

**World Bank's Country Systems in Procurement Consultations
Meeting at World Bank Headquarters
Monday, December 10, 2007**

Jeff Gutman: If we can have everybody's attention and start the [presentation](#) and the discussion.

Thank you everybody for coming. This is quite a group and obviously a topic of great importance both to the Bank, the people in the room, as well as the partner countries we serve.

Let me introduce myself, I am Jeff Gutman. I am the Vice-President for Operations, Policy and Country Services in the Bank and our unit is in charge of putting this proposal together for the Bank. And this consultation is part of an extremely worldwide consultation that is being undertaken in more than 50 countries. And today's meeting is focusing particularly on the US. There will be another one in Washington, for other civil society organizations later on in the week and further business groups in New York and Los Angeles. And there was one earlier in Chicago and we have been all around the world both on Part one countries, Part two countries as well as industry and associations.

I wanted to make a few points and then introduce my team and I also want to introduce Whitney. First, why are we are proposing this initiative, obviously the target here for us is to strengthen procurement systems in our client countries particularly as part of the drive for development effectiveness. I think we all know that better procurement means better public expenditure and more impact on poverty reduction. Also we expect that this proposal, what we would like to do with this proposal or this initiative is to have an impact well beyond those investments that we actually directly finance but on the broader procurement policies of those client countries with whom we work and on the broader expenditure and investment programs of those countries.

We also see a great opportunity here through this potential methodology to be able to address and identify weaknesses in other countries that may not be able to pass the assessment methodology. But at least to set a marker as to where we need to make specific improvements through our efforts in many countries that might be much weaker in terms of their capacity.

We know there are concerns. We know some of the risks involved. We try to address those risks. The purpose today is to present the proposal. It is obviously very detailed. The devil is in the details, actually, but we would like to get your reactions. It is an open consultation. We are scheduled for three hours but we can go further if need be and also are willing to have smaller group discussions in terms of the types of details we have.

Before I introduce the presenters, I would like to introduce our US Executive Director at the World Bank, Whitney Debevoise.

Whitney Debevoise: Thank you Jeff. I think most of you are aware of the structure here at the Bank. We have the shareholders and the Board and then we have President Zoellick in the management. So I sit on the Board representing the United States. Since this is all going to come back to the Board at some point, I am

here today to listen but this is really Jeff and his team's show. They put together this proposal and I think they are looking forward to hearing from all of you, your detailed comments and I look forward to listening as well.

Jeff and his team will be refining their ideas after this and the other consultations and then a document will likely come to the Board for us to look at. So I will not be a draftsman of this document going forward, but I am here today to listen to what you all have to say as well.

So with that said, I want to thank Jeff and his team for conducting this consultation. We felt this was an important part of the process and insisted at the Board level that it take place. And as Jeff said, this is being held here today. There was one in Chicago last week. There are others around the country as there have been around the globe. I think it is important that industry speak up, speak frankly and clearly, do not speak in diplomatic niceties and tell them clearly what you think.

Jeff and his team are here with open ears to listen to everything you have to say. So thank you, thank you Jeff.

Jeff Gutman: Thank you Whitney. Now let me introduce, to my right is Peter Harrold, the Director for Operations and Policy in the Bank and oversees procurement, financial management and safeguards investment lending. And Bernard Becq, who is our Chief Procurement Policy Officer for the Bank, who will make about a 40 to 45 minute presentation to go through what is actually being proposed, since some of you have been in the details and some of you not, so we give you that opportunity. Then we will open it up to questions. I know we have people in the back. We will work it out. We have empty chairs at the end of the table so people who want to speak can use the microphone and can come up. And we will coordinate this the best we can. So, let me introduce Peter and Bernard.

Peter Harrold: Thank you very much and welcome once again to everyone and we are very pleased to have you here. And indeed, we found as we have traveled to quite a few countries in the last few months just how much interest this topic does generate in industry, in client country governments, in procurement agencies, in many countries.

Anyway let us move on, we have a presentation and the copies of it are sitting in front of me and you are welcome to take one. It is a presentation in four parts but we will just really be doing the first three parts today. The fourth part talks about how we handled the many comments that we got on the proposal that was on the table in 2005 and as you know we withdrew last year. So that is detailed in here but we will not go through that today except in general during Bernard's presentation.

