

Use of Country Procurement Systems
Consultation organized by BDI
Berlin, Germany
September 25, 2007

BDI, the Federation of German Industries, organized a meeting with representatives from the German private sector to discuss the World Bank's proposed piloting methodology for increased reliance on country procurement systems. The question and answer period followed a brief presentation by the World Bank on the proposed methodology. The consultation summary is organized around the following six key questions:

1. The World Bank has proposed a detailed methodology for a procurement country system piloting program in 8-10 countries. What remaining questions need to be addressed or clarified about this program?

The participants asked what the WB was asking from the countries in return for WB reliance on country systems. They suggested signing of international agreements/conventions on arbitration and anticorruption.

Participants asked how we could see the reliance on country systems as being harmonization when from the private sector perspective it requires learning each country's system instead of functioning under a harmonized IFI system or a system like the EU Directives.

The Bank responded that we are currently only asking that countries continue to work on improving and maintaining the quality and performance of their systems. The pilots will monitor to ensure that there is no degradation in performance and remedies, including the rescinding of pilot status will be included in Loan Agreements.

The Bank feels that countries that have well performing systems assessed to provide equivalence to the Bank's policies should be recognized and used. These well performing systems will benefit the country as well as any private sector firm that chooses to do business in the country regardless of the source of financing.

2. The OECD/DAC benchmarking index provides for scoring of 54 sub-indicators on a 0-3 scale with a score of 3 representing best practice. 30 of 54 sub-indicators in the OECD/DAC tool have been identified as critical and require achieving the highest score of 3 for 22 of the sub-indicators or a score of 2 with an agreed action plan for 8 of the sub-indicators. Is this achievement level appropriate and if not, why?

Participants asked why there were only 30 critical sub-indicators. They asked about who does the scoring of the sub-indicators. They also asked if the private sector was invited to participate in the assessment process. Participants also felt that the Bank's proposed methodology was too complex, with too many benchmarks. They felt that this made the process non-transparent.

The Bank responded that the 30 critical sub-indicators relate primarily to process and procedure, those things that can be compared to the Bank's policies and procedures.

Other sub-indicators cover a range of things related to procurement such as staffing, training, organization and the quality of the marketplace. While these are important overall, they affect actual transactions in a less direct manner.

With regard to the scoring of the sub-indicators, the OECD/DAC Methodology proposes several methods including a self assessment, a joint assessment (donors/country) and external assessment. For purposes of the WB pilots, the Bank will be fully involved in the scoring of the sub-indicators. Regardless of who does the scoring, it was pointed out that the methodology is evidence based and requires a specific statement justifying the score assigned including citing appropriate provisions in the legal/regulatory framework that enables a person using the assessment to validate the scoring process. The Methodology fully encourages involvement of stakeholders in validation of the assessment. This would include the private sector, civil society and active donors in the country. The Bank would welcome specific proposals on simplification of the process. The Bank asked participants to provide their additional comments and informed them of the consultation website.

The Bank intends to disclose to maximum extent the results of the assessment process and the information that is used to select the pilots.

3. Under this proposal, not all procurement would be included in these pilots. Should the Bank include complex, high value procurement such as those [e.g. highway construction, power generation equipment, information technology] now cleared by the Operations Procurement Review Committee (OPRC) in the use of pilot country procurement systems?

The participants indicated that a reasonable threshold for construction works would be \$30 million as this is the point at which international firms are willing to participate. They stated that they would like to see more prior review and in this regard, it was noted that prior review levels were decreasing over the last few years. They expressed a strong opinion to have the Bank play an even stronger role in Bank financed procurement.

The Bank responded that we will consider what procurement may remain under Bank review following the existing Guidelines. This decision will be made on the basis of the feedback from the consultations and will be reflected in the final methodology submitted to the Board for their approval.

4. Is the proposed handling of the Selection of Consultants in the pilots satisfactory? If not, how can this be strengthened?

The participants included a strong representation from small and medium scale business and this group expressed general dissatisfaction with the handling of the selection of consultants even under the current Bank Guidelines. They stated that there is a lack of opportunity for new comers to be considered and they felt the use of country systems would make this worse. The lack of transparency of the current

procedures is a reason for low participation by SMEs in this area. The proposed threshold range of \$100,000 to \$500,000 is exactly the range of interest to many SME.

The Bank responded that it was going to revise its Selection of Consultants Guidelines as a separate activity and would take the comments on our current procedures into consideration. The comments regarding the thresholds will be taken into consideration when revising the final methodology.

5. Are the proposed performance based measures sufficient to address transparency, access to information and governance and anticorruption issues (GAC) that have been raised with regard to the pilots of country systems in procurement?

The participants suggested that a mechanism be put into place that would enable the private sector to provide feedback on performance during the pilots. This was considered especially important with regard to corruption. A question was raised on whether the review of performance data was sufficient to determine quality. A question was also raised concerning the proposed third party independent audits and who would perform such audits.

The Bank responded that we had already received several suggestions regarding a feedback mechanism during the pilots and will plan to implement a method for this to occur. With regard to the adequacy of performance data in determining overall quality, we agree that this is just a proxy that can help determine the level of quality and if it is being maintained over time. The use of the audits will help in reviewing performance and quality. The third party audits would normally be contracted out as this is currently what is done when the Bank has requested procurement audits under existing projects. Such audits will provide key information regarding performance along with other aspects in the proposal including supervision/post review, the dynamic risk tool which tracks key risk related data and the monitoring of other performance data noted in the proposed methodology.

6. Do you have other suggestions that will strengthen the World Bank Group's efforts to help countries improve their procurement systems and help us learn from these pilots?

A comment was made by one participant that they are not sure that reliance on country procurement systems provides sufficient incentive to the country to actually move forward in improving their systems. Another comment was made suggesting that the Bank require the use of FIDIC in contracts in order to ensure fair contracts.

The Bank responded that a key component of the piloting program will be capacity development and that we would work together with other donors to provide resources for improving systems. With regard to requiring the use of FIDIC, the Bank responded that FIDIC requires the payment of licensing fees and that we normally would not require this of governments. The assessment methodology does look at the types of contract terms and conditions required by the government in their contracts and the Bank will be reviewing proposed documents as part of its equivalence review.

Overall Conclusion: It was clear that the participants had many comments to make regarding the Bank's proposed methodology. The group represented a number of SMEs and they have particular questions and issues that differed from the larger firms. Many wanted additional time to review the documents and provide more detailed comments. The Bank reminded the participants that a website was specifically created for receiving comments and that we will respond to all comments received. In addition, we informed the participants that summaries of all consultation meetings would be posted on this website to enable everyone to see what types of comments were emerging from the consultations.

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