies.
- The bidding and contract documents should be made simpler and easy to understand. The Bank should work with the Ministry of Finance to correct the translation errors in the China Model Bidding Documents for National Competitive Bidding. *The Bank explained that based on comments received from users, the documents have been amended and are currently with MOF for its concurrence and issuance.*