



The World Bank

Procurement Policy Review Feedback Summary

Date: September 14, 2012

Venue: Tokyo, Japan

Total Number of Participants: 25

Overview and General Reactions

The public consultation seminar on the Procurement Policy Review for Japanese public and private institutions was held at the World Bank office in Tokyo, on September 14, 2012. Participants represented a range of stakeholders—development consulting firms, construction companies, development partners, and Government officials. On the World Bank side, the meeting was attended by Bernard Becq, Chief Procurement Officer, Rowena Gorospe, Senior Counsel, Kazushige Taniguchi, Special Representative, WB Tokyo Office (EXTTK), Yasuhiro Kawabata, Consultant, EXTTK, Yuka Yabashi, Operations Analyst of Tokyo Development Learning Center (TDLC), and Tomoyuki Naito, Program Manager of TDLC.

The Overview of the Review, provided on the Bank's Procurement Consultations webpage, was presented by the Bank team. The meeting then proceeded with a series of comments, questions and answers about the Review and its approach. Participants also made suggestions on what the Bank should consider as it reviews its procurement policies and procedures.

General Points Raised by Participants

- Japanese contractors have not aggressively participated in World Bank-financed projects for the following reasons:
 - They have faced difficulties competing in procurement conducted through International Competitive Bidding (ICB) due to price competition. Japanese contractors, which take pride in the quality of their goods, works and services, recommended that quality and price should be factors in the evaluation, similar to the evaluation adopted in mature markets such as Singapore and Hong Kong. The current procurement policy is perceived as cost driven although cost is not the only factor in evaluation since bidders

need to meet other factors as defined in the evaluation criteria, and a new factor is the fact that contractors in emerging countries have become more competitive.

- Related to lower prices are undesirable practices of bidders which offer lower prices but during contract award do not comply with the requirements of the bid, and the practice of contractors who during contract execution do not comply with elements of the contract. The Review will look at issues of contract management.
- The values of contracts have not been big enough for them to bid abroad. The value of contracts and contract packaging are defined during project design. The issue should be revisited given that there are frequent design changes and the World Bank Task Team leaders in charge of projects have not been very helpful during contract execution.
- Participants expressed concern about the low capacity of executing agencies of some borrowing countries in conducting technical evaluations. This will need to be addressed if the concept of 'Quality and Life Cycle Evaluation' or other merit evaluation system is adopted. They acknowledged that the evaluation of quality is subjective, which would be a cause of concern if used in countries where there is bribery of public officials.
- The "domestic preference" policy makes it difficult for foreign bidders to compete in Bank-financed contracts. However, the World Bank explained that based on its own study of the use of domestic preferences, it is rarely used, and that that policies and mechanisms to support domestic industries is at the core of the Review.
- QCBS is limiting the competitiveness of consulting firms in developed countries against local firms in developing countries.
- The exchange rate issue (e.g. recent appreciation of Japanese Yen against US dollars) is a serious risk for Japanese bidders which results in fewer bidding opportunities.
- Contractors often experienced serious payment delays from Borrowers. It was suggested that, even if the Bank is not a party to the contract, delayed payments are not strictly a procurement issue, and contractors do have recourse to the Bank, the Bank should address payment-related complaints more expeditiously and support contractors.
- Contractors generally expressed appreciation for proactive monitoring and support by Bank procurement staff during project supervision.

Specific Feedback from Stakeholders

1. The analysis presented in the Initiating Discussion Paper captures the key issues and concerns that should be addressed in the review. Are there other challenges which the review should try to address?

- No specific suggestions.

2. Taking into account the new concepts of public procurement and the broader context of public sector management best practices, what type of changes should the Bank take into consideration in modernizing its procurement policies?

- Bidding should not only be evaluated by price, and more emphasis should be put on quality
- 'Domestic preference' should be re-evaluated.

3. In light of various levels of risks and capacity among borrower agencies, how can the Bank best ensure that funds provided by the Bank are used for the purpose intended?

