



The World Bank

## Procurement Policy Review Feedback Summary

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**Date:** June 26, 2012

**Venue:** Copenhagen, Denmark

**Total Number of Participants:** 23

### Overview and General Reactions

Consultations were held on June 26, 2012, in Copenhagen, Denmark, organized by Danish Industry, a Danish business association. Some 20 businesses participated, representing industries ranging from consulting, engineering, environment, water supply, pharmaceuticals, and marine, along with representatives of other Nordic business associations, local procurement support agencies and Nordic development partners. The list of participants is provided.

In his opening presentation, Peter Thagesen, Director, International Market Policy, Confederation of Danish Industries, emphasized the timeliness of the Bank's policy review and the general support for making the Bank's policies smarter and aligning them with recent trends in public procurement, notably green procurement, innovation and use of life cycle costs and benefits. He highlighted the private sector's engagement in efforts to enhance development effectiveness and called for the Bank to make use of the private sector's experience.

The introduction to the review was made by Myrna Alexander, along with Marcelo Donolo, members of the Bank's Procurement Policy Review Team. The next two hours were spent exchanging views and responding to a number of questions raised by the participants.

Some of the key points raised by the participants were as follows:

- There were many concerns expressed about the impact of corruption which is considered pervasive. This impedes firms from bidding. Transparency in the whole process is a key way to fight corruption. The low level of complaints shows that that system only gets to the tip of the iceberg. At the same time, there are related problems in getting paid (takes 2-3 years) and in having to pay onerous taxes.
- More attention also needs to be paid to quality and value for money. The policies now seek out the lowest common denominator in terms of costs which may not be the best in terms of quality. This is especially important for firms in Scandinavian countries which tend to have higher costs. And, this is especially the case for goods and less so for works where the current policies work quite well except for rejection of abnormally low bids. For goods there should be more price comparisons. Local shopping does not work.
- The cost of preparing bids has to be considered. Prequalification can make bidding expensive.
- Different approaches are needed for consultants as the current weighting of 80-20 evaluation scheme can be manipulated and is too subjective. There should be more emphasis on quality, possibly the use of auctions and e-consult systems for the top ranked firms. The requirement to have geographic representation should be retained to reduce the risk of collusion.
- The driving force should be transparency. More transparency is needed which may encourage more companies to bid. FINNIDA provides a good example of what to do especially for hiring consultations. The Bank needs to look at these for how to respond to complaints and to make the whole process more transparent (e.g. prices, contract award, comments)
- The Bank should rid itself of monitoring small contracts. Local shopping should be dropped. Post reviews do not add value. There should be more use of framework agreements, as in the EU.
- The FIDIC standard contract is a good model but many low-income countries are not ready to employ these. Risks are high.
- Corruption remains high on the agenda. There should be consideration of independent observers and more local presence to look out for poor practices.
- There were concerns about the use of country systems. This would place a burden on companies, having to deal with multiple systems especially for small contracts.

- Moreover, capacity remains low in many countries at the implementation agency level. There ought to be a virtuous circle: better procurement capacity, more transparency, better bids and more serious companies willing to participate.
- There should be more attention to the use of agencies to support the procurement process. There should be more assistance provided in the tendering process, higher quality expertise, and more attention paid to contract management. E-procurement can help. Better whistle-blower coverage should be set up.
- There needs to be more clarity on where the main organizations are going on harmonization, with the EU, among the MDBs and in the use of standard bidding documents.

<b>Specific Feedback from Stakeholders</b>	
<b>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?</b>	
	The discussion served to highlight the issues many of which were addressed in the Initiating Discussion paper which deserve priority. This was notably the case of the procurement of consulting services, the issues of quality and subjectivity, green procurement, flexibility and innovation, and how these would be reflected in evaluation systems, the option of direct payments to contractors, the complaints handling systems, and the critical role of transparency. Other points raised were the chronic delays in payments and the level of taxation.
<b>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?</b>	
	No specific suggestions were made.
<b>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?</b>	
	Enhanced transparency was seen as the key factor for the entire procurement process, at every stage, with all information (e.g. decision times) shared with all bidders in the tendering process. The participants offered a number of suggestions to strengthen the Bank's fiduciary function by enhancing capacity to deal with procurement, provisions for whistle blowers, the use of observers, and greater Bank oversight. This could entail specific budgets/resources set aside for tendering assistance and contract management. There should be results-oriented monitoring like the EU's and direct payments to contractors. The complaints systems needs to work

	<p>better, be less expensive and faster. The trade off was to pay less attention to small contracts but to increase the use of framework agreements and e-procurement.</p>
<p><b>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?</b></p>	
	<p>There was a clear recognition that many countries could not yet operate that the level of EU countries and that many of the practices in the EU could not be implemented. Among the suggestions provided were the increased use of procurement support agencies, for example, and adding dedicated resources.</p>
<p><b>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?</b></p>	
	<p>There was considerable support for the use of e-consult and e-procurement in general to both streamline and increase transparency. E-procurement should be use to monitor contract execution.</p>
<p><b>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?</b></p>	
	<p>Greater clarity was sought for where this process is heading, especially with the EU, among the MDBs and in the use of standard bidding documents. This is very important since many MDBs follow the Bank’s policies, by and large, so if the Bank changes they will likely too, but several years later. This would lose ground on harmonization.</p>
<p><b>7. What suggestions do you have to monitor and evaluate the Bank’s Procurement policies and assess their impact and effectiveness?</b></p>	
	<p>At the highest level, the impact of procurement on development effectiveness should be monitored and evaluated. As well, the Bank should monitor the number/nature of complaints, allegations of F&amp;C, and sanctions. It should measure the degree to which the Bank adopts private sector approaches to procurement and follows private sector commercial practices. Monitoring indicators should include the prior review of large contracts, the measurement of results overall and the use of remedies.</p>
<p><b>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?</b></p>	
	<p>Several specific requests were made for follow up with the Procurement Review Team, including a discussion on pharmaceutical procurement. This may be combined with a separate discussion of medical equipment now planned for September 27<sup>th</sup> in Washington, D.C.</p>

	Finally, participants called for greater coherence between the Bank's Board of Directors and the private sector on procurement.
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