So we will talk about why we are interested in this, elaborating on what Jeff has said, we will tell what we have been doing in the consultation process. And Bernard will present the methodology in some detail for you.

So why are we interested? Well, Jeff has cited the first and the most important reason is that, most of what drives us is to scale up the impact on development through improved procurement practices worldwide.

It is the primary reason we have the procurement family in the World Bank. We believe that if we can improve practices, we are going to have an impact on the

public expenditure in a much broader effect than simply through the World Bank's own expending.

We finance a rather small proportion of public expenditures in most countries and so our desire is to have an impact that is much broader than the impact that we have purely through our own support.

But at the same time we believe that if the quality of procurement in general is better than the quality of procurement only in the World Bank financed operations, country operations will as a by-product also be better and that will support us in fulfilling our fiduciary function of making sure that the resources that we provide are used for the purposes intended and used efficiently and transparently.

If there is one lesson the world has learned about development in the last 20 years, it is the importance of country ownership for success. When countries own products and countries feel in charge, we have success. When countries feel that there is a foreign position or it is a donor financed project and it has got nothing to do with them, sooner or later there is failure.

And thus, through a process of building up country systems of procurement and indeed of financial management and environmental and social safeguards that we will increase the sense of country ownership. We will increase the commitment of countries to help improve fiduciary systems.

It is also true that we have this ironic situation for many countries. They have 20 or 30 different international sources of assistance, each with their own procurement system, own financial management systems, own environment systems and yet we are expecting these rather relatively, in many cases weak administrations to be able to conquer (ph) the details of 20 or 30 different systems of procurement, and then we wonder why they do not do very well.

Rather, we believe we can facilitate that process and facilitate harmonization by strengthening the country systems around which we can ultimately harmonize.

We do believe that ultimately this is going to reduce the cost of doing business with the World Bank and that is something that our clients demand that the things become simpler.

There are three international agendas that this is an intrinsic part of: the Paris Declaration that was signed in April 2005 did commit the international community to support the increased use of country systems and we have been making some progress towards that, but there is an international commitment of all donors or international development partners to move in this direction.

It is part of our middle-income country agenda, which has been adopted by our Board of Directors. And when it came to the governance and anti-corruption strategy of the World Bank that was adopted unanimously this year, there was a very large debate at that time around this question. And the governance and anti-corruption strategy did conclude in the end that the objective of fighting corruption was best served through strengthening of country systems of procurement and financial management structure. And that it was not served by the bypassing of such systems.

Some people thought perhaps it would be better if we simply bypass country systems and built a fence around what we finance and make sure that everything is fine within the fence. But in the fight against corruption, there is nothing to match the strengthening of the basic systems of countries.

So where do we stand on country systems as a whole? I will just deal very briefly with the other two areas for your information, we have had a pilot going on for the use of environmental and social safeguards since March 2005, and we have about 12 ongoing pilot programs for the use of country systems for environment and social safeguards, and indeed we are about to have an evaluation of that going to our Board.

In the areas of financial management, it is the default. We use country systems as the default choice and we have to justify why we would not want to use them. As it turns out, about 40% of the time, we use free-standing financial management systems, but that is a share that is slowly declining.

And of course within the area of procurement, we do already have as you know the system of National Competitive Bidding, which in many cases uses the country system for that. Now, National Competitive Bidding is defined as that level of procurement below which the international community is not expected to be interested. That is how we define National Competitive Bidding in the World Bank.

And so for that business, which is generally not going to attract foreign attention, small construction projects would not generally attract the attention of the international community that is not resident in the country concerned, we have NCB. And of course most of you would be aware that there was a proposal for expanding country systems that was proposed in 2005, discussed at the Board and sent for broader consultations and withdrawn in 2006. Bernard will explain how we have learned the lessons of that for the current proposal and we believe that we have significantly a stronger proposal this time around.

