



## **RESPONSE TO THE WORLD BANK'S PAPER:**

### **“DETAILED METHODOLOGY FOR PROCUREMENT COUNTRY SYSTEMS PILOTING PROGRAMME”**

#### ***FROM FIDIC, THE INTERNATIONAL FEDERATION OF CONSULTING ENGINEERS***

#### **Introduction**

1. The World Bank's Board of Directors considered on 19 June 2007, the paper titled “*Status Report and Supplemental Note on Use of Country Systems in Bank Supported Operations*”. This included a commitment to further consultations using a detailed methodology for procurement. That Methodology Paper focuses on the procurement process and procedures used to award and manage contracts under bank supported operations.

#### **Background Information on FIDIC**

2. FIDIC, the International Federation of Consulting Engineers, represents 79 National Member Associations, consisting of over 40,000 consulting engineering firms worldwide. However, FIDIC represents the global consulting engineering sector, with some 2.5 million professional staff. They provide engineering and related services to clients worldwide on projects with construction costs exceeding US\$4.6 trillion annually and involving consulting engineering fees of over US\$270 billion per annum. FIDIC emphasizes the need for integrity, quality, sustainability and transparency in the procurement of engineering services by clients. FIDIC is, therefore, extremely interested, and actively monitors changes in the procurement policies of the Multi-lateral Development Banks (MDBs) and the national governments of its member associations.

#### **Country Systems Procurement**

3. In its earlier responses in July 2005 and early 2007, FIDIC applauded the Bank's goals to strengthen the procurement policies of its borrowers and thereby promote capacity building, but expressed concerns about the increasing use of country systems procurement as currently planned. FIDIC also acknowledges that the proposed methodology was developed in consultation with other multi-lateral and bilateral donors in a joint group with OECD to align development assistance with the borrower countries' priorities, systems, and procedures. The Bank's overall objectives of increasing the use of country systems procurement seem, on the surface, to be well aligned with FIDIC's objectives of strengthening capacity building and increasing the use of local consulting engineering companies, but the devil is in the detail. FIDIC's main areas of concern related to: alignment of Country Systems to WB standards; harmonisation; capacity building; cost implications; oversight and control; and potential for



increased corruption. We note that the Bank has endeavored to address these concerns in its consultation process and in its Detailed Methodology.

FIDIC notes that the current proposal does not require a pilot country to use the Bank's Standard Bidding Documents. Neither do they need to adhere to the Bank's standards to prevent fraud and corruption, with the resulting impact that the probability of corruption would increase. There are no clear methods for evaluation of the non-price factors, and the proposal does not promote international best practices in the procurement of goods and services.

FIDIC offers the following comments for the Bank's consideration:

### **Guiding Principles**

4. We note that the process of introducing Country Systems has already commenced, and that issues related to environmental and social objectives have been included, and that procurement and financial management processes are also planned. However, we have for some time queried the Bank's own apparent lack of proactive attention to issues such as sustainability, combating corruption and capacity building, in its own procurement procedures. We wonder therefore whether such issues will be included in any Best Practice Procurement procedures to be implemented by borrowing countries.

## **II. Country Selection**

### **CPARs**

5. These reports are an excellent tool for understanding the capacity of specific countries. FIDIC supports their use in the assessment process. We also support the intention to undertake capacity assessments of the responsible implementing agent for the sector concerned or the project identified. The assessment steps set out in Annex 1 appear complete and robust.

### **WB Equivalence**

6. The Bank's own assessment of projects showed that inappropriate methods were used for procurement on many of the projects and the intent of existing rules overlooked or ignored. Lack of skills in borrowers' procurement departments was a key feature of the problems being faced in key areas such as proposal assessment; selection of the appropriate procurement model; corrupt practices; and lack of understanding of the impact of price in selection. We continue to maintain therefore that the timing for this pilot study is not appropriate, especially as the Bank's own studies suggest that their borrowers are not ready for self reliance. The whole methodology based on equivalence is therefore brought into question. It is clear that Best Practice in Procurement has not yet been achieved or harmonised within the Bank, let alone in the market.

