



German World Bank Roundtable on Country Procurement Systems, Berlin, 25 September 2007

Foreign Economic Policy,
Trade and Development
Policy

Summary of main issues

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In the framework of its German World Bank Roundtable meetings, the Federation of German Industries (BDI) organized a meeting of German business representatives on the occasion of the visit to Berlin by World Bank representatives Peter Harrold, Director Operations Services, and Pamela Bigart, Department Operations Policy and Country Services.

Mr Harrold and Ms Bigart presented the **World Bank Management plans on the use of Country Systems**, as outlined for public consultation on the World Bank website:

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/PROCUREMENT/0,,contentMDK:21454087~pagePK:84269~piPK:84286~theSitePK:84266,00.html> .

They explained that following the consultation meetings in various World Bank member countries and the internet consultation (until 18 November 2007), the current document available on the website would be amended and presented to the World Bank Board for approval in December 2007.

Achim Johannsen, representing BDI and moderating the meeting, recalled that BDI has been following the discussion at World Bank on country systems in procurement since 2005. **BDI** has expressed **serious concerns** on the issue on several occasions, including in letters to both Bank presidents Wolfowitz and Zoellick. BDI concerns relate both to risk of intransparent procurement processes and to serious difficulties for SME deterring them from further participation in tenders in case country systems would be introduced. Mr Johannsen pointed out that the Roundtable meeting must not be understood as a completed consultation of German business, since a number of business representatives experts on World Bank issues could not attend, but may make their voices known either via the internet consultation or by different means.

The most important **issues raised by participants** were the following:

1. On the principle of introducing country systems:

- It was questioned whether the introduction of country procurement systems for donor-funded projects was really necessary: Rather than applying 130 or more different national procurement systems, it would be more useful to harmonise donor procurement systems. This would be both in the interest of developing countries and in the

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interest of potential bidders, since both would deal with just one donor system instead of up to 30 different ones.

- The importance of the Paris Declaration was acknowledged. It was pointed out, however, that the Paris Declaration, besides stressing the principle of developing countries' ownership, also calls for harmonisation amongst donors and enhanced accountability of donors towards their citizens. The efficient use of funds must not be jeopardized by the application of intransparent country systems for procurement. In addition, the Paris Declaration explicitly states that where corruption exists, it inhibits donors from relying on partner country systems.
- In the same context, the enhanced risk of irregularities, in particular corruption was emphasized as a consequence of the introduction of country systems.
- With the introduction of country systems, the complexity of the procurement process would increase. This would entail serious difficulties in particular for SME: Results of a survey as part of a study on German SME participation in World Bank projects¹ would show that transparency in procurement procedures is considered by many SME as vital, and a lack of transparency as a factor deterring them from further bidding. Since SME are often the source for innovation, their withdrawal would be likely to reduce quality in the projects.
- It was stated that many consulting companies would face similar problems. With the introduction of country systems, World Bank would certainly not encourage newcomers to compete, although "fresh blood" would be desirable.

2. On details, in case country systems are introduced:

- It was suggested that in return for applying country systems, World Bank should get something back from the countries, in particular on anti-corruption issues: These countries should, for example, ratify the UNAC Convention.
- In the pilot phase, besides complex projects also high value construction contracts above a threshold of e.g. 30 million \$ should be excluded from the piloting.
- The private sector should be systematically involved not only before the introduction of the system, but also during application. In particular for the monitoring, representative international business associations such as FIDIC, BIAC or CICA – as well as Transparency International – should be involved.

¹ Due for publication in the following weeks.

- The OECD/DAC methodology in its current version was considered little useful, partly because it is not detailed enough, partly because of the bureaucracy involved in assessing 54 sub-indicators.
- It was questioned why World Bank considers 22 of the 54 sub-indicators listed by OECD/DAC as more important than the others.
- It was requested that private sector, e.g. through the international business associations mentioned above, be involved in the country assessments (scoring).
- In order to simplify procedures, EU regulations related templates were considered useful, providing for more transparency.
- Quality aspects, in particular life-cycle costs, should be given a more prominent role in tenders. Thorough prequalification criteria would be an important factor.
- In the same context, it was stated, that quality can only increase with fair contracts. Therefore, good contract conditions were important; it was requested to apply FIDIC conditions.
- In the area of consulting services, the threshold mentioned by World Bank below which only national consulting companies are short-listed (100.000-500.000 \$ depending on the country) was considered too high, since many contracts interesting to German consulting companies would be in this range.
- Summarizing opinions by SME in the framework of the study on SME participation in World Bank projects (see above), it was requested that World Bank play a stronger role in procurement procedures, i.e. by increasing the share of prior review contracts. The trend that World Bank is retreating from dealing with the procurement process should be reversed.

The World Bank representatives provided **answers and clarification** on a number of the issues raised, in particular on the following:

- On the fundamental question whether or not to apply country systems; they underlined that only a small share of investments in developing countries is financed by the World Bank or other international financial institutions. The opportunity of applying country systems to World Bank projects would constitute an incentive to improve the systems, and this might lead to an increase of international investments.
- Regarding the prioritization among the 54 sub-indicators of the OECD/DAC methodology, they pointed out that many aspects are not directly related with the area of procurement. World Bank wants to focus on what is important for procurement.

- They would check to what extent the private sector can be involved in the country assessment process (assessment of the 54 sub-indicators). All critical stakeholders would be involved.
- They would also think about private sector involvement in the further process.
- As regards quality aspects, they agreed that the issue is fundamental and that good prequalification is a reassurance for quality, but informed that many developing countries are opposed.
- Regarding a stronger role of World Bank in the procurement process, they emphasized that World Bank encouraged its staff to concentrate more on capacity development and on legal reforms than on single cases.

The World Bank representatives underlined that they would welcome further comments on the above website.