I am going to skip over that which is largely internal, and so we have proposed as the core of the new approach that we move within the area of procurement and indeed within the area of safeguards also, that we move to country pilots and then we try to find about eight or so countries and that we would assess their readiness for the use of country systems for international competitive bidding and for how we would might proceed in the area of consultants that we would go through a very detailed assessment and that assessment is something that Bernard will describe and we would then identify for those countries the gaps that exist between where we stand, where they stand today and where we would like them to stand.

And as just mentioned, I think it will become increasingly clear if we do move forward with these pilots, the capacity building aspect of this proposal is going to be at least as important as the pilots. That there will be as a consequence a renewed emphasis on procurement capacity building. Many of our development partners in the course of these consultations have come to us and have expressed their readiness to come forward and to partner with us in strengthening capacities.

And indeed, when we discussed this with the Board in June, many of the executives there expressed their willingness to support this effort, so I really think that the capacity building component will be very significant indeed for all.

But of course, the country pilot will be made up not to be a blanket—certainly. It would be made up of a series of operations of the Bank to support that would utilize the country system.

And there would be a detailed system. We will be looking at the past framework. We will be looking at CPARs. As many of you know, we have been producing country procurement assessment reviews for some time. We have produced about a hundred and fifty of them. We are working very hard and we need to get them on the website now. More and more now, we meet publicly and within the OECD/DAC on the procurement initiative.

The international community has been working to develop a methodology to assess country's procurement systems to benchmark the state of public procurement in many countries and that is one of the tools that we will be using.

One of the things that is very important to keep in mind is a lesson we learned in the Safeguard Pilots that if we are proposing to move in this direction it is not simply a one-way street it is not a "Okay. Off you go. Goodbye, you are now on your own using your own county systems and we do not want to see you anymore".

Within the environment and social safeguards pilot, we have retained a provision within the legal agreements that if things go wrong, if there is a decline in the quality of the framework or in the performance that we would retain the right to re-impose the use of Bank procedures in that event.

So I did want to emphasize that. We would not be simply abandoning countries and hoping things would work out.

Now as we did mention, we have had a range of consultations that began on September 17.

On Sept. 17th we posted on our website the methodology that is being proposed. We have originally said that it would be open for two months, but in response to many, including some who are here today, in response to many suggestions, we did extend it until the 20th of December.

So it would have been open for consultations for over three months and all the background papers are up on that website. We did at the same time embark on a very wide series of consultation around the world. It is a very genuine process of consultations and we have to say we have learned an enormous amount from listening to people around the globe, from industry, from governments, from procurement agencies, from civil society, many of which have given comments or suggestions and the purpose of it was to end up with a better proposal, which our executive directors would then be deciding upon.

We did not claim and do not claim to have got it right. We knew that we had things to improve in the proposal and it has proved to be a very useful exercise. So we have had about six meetings in Europe and in Canada. We are having, as just mentioned, five consultation meetings in the United States. We have met directly or indirectly with just about all of our client countries in Africa, in Latin America and I have just returned from South Asia and Japan and Eastern Europe and we have met with all of the OECD/DAC participants in the joint venture which is about 30 countries or so who are participating in that.

We have met with very important groups such as CICA and FIDIC, I think on two different occasions we have met with each.

So a very widespread process, it is coming to an end now-this process of consultations, and we will be revising the proposal and we hope to send it in January back to our Board of Directors and we have a discussion scheduled for the end of February.

Even after today, there remains plenty of time for those of you who would like to submit written comments, which you can do directly or through the website, which has this little box where you can just fill in your comments and send them in and one or two people nodding would suggest that they may already have done some. But we have received quite a few submissions through the website and we found this a very effective way of communication.

With that, let me hand over to Bernard who will guide us through the methodology--.

Bernard Becq: Thank you Peter. Welcome again on behalf of the whole procurement network where many staff have been involved in preparing this.

The methodology really is based on three different stages. The first one is kind of a prescreening of what the pilot countries could be. The phase two which occurs at the country level is a detailed assessment of the procurement systems and strict assessments of equivalence with the Bank policies. The third phase is down to the sector executing agency levels, a project level, and focuses on performance, on capacity, and on risks.

The first phase is the country selection process, what I call the pre-screening and this is basically to rely on the wealth of information that the Bank has in terms of procurement and that you find in the CPAR action plans for reforms, capacity development, different diagnostics but extending also beyond procurement to public financial management, and of course what is critical is the clearly expressed interest of the country to participate and their counterpart in the Bank, the country director and the country teams.