### **Consultant Selection**

7. Equivalence issues notwithstanding, it also seems feasible to assess the track record of shortlisted countries. If the assessment shows them as potential candidates, then that assessment would logically include evidence of practical experience (not just theoretical) in procuring services and projects, even with non Bank-funded projects. It would be interesting to learn of



experiences in this area, particularly with the countries and projects already part of the safeguard pilot programme, as outlined in the June Status Report.

### **III. Project Selection**

#### **Capacity Building**

8. We note the reference in many areas to the importance of capacity building as part of the move toward self reliance on country systems. This covers a range of issues, including legal; financial; institutional; operations; marketing; social; environmental; integrity and transparency. We would suggest that contract management should also be included. FIDIC has developed a number of tools dealing with many of these issues, and has well established training modules and experts available to assist in capacity building, both for Bank staff and for personnel in borrowing countries. The main areas of FIDIC interest are best practice procurement, integrity management, and sustainability management.

#### **Audit Processes**

9. We note that the Bank retains the option of rigorous audit processes on all aspects of the project cycle, and we support this. The risks of complete independence at an early stage of the programme are considered too great. We recommend that projects with high complexity or risk be excluded from the pilot programme. We note that thresholds have already been established, depending on the country. Even so, we are also prepared to offer assistance with independent audit services from FIDIC members, either in the selection of consultant stage, or at various stages of the project. This would also enable us to offer a more objective evaluation of the country systems programme for future comparison. We note that such a possibility is mooted in the discussion document, and that special templates have been designed for the review of pilot projects.

#### **Dynamic Risk Model**

10. Whilst we agree with the cautious approach taken, and with the many checks and balances that will be used, we still query how countries which have, as yet, been unable to prove their capacity in current programmes, will be able to implement such systems now. We believe that the work of capacity building and track record still has far to go. We are not aware of any borrowing countries which have proven themselves in this area, and our market feedback continues to express grave reservations with the expertise on local procurement teams. We also note from Annex 2 that the Bank has set for itself a considerable workload in the evaluation and monitoring processes. Given the shortcomings already identified by the Bank's own surveys, we wonder at the Bank's own capacity to deliver such an ambitious programme at the present time.

#### **OECD-DAC Indicators**

11. The Bank has set high standards for use in the pilot programme. When we assess the requirements of the critical indicators, we estimate that qualifying countries would need a minimum of 130 out of a possible 162 points. Whilst this is laudible, such a high threshold might also seem unobtainable by many developed countries.

12. Limited time and resources do not enable us to comment in detail on all the indicators. However, it would appear that the full range of issues should be able to be covered by such a



system if adequately implemented and assessed. However, we would recommend that the following sub-indicators be given higher priority:

- 4c – we believe that it is critical to have competent people in the procurement process. Time and again this has proven to be a weakness in most cases.
- 4d – conflicts of interest are also often at the root of corrupt practices, and this indicator should also be given higher priority.
- 5c – for similar reasons, lack of institutional capacity has been a major shortcoming to the successful implementation of projects. In this area should be included Capacity Building programmes which align with best practice, including the fundamentals of integrity and procurement practice.
- 6a – concerns here echo those above

### **Guiding Principles**

13. We would have thought that key indicators in an assessment of a country's capacity should also include that country's recognition and compliance with international agreements and principles on issues such as Anti Corruption, Sustainability, the Environment, Human rights etc. It is our view that endorsement or compliance with such principles should echo those of the Bank and society at large, in order to have a solid reference on which to invest in crucial infrastructure and other projects designed to improve the quality of life of its citizens.

### **International Competition**

14. We note the requirements in Annex 4 and support these.

### **Conclusion**

15. FIDIC strongly recommends that the proposed implementation of a pilot program to increase the use of country systems procurement be delayed until a comprehensive review of international best practice in procurement is completed and harmonised with other IFIs, and with key stakeholders. However, should the Bank decide to proceed, then we offer the more specific suggestions above on fine tuning the proposed methodology. Finally, we stand prepared to assist wherever possible in the pursuit of our mutual objectives.

FIDIC, Geneva  
8 November 2007