



The World Bank

Procurement Policy Review Feedback Summary

Date: January 16, 2013

Venue: Banca d'Italia, Rome, Italy

Total Number of Participants: 46

Overview and General Reactions

Bilateral consultations on the Procurement Policy Review with representatives of the Government and private sector were held in Rome. The meeting was hosted by Mr. Giorgio Gomel, Head of the International Economic Analysis and Relations Department of the Bank of Italy, and chaired by Ms. Stefania Bazzoni, Director of the Office for Institutional Relations with Multilateral Development Banks and Funds, Treasury Department, Ministry of Economy and Finance. On the Bank side, the meeting was attended by Bernard Becq, Chief Procurement Officer, and Massimiliano Paolucci, Senior International Affairs Officer in the WBG Rome office. The list of participants and the program of the meeting are attached. The text of presentations will also be posted on the Bank's website.

Three Government speakers made institutional remarks: Mr. Carlo Monticelli, Head of International Financial Relations Division, Treasury Department, Ministry of Economy and Finance; Mr. Inigo Lambertini, Principal Director, Directorate General for the Country Promotion, Ministry of Foreign Affairs; and Mr. Federico Eichberg, Director, Enterprises and internationalization Department, Ministry of Economic Development. Mr. Becq for the World Bank presented the status of the initiative. Mr. Raffaele Gorjux, Chairman of the International Cooperation Committee at Confindustria reported on consultations of Italian companies, followed by presentations by private sector representatives: Mr. Gianalfonso Borromeo, Coordinator of the Multilateral Development Banks Working Group in ANCE; Mr. Marco Gonella, Federprogetti; and Mr. Francesco Fiermonte, Manager of the Internationalization Project in OICE.

Points Raised in Introductory Remarks by Government Officials:

- There have been significant changes in economic conditions and world trade in the recent years that affect Italian companies which have been increasingly looking at emerging markets. Such changes make reforms, including in procurement, necessary, and the role and responsibility of IFIs to respond to the crisis and propose solutions in the overall environment are increasingly important.
- Procurement is important, and has become increasingly so in the last ten years that have not only witnessed a significant shift in wealth distribution but also a freeze of multilateral trade agreements as compared to bilateral agreements; coherence and consistencies between agreements and with procurement policies are important factors.
- The overarching idea of setting clear principles and objectives is essential to avoid subjectivity. Procurement should be conceived as a strategic tool that encompasses such concepts as competition but also related to other policies such as environmental protection and support to disadvantaged constituencies.
- A whole life-cycle cost approach, going beyond costs alone, should be supported. More broadly, the concept of most effective project should be supported by effective and efficient procurement, something that is not solely predicated on bid prices.
- The value for money (vfm) concept is broad and should be understood as encompassing sustainability and be consistent with the push for more PPP operations.
- The Bank's policy should be flexible but clarity is critical and transparency and fairness ought not to be compromised.
- Attention must be paid to the Bank's role in monitoring and control, including contract management and revisiting the existing complaints handling mechanism.
- Harmonization remains a key objective that requires improvement, including of partners' internal procedures, and also focusing more on E-procurement to increase transparency and competition and to reduce costs
- The promotion of country systems is an important objective but a complex one in complex territorial configurations. Italy relies on a dense network of embassies and consultates and export credit schemes to support Italian companies engaging in foreign markets. In addition, tools have been developed to help stakeholders participating in tenders (advice, information sharing and financial support).

Points Raised in Presentations made by private sector representatives:

- A key objective for Italian industry is to increase its share of Bank-financed contracts. It is willing to take risks, more so than European competitors, to expand beyond the national market. There was also a recommendation to investigate certain emerging markets barriers to access.
- There is broad support to the Bank's practical participatory approach.
- Good procurement is a key driver of economic growth as it favors transparency and governance.
- Internal consultations with the Italian industry resulted in the following key 11 points:
 1. Fighting corruption requires a legal framework, the use of ethics codes by borrowing countries, and an effective sanctions mechanism against member states.
 2. More transparency, both of borrowers and the Bank's websites, is necessary. For example, bid opening ceremonies should be broadcast.
 3. Sustainability, environmental and social issues require effective provisions. Green procurement policies should be supported, as

should the use of local manpower and transfer of technology.