The phase two which is a bit in the crux of the matter in terms of assisting the procurements systems of the country relies first on what the Bank knows with all the CPARs we have conducted in some 150 countries I believe. NCB signed letters, which are the regulations of the Bank as approved as part of the country's system to rely on NCB under our current projects. The Bank assessment (of country systems) is relying on the OECD/DAC tool, which has been vetted by the international community was in the framework of the joint venture on procurement, which followed the Paris Declaration.

Basically, the OECD/DAC tool did not specify what scoring would apply and what kind of validation and that was left to each donor and this is what we have been doing, really identifying what are the fundamentals of the best international practice and also feedback we got from the previous proposal.

Basically the proposal here is to rely on a number of critical indicators, there are 54 sub indicators. The critical sub-indicators basically relate to all those regarding

legislative and regulatory frameworks. Contract administration and also complaints, ethics, control and audit are mostly sub indicators that would need being rated three.

There is actually a couple of errors in the methodology which is posted regarding some sub-indicators, 4D and 11E if I am not mistaken, and also there is one missing, which is 9E, but we did not want to change anything to what we had posted.

The feedback has generally been that these are very high marks, very difficult to meet the requirements-even some Part one countries have tried and made this comment.

One critical add-on here is related to e-procurement and the requirements that we will make that there is a well functioning national website and this is for purposes of transparency and advertising.

Now, once we have gone through this assessment, of course you would have countries which do not meet the requirements and therefore, they fall into the pool of countries that the donor community must engage to strengthen their procurements systems and provide support for capacity development and assist them in getting their procurement system up the ladder of good international practice.

Also there is a category whereby countries have a few things which could be corrected so to speak in the short term, and therefore could be still maintained in the pool of countries with a kind of a standby status.

Now, as the product of the assessment, which is critical at the country level, is the equivalence assessment. This is really based on the comparison of the country system to our policies as they are embedded in the guidelines, paragraph per paragraph. I am looking at absolutely everything which is our guidelines.

There will be a requirement that if the system has been deemed to meet the benchmarks and also the equivalence that if there are changes, then these should be flagged to the Bank. The Bank, which would of course remain available to assist, even in the context of the pilots, for technical advice.

So the loan agreement really has a very important purpose like in any current project, but in that case to record all the agreements and the recommendations that are made to the country in terms of remedies, oversight, and I will come back to all of these aspects later.

There is one particular issue, we will come back on it, which is the proposal to exclude the large, complex and innovative non-standardized processes from the pilot. This is really based on the fact that a lot of the feedback and a lot of what we know from dialogues with our partner countries, they very much like to rely on the value-added advice provided by the Bank in particular on those complex non-standard processes.

Another key aspect of the evaluation is with regard to the selection of consultants. Relying basically on all these CPARs , most of our borrower countries rely on procurement systems for the selection of consultants which are not consistent with our guidelines.

So our proposal is to exclude most of the consultant assignments from the pilot, but to create a sort of NCB procedures for the smaller value contracts, which are usually falling under the more flexible procedures contemplated in our guidelines, that is consultations based on qualifications, a lot of individual consultants, and some of the single source selections.

The idea at this point is that we will set for each country a threshold which is equivalent to the one we are currently using to agree to shortlists made up of local firms only. This is the proposal at this point.

Now, we move to the next level down, which is the sector executing agency level and how do we select, assess and implement the pilot projects, which would be at that sector level.

There is a first point, which is really a pragmatic approach to the selection based on a kind of pre-selection of the projects included in the country assistance strategy. Also we set a few requirements, which are basically that we know that in each country, in each sector, you have executing agencies which are performing much better than others.

Therefore, if you have a complex project with a lot of executing agencies it would be very difficult to have a level-playing field for that sector. We are looking to strong performing agencies which could be leading the piloting and in that context we certainly would not agree to any project to be implementing by a special-purpose PIU (Project Implementing Agency) because that would be, of course, self-defeating, and to simple, focused projects.