- The Bank should provide appropriate guidance to Borrowers on the use of selection methods (QBS, QCBS, CQ, and so on). However, consulting firms conceded that whether a Borrower uses QCBS or QBS, the real issue is the confidence in the integrity of the technical evaluation by the Borrower. It would be helpful to have feedback from the Borrower on how firms are evaluated and how they scored in comparison to others, so they know that it was not manipulated. The Bank clarified that under the Consultant Guidelines, the score for each technical criterion and sub-criterion should be disclosed by the Borrower.
- It was discussed that if the merit point system of evaluation was introduced, the capacity and integrity of the Borrowers were key factors so bidders could trust that the evaluation was not manipulated. Varying levels of governance and capacity in borrowing countries would require more assessments to determine when it can be applied. A framework would need to be put in place to determine whether these methods can be applied by the Borrower. The review will address how various quality criteria, including those related to sustainability and green procurement, could be included in a revised policy and will look into various existing systems and procedures.
- Borrowers rely heavily on QCBS as the method is suitable for most run-of-the-mill consulting assignments that the Bank finances. It was introduced as a selection method because most governments were treating consulting services like other non-consulting services, therefore selecting consulting services only on the basis of cost. QCBS introduced the evaluation of quality in the selection of consulting services. The issue is whether more guidance is needed on the composition of the evaluation committee, the evaluation of the technical proposal, the need for truly independent oversight and checking on the quality of the services performed. The Bank explained that there can be better use of the full range of consultant selection methods already contemplated in the Consultant Guidelines. For the purposes of the Review, the issue is whether a different approach to consulting services is required generally.
- Contractors suggested that the allocation of contract risks should also be part of the review. There are risks associated with quality and in the delivery time related to the contract which contractors can assume, but contractors cannot possibly be aware of all risks and some of the risks should be borne by procuring entities.

4. The Initiating Discussion paper highlights the multiplicity of demands and contexts procurement is serving today –diverse sectors, instruments, delivery mechanisms and clients with varying institutional frameworks and governance conditions. What recommendations could help the Bank best tailor its procurement requirements to meet these diverse and varying demands and needs?

- Contractors noted that some countries in Asia are passing laws or have passed laws requiring that a certain percentage of public contracts be awarded to local consulting firms.

	<ul style="list-style-type: none"> • Many countries have policies on developing local industries and promoting preferences in procurement based on diversity, SMEs, other socially responsible criteria. While these provide benefits, it should not be used to discriminate against certain groups or companies.
5. What could the Bank do to simplify and streamline its current policies and to take advantage of the potential gains offered by e-procurement and IT-based tools?	
	<ul style="list-style-type: none"> • No specific suggestions
6. International consensus calls for use of country systems and harmonization among development partners. What can the Bank do to advance the use of country systems and harmonization among partners?	
	<ul style="list-style-type: none"> • Contractors expressed the view that the Bank should provide a level playing field when state-owned enterprises compete with the private sector. • There are issues with the enforcement of contract provisions such as in regard to labor which are not properly addressed and should have an impact on the adoption of country systems. • While there is scope for an increased use of country systems in goods, works and non-consulting services, consulting services are of a different character: <ul style="list-style-type: none"> • There are no international standards on the selection of consulting services except those developed by the World Bank. • It was recognized that the World Bank finances consulting services in projects because there is low technical capacity in borrowing countries. Consulting services contracts that are mismanaged hamper the implementation of the entire project and may put it at unrecoverable risks. Thus consulting services have to be considered in a different context from goods, works and services. • It was discussed that the current World Bank policy is predicated on providing as many consulting firms an equal opportunity to make proposals, thus the policy provides for the US\$ 300K threshold for small assignments. However, the small value does not encourage Japanese firms to participate in the selection. Many small assignments in a project do not allow developing the necessary long term partnerships between an Employer and a consultant. It also undermines the ability of the government to properly manage a project. A different approach to consulting services generally – one that is predicated on a real “partnership” relationship between the government and the consultant – should be explored in the Review. • It was noted that the Initiating Discussion Paper promoted the use of country systems as a means to enhance transparency and to fight fraud and corruption. Contractors pointed out country systems are not an extension of the World Bank procurement policy which is relied upon by contractors for its transparency and integrity. If contractors have no choice but to use country systems, it was suggested the World Bank has to

	<p>find mechanisms to make its transparency and integrity policies prevail over the country's systems. However, it was acknowledged that improving country systems is in the broader interest of the global consulting industry. The financing of the World Bank and other MDBs is relatively small compared to a Borrower's total expenditures in public contracts so that efforts to improve the broader country system beyond those applied to procurement in a Bank-financed project or program can bring "more bang for the buck".</p>
<p>7. What suggestions do you have to monitor and evaluate the Bank's Procurement policies and assess their impact and effectiveness?</p>	
	<ul style="list-style-type: none"> • No specific suggestions
<p>8. Do you have other suggestions to help the Bank develop a proposal for a new policy framework and guiding principles for revisions to the Bank's procurement policies?</p>	
	<ul style="list-style-type: none"> • A query was raised on the Bank's own internal corporate procurement policies, which also affects the selection of some consultants for the Bank's own operational work, and whether this would also be considered in the Review.