4. More broadly, more focus should be put on quality; the MEAT (most economically advantageous tender), vfm (value-for-money), life-cycle cost evaluation, and the QBS (quality-based selection) method for consultants, as opposed to lowest price evaluations, should be increasingly considered, at least for the largest and most complex contracts.

5. The use of country systems is a “pledge” without substance as compared to a clear set of applicable procedures. It may prove a waste of resources and should not be used. If at all supported, it should be based on comprehensive capacity-building support.

6. Risk management is essential to optimize internal processes, including project management, which requires training staff and monitoring risks. Risks should be allocated to the right level with risk matrices of all risks. Also, geotechnical baseline reports should be established.

7. The Bank should have a more proactive role in PPP operations, including promoting best practice.

8. Pre-qualification should be the preferred option, relying on standards of minimum requirements (including in regard to environmental issues and competition) and sets of parameters.

9. The Bank should support E-procurement.

10. Dispute settlement procedures are important and an ultimate factor to enforce contractors’ rights. The Bank should “facilitate” their use.

11. A stricter procedure to exclude abnormally-low bids is needed, within the context of excessive discounts, dumping, and lack of respect of social and environmental standards.

- The Italian construction industry supports the EIC position paper that has been submitted to the Bank.
- Conditions to continue expanding beyond the traditional Italian and European market have been highlighted:
 1. Fair, transparent and professional processes, such as supported in the Bank’s SBDs, which are considered as a gold standard and cannot be arbitrarily changed.
 2. Use of country systems can only be supported if the following two pillars are maintained: (i) large civil works are subject to the use of the Bank’s SBDs without changes to the FIDIC/MDBs contract conditions and terms that are the result of best practice; and (ii) Bank’s prior-review procedures are maintained.
 3. Pre-qualification should be the standard procedure and post-qualification be avoided. Consolidated local subsidiaries and affiliate companies, as well as financial capacity and local content should be considered in the evaluation of capacity.
 4. Quality and additional aspects other than price (e.g. MEAT) should be considered to avoid dumping and price increases, and favor innovative evaluation criteria that contribute to development (such as training and transfer of knowledge).
 5. Contract execution ought to be paid more attention to, without changing risk allocation, focusing on enforcing dispute and arbitration procedures, and strengthening the oversight of the full project cycle. The WB provides a vital umbrella.
- With regard to consulting services, similar points have been made. In addition, a few other points have been made as follows:
 1. Quality evaluation is essential in the selection of consultants
 2. In regard to low pricing and abnormally low price offers, there should be an automatic exclusion of proposals whose prices are beyond the average within x% (even though this may be conducive to consultants grouping around the lower value limit).
 3. Two preferred options should be available: QBS or QCBS with negotiations.
 4. Standardization should be supported. For low-value contracts, local procedures could be used after assessing differences with standard Bank methods and procedures.

5. There should be a mandatory screening of local officers who participate in evaluation committees.
 6. Transparency requirements in regard to borrowers' replies to responses to REOIs by consulting firms should be enforced, and a better organization and flow of information by executing agencies should be made mandatory by the Bank.
 7. E-procurement does not particularly fit the needs of consulting services, and there may even be some incompatibility because of the difficulty of access.
- Other comments from the floor related to:
 1. The role of NGOs and civil society in Bank-financed TA and the monitoring and evaluation of social aspects.
 2. The issue of abnormally-low bids from companies from both borrowing countries and European countries (so-called body shops), and the need to strike the right balance between price and quality.
 3. The issue of poor evaluation of technical proposals (idea of screening evaluators, role of the Bank).
 4. Transparency and information in regard to budget/amount of requires expert-months.
 5. The fit for purpose concept should be supported by an appropriate choice of assignments (scope and number of contracts). More contracts often mean lack of quality and the impossibility to nurture good relationships between employer and Consultants.

The Bank representative thanked all participants for their valuable comments and limited his responses to clarifications of the current policy and which recommendations are already accommodated, partially or fully, in the existing guidelines. Ms. Stefania Bazzoni closed the session.