Now when we do this process, the first thing is to look at the performance data. What you have here on the screen are the seven key requirements which are embedded in the guidelines with some particular criteria being set.

Now those are going to be detailed and of course, this is one area where we would look forward to more feedback and suggestions. There are a number of other performance criteria out there like the PEFA and OECD tools, and that would be one area where we have set what is contemplated in the guidelines, but there may be more added to the list.

Then we conduct a capacity assessment of the implementing agencies, this is a standard procedure in the Bank for each project. In that case it would be enhanced by the dynamic risk assessment tool which we are putting together now, the mock is prepared so we need about a month to complete it.

This is a critical point because if we will identify the particular risks of the project and the agency, all kind of fiduciary risks would be involved and that plus the performance criteria will really give the Bank the tool which is needed to track and monitor each of those pilots during implementation during the project lifecycle.

To complete this, I am coming back on the legal agreement which would be the key document to record all the agreements and the requirements, remedies, mis-procurements, complaints, handling fraud and corruption, sanctions, provisions and by the way the combating fraud and corruption guidelines which were approved as part of the Sanctions Reform package in June 2006 will apply to those projects.

It's basically the whole content of the Section One of the guidelines, which set the main principle for good procurement, which will be included in the loan agreements, eligibility, joint venture, state-loan enterprises, conflict of interest and the like.

Of course it will also record the Bank's rights, and the reviews that will be conducted in particular with a new post review standard template given that the reviews by the Bank will be on a post review basis. And also, a very important new item we have introduced now, which is independent procurement audits; they will be conducted on an annual basis for each of those projects.

Another one which is very important is the advertising requirements for the high value contracts, which would be the equivalent to the current ICB contracts under the current projects, that will still be advertised on the website which I mentioned earlier, the national website, and also on UNDB as is currently required under all projects.

Bank role and responsibilities.

The Procurement Sector Board will be involved in the piloting providing oversight, advice, and the OPRC committee --which is the Operations Procurement Review Committee that currently reviews all the large contracts and also all the complex issues which may be sent by the regions or by the task teams-- will be involved in reviewing and vetting the different phases of the assessment process, so there is basically what we can say is really an enhanced strengthened review by all the core procurement staff in the Bank.

Of course the assessment will be conducted at a regional level, but all of those will have to be vetted through this internal review and control system.

Additional key Bank responsibility.

The performance indicators monitoring, which I mentioned. Complaints handling: the same procedure will still apply. The appendices of both green and red guidelines will still apply, i.e. bidders will still be able to send these complaints to the Bank.

Payments and late payments procedures, and of course all the remedies and key additional provisions will be included in the loan agreement. Reporting on progress is an important aspect. We are, of course, committed to report to the Board on a regular basis, and then there would be the monitoring of disclosure.

I have gone quickly, and I have not mentioned everything but a number of documents will be publicly posted, from procurement plans to the assessments and that, of course, gets into a key dimension of the whole process, which is the ability of the stakeholders, and other civil society, to be involved in the process and in its monitoring when we proceed, if the Board approves, with pilots.

We have structured all of this presentation along six key questions, which has the merit of facilitating the reporting and the posting of the comments, by no means that we have to go through them one by one and exhaust one by one. That would not be very feasible.

The first question is really an open one, which is what questions or issues really need to be addressed or clarified through the program.

The second one relates to the OECD/DAC benchmarking tools. There have been a lot of discussions already, as I have mentioned, the key add-on here of course is the validation by the Bank and the scoring by the Bank, and that no aggregate indicator will be looked at, but each of the 54 sub indicators would be rated on its own merits. Some of the feedback has been that this is a very, very high mark as I mentioned earlier.

Then the third question relates to this issue of the high value complex non-standardized processes, which we propose to exclude and as mentioned, here are a few: supply and install, sophisticated equipment (in particular equipment in information technology), PPP (Public-Private Partnership) and concessions which is where you definitely do not have standardized processes or bidding documents so we have to make this proposal to exclude them from the pilot.

The fourth one relates to the selection of consultants and this is a departure from the current policy through creating NCB type procedures.

The fifth one relates to the performance indicators and measures. I already mentioned earlier that we were very much looking for suggestions on this; and

The last one is really an open question in terms of suggestions.

