



The World Bank

Procurement Policy Review Feedback Summary

Date: September 13, 2012

Venue: Seoul, Korea

Total Number of Participants: 23

Overview and General Reactions

Consultations in regard to the Bank Procurement Policy Review were held in Seoul on September 13, 2012. The consultations were organized by the Bank's Private Sector Liaison Office (PSLO), through the Korean Trade Investment Promotion Agency (KOTRA) and hosted at the KOTRA headquarters. On the Bank side, the meeting was attended by Mr. Bernard Becq, Chief Procurement Policy Officer and Head of the Procurement Sector Board, and Ms. Rowena Gorospe, Senior Counsel, Procurement and Consulting Services in the Legal Operations Policy unit of the Legal Department.

The Overview of the Policy Review was presented by Mr. Becq. The discussion proceeded with comments, questions, and a broad discussion about the Procurement Policy Review. There were many and various comments, of which the following common themes can be highlighted:

- The Bank should be more involved in all phases of the project, including contract management, even though this is strictly speaking beyond the procurement process.
- Monitoring as a practical matter should be an essential factor in the review of the Procurement Policy.
- Participants suggested flexibility and transparency of procurement systems as key aspects.
- The Bank's Integrity Department is necessary for investigating real corruption issues, but it should be more active and involved in all dimensions of projects, and in particular contract execution. Several cases where the Employer tries to impose unethical or damaging decisions onto contractors and consulting firms were mentioned.

- Detailed information on procurement notices should be provided openly for the clarity of publication. The World Bank should revisit its website to ensure that proper information is posted in a timely and precise manner.
- At a separate meeting, the Ministry of Strategy and Finance expressed its keen interest in the access of Korean companies to Bank-financed projects. The need for a guidance book to bidding under Bank-financed projects was also proposed.

Some contractors in attendance sought clarifications on the application of the current procurement policies and procedures with respect to some of their specific experiences in Bank financed procurement. In this respect, based on the issues raised, there was a good understanding by Korean contractors of the Bank’s procurement procedures, though it appeared that some Borrowing countries were not applying these procedures correctly. The meeting helped to clarify that some of the Borrower’s own administrative requirements, which were thought to be the Bank’s, were in fact not Bank requirements at all. On specific country issues in regard to applicable local taxes for consulting services, the Bank informed the group that MDBs have harmonized their standard Request for Proposal documents (SRFP) precisely to clarify the issue on taxes, which is understood not to address all country-specific issues.

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?

- In Korea, the government reviews the technical specifications before opening tenders. Proper review of project documentation and the feasibility of projects are necessary to mitigate risks and to prevent corruption during both procurement and project implementation phases.
- Clear explanations for reasons for rejection should be noticed to bidders.
- The Bank’s Integrity Department needs to put more effort on corruption in contract management.
- In 2011, the World Bank decided to provide more information such as open contract information. Yet transparency of the information at the request for Expressions of Interest (REOI) is still a matter of concern.

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?

- A contractor noted that it took one Borrower four years to award a contract under a Bank-financed Project and suggested that one innovation may be compensation paid to bidders by Borrowers when it takes the government too long to award a contract. This would work as an incentive to governments to award contracts quickly or to avoid delays.
- PPP is critical to delivering infrastructure needs.

	<ul style="list-style-type: none"> • One contractor cited the World Bank procurement procedures as fair, but cited the contract condition of “termination for convenience” as unfair to suppliers. The World Bank explained that the “termination for convenience” is standard in governments, but under the Procurement Guidelines of 2011, this required the Bank’s no objection before a Borrower/Employer can use this contract termination option. The Bank also informed the stakeholders that it is looking into different forms of contracts, and especially at how different contracts can be adapted to different sectors. The FIDIC contract conditions, which text has been agreed among the International Federation of Consulting Engineers (FIDIC) and various MDBs for its inclusion in the Master Procurement Documents for Procurement of Works & User’s Guide, is under license from FIDIC, but there are other forms of contract available. • Other issues were raised, both at the procurement stage (e.g. delays, poor design and/or specifications, lack of clarity in regard to vendor registration, cost of bid securities, applicable taxes during contract negotiations) and contract execution (inter alia direct payment to service providers).
<p>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?</p>	
	<ul style="list-style-type: none"> • The Bank should be able to better monitor the flow of funds under its loans and grants. • It was suggested that the Bank should enhance quality and transparency of information in procurement and the selection of consultants by Borrowers. The 2011 revision of the Consultant Guidelines has comprehensive requirements in regard to the publication by the Borrower, and the Bank on its external website of contract awards subject to prior review. The Bank also clarified that the lack of online information in Borrowing countries does not limit the opportunity of foreign bidders to participate.
<p>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?</p>	
	<ul style="list-style-type: none"> • In order to seek and promote competition, stricter instructions on publication, quality of information, and transparency are essential.
<p>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?</p>	
	<ul style="list-style-type: none"> • The introduction of e-procurement systems may not be suitable for some developing countries because of limited access to the internet. However, it will reduce complexity and processing time eventually. • A workflow management system should be developed to identify bottlenecks that can help reduce the procurement process lead-times. • Reduce paper consumption by allowing submission of documents online. Provide bidding documents online would contribute to green environment. • On the cost of bidding documents, while contractors complained about paying for the cost of bidding documents, some Borrowing countries need to recover not only the cost of printing but the cost to develop

	the documents (i.e. consultants are hired to prepare specifications for the bidding documents).
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"> • There should be a reasonable reconciliation between the World Bank Procurement Policy and country systems on taxation. • One contractor cited the World Bank as having a central role among MDBs and being in a position to have a benchmark role for procurement purposes. It should do more in guiding the harmonization with other MDBs, although harmonization with the other MDBs has been active for more than ten years.
7. What suggestions do you have to monitor and evaluate the Bank's Procurement policies and assess their impact and effectiveness?	
	<ul style="list-style-type: none"> • Poor project planning affects procurement. The Bank should regulate the bid evaluation process which can sometimes take too long and puts the integrity of the process into question. However, there needs to be a balance in the quality vs speed of evaluation. • The Bank should better monitor contract management even if it is not a party to the contract. • There needs to be a stronger and better integration between all aspects of project management, from upstream project design and procurement planning to downstream contract execution and payments. The change in procurement policy should be followed with other parts of the project management system such as the financial management (FM) system. • The role of the Project Engineer was cited as critical, and should be revisited. In particular, a comment was made that in a Bank-financed Project, the Employer and Contractor were colluding to make the Project Engineer sign fraudulent payment certificates. The Bank advised the contractors that there is a Bank hotline to report all cases of fraud and corruption. • Under initiatives such as green procurement and the use of different forms of contracts, the Project Engineer has to be qualified to monitor and enforce new standards and different contracts. He/she will also need to be adequately compensated for it. A possible new role of the Project Engineer is being looked into as part of the policy review in collaboration with FIDIC and the other MDBs.
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?	
	<ul style="list-style-type: none"> • An accurate understanding of the Bank procurement policy is necessary to apply properly in the practice of procurement procedures and contract management. More guidance is needed for all participants: employers and bidders.