



VIA ELECTRONIC MAIL

October 14, 2014

The World Bank
1818 H Street, NW
Washington, DC 20433

Subject: Procurement in World Bank Investment Project Finance

Dear Procurement Policy Review Team:

The World Bank's Committee on Development Effectiveness (CODE) and the Audit Committee (AC) have captured and created a solid framework for a new vision of "*...supporting clients to achieve value for money with integrity in delivering sustainable development.*" As a global provider of information technology on World Bank projects and a sponsor of World Bank learning conferences, Thomson Reuters applauds the broad consultation. This carefully considered process will lead the Bank to a reformed procurement approach that will both exceed good international practice¹ and become the "gold standard" for all organizations conducting international competitive bidding (ICB). A standard that embraces and operationalizes flexibility, transparency and integrity is also necessary to strengthen and fully capacitate existing country procurement institutions and national competitive bidding (NCB) processes.

We are pleased with the pursuit of a policy and procurement approach that will be flexible enough to meet the diverse needs of the Bank and its borrowers, the variety of procurement actions under the Bank's domain, and the varied challenges these procurements seek to address.

We have reviewed the draft documents provided in the Bank document: *Phase II: Developing the Proposed New Procurement Framework (July 8, 2014)*. We are supportive of the Bank's proposed characteristics for its procurement approach and general direction. Naturally, most of the framework addresses issues of *process*, with an implicit understanding that better processes result in procurement of higher-quality services/goods that more fully meet the Bank/borrower's needs. We take this opportunity to suggest **two concepts** that will:

- Support and enhance purchasing strategy including competitive dialogue,
- Increase transparency and flexibility of process, and
- Promote innovation and support sustainability of products purchased.

These two concepts fully support the current areas of focus in the Bank's reform agenda. Most importantly, these two relatively minor adjustments in Bank/borrower *processes* could lead to enormous benefits in quality and "fit-for-purpose" of the resulting *services/products procured*.

(1) Performance-based approach to defining requirements: Statements of work and other documents used to define requirements have historically been "design-focused". Meaning, procurement documents have identified in elaborate detail a pre-determined solution to a

¹ Section I, *Introduction, subpart A, item 5.*



development challenge. This approach may make sense when contracting for the construction of a health clinic where detailed architectural designs and established standards must be followed. Short of construction works, however, the use of a highly-prescriptive solution is neither necessary *nor desirable*. When a solicitation contains a highly-prescriptive solution, proposals submitted by service providers merely agree to implement that solution. Under this approach, there is no opportunity for service providers to offer any other solution to the challenge, even if they could demonstrate more effective, scalable, sustainable and less expensive solutions. The current use of design-based solutions discourages service providers from providing alternative solutions since it is rare for such solutions to be considered “responsive” to the solicitation.

In the design-focused approach, the borrower bears responsibility when solutions do not actually solve the development challenge because the service provider is not responsible for the design.

In contrast, a **performance-based approach** solicitation would describe the development challenge or problem to be solved (with great specificity) and would then solicit detailed solutions from potential service providers. Under this approach, The Bank/borrower could benefit from many and varied solutions. The winning solution would be selected based upon technical evaluation factors set forth by the Bank/borrower and would address critical themes such as: soundness of the solution, innovation, demonstrated previous success, state-of-the art, life-cycle cost, or any other technical feature that the Bank/borrower desires to incentivize. During implementation, success or failure would rest squarely with the service provider since the solution is that which they asserted in their proposal would solve the identified development challenge. This concept supports the key messages and directions related to *“recognition of, and support in using, alternative procurement arrangements, where appropriate to recognize and support good practice”² and use of “robust set of principles representing new concepts in public procurement and stressing support for development effectiveness, value for money, integrity and sustainability.”³*

The benefits of a performance-based approach to contracting are enormous and represent best practice in procurement systems around the world. It eases the procurement burden on institutions with limited capacity, shifts responsibility for performance from the Bank/borrower to the service provider, requires less, but more meaningful, monitoring (since the Bank will monitor results and performance and not process), decreases performance risk to the Bank/borrower (as discussed in the preceding paragraph), promotes greater competition and innovation, and maximizes the Bank’s/borrower’s ability to tap into commercial solutions in lieu of more costly customized solutions. In fact, value-for-money (VFM) is maximized when the solution is not prescribed since VFM transcends the notion of which firm can provide the cheapest labor to implement the Bank’s/borrower’s highly-prescribed solution. VFM is best realized when the challenge or problem is set forth in the solicitation and economies are obtained through implementer innovation in the solution itself.

²Section II, *What Will and Will Not Change*, Item 12, *Item What WILL Change*, Page 7, third bullet

³Section I, *Introduction*, B. *Approach to Reform*. Box 1: Main Messages from the External Consultation, first bullet



(2) Two-step consultative process: Consultations and advisory services to the Bank or its borrowers are an important part of the procurement process and should remain so. Procurement Procedures for Borrowers drafted by the Bank recognize the value of “competitive dialogue”⁴ specifically for construction and information technology projects as well as public private partnerships. The Bank should institute parameters for the consultative or “competitive dialogue” process with the goal of maximizing both participation and transparency. Narrow and limited consultations lead to narrow, limited and often more costly solutions (in the design-based approach to writing requirements). This, in turn, unnecessarily limits competition once the ICB or NCB is underway. Defining requirements in a performance-based manner addresses the issue of solicitations that prescribe a solution. However, a broader consultative process to describe the challenge and more robust market research is also desirable and is a best practice for procurement approaches. The consultative process can be easily broadened and illuminated by incorporating a step requiring public posting of the Bank/borrower’s general objective/broad description of the challenge – at the earliest stages of procurement ideally in the General Procurement Notice --and soliciting expressions of interest and contributions from any and all interested potential implementers. This type of expanded and open “market research” would enable the Bank/borrower to maximize use of commercial items, provide advance and transparent notification of upcoming procurements, enhance opportunities for public private partnerships, and minimize the potential for unnecessarily restricting competition by taking advice from a more narrow pool of selected potential implementers.

This concept provides a simple, easy-to-verify approach for the Bank/borrower to fully demonstrate transparency, commitment to minimize fraud and corruption, use of best international practices, use of e-procurement and other goals of the Bank’s reform agenda.

Our suggestions are informed in part by our recent procurement experience. Thomson Reuters provides products and services globally to improve public services through robust, secure, scalable and sustainable information technology and intelligent information solutions. When ICB and NCB processes eliminate full participation of commercial solution providers, the resulting products and services are often lower quality, higher cost and often lack the robust security inherent in proprietary software.

We hope our suggestions are found useful by the World Bank as it reforms its procurement approach and welcome the opportunity to discuss more fully our recommendations.

Sincerely,

Donald G. Peele, Jr.
Vice President, International Operations
Thomson Reuters

⁴ Borrower’s Procurement Procedures, Section III, *Approach to Market & Approved Procurement Methods*, Item B.2.1.6.1, C-23