Let me quickly finish, I think I have been pretty much on with in time. Some of the key differences with the previous proposal --I have made up a list which I will go through.

- First, we have defined steps to monitor the pilot process and establish transparent disclosure procedures
The second one is, I think we have a much clearer phasing of the assessment as it will be conducted with the prescreening of the pilot countries which involve also the other aspects, financial management and safeguards, then onto the country level and equivalence assessments, and then at the sector/project level: performance, risks, and capacity assessments. I think this is much clearer.
- Disclosure and consultation at all stages, open feedbacks mechanism –refer to the chart which we have included to cross reference all the Bank policy requirements.
The internal vetting process, which was not existing before, including what I mentioned before i.e. the role of the Procurement Sector Board and the Operational Procurement Review Committee.
The introduction of this dynamic risk management tool to track performance and monitor risks during implementation. The annual independent search party audits, which is also a future, which we have not included before. The exclusion of the complex last (ph) and non-standardized processes. This is a new feature. The introduction of the approach which I have described for consultants. And of course another very important aspect which is the enhanced transparency through the website. The requirement to advertise on UNDB for the large contracts. The publishing of the procurement plan. The handling of complaints et cetera.
- A clearer role for the legal agreements, which is going to be critical, including ways to rescind the pilot status if performance is not there or if there are changes in the system itself in the legislative and regulatory framework per se.

Jeff Gutman: Bernard, Peter. Thank you. Obviously, as you can see this is quite an extensive proposal and there is a lot of detail and a lot of aspects to focus on so it really requires this kind of presentation and there is much more detail underlying this if you want to get into the 54 OECD/DAC indicators.

I do appreciate very much that those of you here today have brought experience both in terms of involvement in Bank procurement, Bank finance procurement, but also in procurement more widely in developing countries. I look forward to hearing your views and your guidance as we go forward.

Let me propose this in terms of modes since we have a lot of people here and I want to make sure that we capture as many comments as we can early.

First of all, let me tell you that we are going to be doing a summary of all the consultation meetings that will be posted on-line. There are opportunities to providing written feedback as well online so if you do not get a chance to get all your points across here, we also see that there are future opportunities to follow up, we will try to accommodate that.

May I also suggest to begin that we begin with trying to keep a focus of having one question or one comment with a follow up, so it is not just one person monopolizing and we get as much as we can, though I think over time we will be able to broaden that.

When you ask a question or are about to make a comment please identify yourselves for the record so we know who you are and your institution, company or organization—

48:21

Mary Ann Ring, General Electric: Of the 54 required to score, three meaning they achieved it fully, then we are left with 32 that can fall short of exactly perfection. Therefore, then, a country with less than half of these indicators, actually meeting requirements could be called the minimal equivalency, right, or perhaps you can clarify this?

Bernard Becq: This is really the assessment of the system, so 22 and eight will have to score a three in the end. There could be a score of two but then there would be a short-term action plan to achieve a three, and then the rest, the 24 remaining, could be a two. Now the scale is from three to 0.

So, that would be for the assessment, but the equivalence is a different concept and that is to look at the same system with regard to the Bank policy and guidelines, paragraph per paragraph. So you have two in essence which have difference. One is on the assessment with regard to best international practice and having 30 (or 22 plus 8) as three, and 24 as a 2 is a very high standard already. Some of those which are not into the critical three are more process-oriented capacity building and these kinds of things which are not as fundamental to operate the system.

The second part of that phase is to assess the system against all policies so that we are ensuring that there is indeed equivalence paragraph per paragraph.

Peter Harrold: Now I really would like to add that the three category, represents best practice internationally.

Level two is good practice. It is a good standard that is the least we can expect; that it is a good standard; that it is only when you get below two, that there are serious shortfalls in the standard. And we can honestly say to you that there is not one country in the world that can score a three on all 54 of these indicators, not one country including this one.

So, it is a question of reaching a standard whereby we are confident that the most important things have got the best possible outcome.

Steven Canner, USCIB: Thank you for bringing us together. This is a really important subject. I am Steven Canner and I am with the US Council for International Business and we are an organization of some 215 global companies in trade and investment globally and many of whom engage in procurement from the World Bank.

Amongst the Washington trade associations, our niche, so to speak, is that we are the US Business Representative to the Business Industry Advisory Committee to the OECD and so I with some colleagues did participate along with Pamela Bigart in April and a consultation with the OECD and then subsequently some of our members engaged in the second consultation I believe in June or July.

I have a series of questions here. I think we all and I will put them out on the table. I think we all want to work for strength in procurement systems because procurement is where at least from my perspective is where the rubber meets the road on bribery and corruption and nobody wants to do this in a way that widens the gap between what our goal is for the highest standards and where countries are, so I would like to stop by asking and you mentioned that you have had a number of consultations around the country and around the world and if you could provide us with some feedback, what have these people told you? Have they told you that what you have put on the table is a good tool and you should go forward with it? Or have they said is a good tool to begin with but there are substantial areas that needs strengthening and if so, what are those areas where they are telling you needs some strengthening?

Secondly, I would like to ask, is it a foregone conclusion that the Bank will go forward with this country system and if indeed they do go forward, how can we be assured as people who will be engaged in this process, either participating in procurement or not participating in procurement, how can we be assured that the comments that we are offering today and subsequently, will actually be taken into account and implemented it in the Bank's on the ground procedures.

Third, I would like to talk about a few specifics.

In the appendix, you talk about a risk model, but the question that comes in my mind is that in this Risk Model, I did not see anything about a cut-off point as to how you will decide whether it is a go or no go depending on the level of risk that you assess and whether the gaps where this Risk Model identifies gaps between what is your bare minimum for going and what actually exists on the ground?

Will the capacity building program which is absolutely critical, will this be an ex-ante requirement or would it—(audio cut abruptly at this point.)

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Peter Harrold: The idea of retaining, of excluding from the pilot rather complex projects and some of the very high-value projects where corruption risk is at its highest, where the scope for mistakes are the highest, excluding such proposals from the pilot is—in almost every country, we are being told, “That is a very good idea, please do that.” Those are the ones we worry about a lot. We are supposed to be hearing that. We are certainly hearing quite a large sigh of relief that we are not being more radical on the selection of consultants—that we have recognized in the area of selection of consultants that there is no such thing as an internationally accepted standard.

The reason we cannot use an equivalence test is that there are so many different systems that hardly anybody has the same system as the Bank. There are odd countries here and there, that do, but very few. So, we are in general hearing from consultants that this is a pretty sensible initial step and then people generalize that. So you really ought to follow this up with a sort of, actually, something we are discussing in the Board a bit, in the area of selection of consultants, we really should follow this up by trying to have a process to reach into more of an international consensus on what are the best methods for selection of consultants since that is not the case at the present time. That is certainly where we are heading.

On the question of the indicators, we are hearing a variety of things. It is certainly the case. I have to tell you that we are hearing from a wide number that this bar is very high indeed for the 22 plus 8 indicators at level III and the concern that that might exclude a large number of countries. That is comment that we have received in many places and from many people.

We do by and large find that people say exactly what you said in your first sentence, so let us all understand, we all accept, every single person we have consulted with, accepts that their core objective is strengthening international systems of procurement and everybody wants to do that.

Many people accept the logic that strengthening country assistance and when they have reached the equivalent of the World Bank standards, that is, that the application of the country system would result in the same outcome as the application of the Bank system. When we reach that stage, it is perfectly natural to then rely on those systems.

So, that is the reaction we are talking about. Capacity building by and large will be in two parts. By and large, the result of our assessment where we are finding the gaps in countries that do not make it, so our primary reaction on capacity building will be for countries that do not yet qualify and how we can help them to improve standards over time.

But of course, we have said very explicitly in the methodology that for eight of these indicators, if they have not reached it, we would incorporate explicitly within the program and within the legal agreements the steps necessary for them to progress within a reasonable timeframe within the course of the pilot to the highest standards.

And finally, while we have clarified the explicit role of the OECD/DAC, the proposed explicit role of the OECD/DAC tool, I would still say it is one of the tools. It does have a central role as does the CPAR, but very much so do the performance assessment of the agencies concerned and the equivalency test.

So, while it is a central tool of the proposal, it is not the only tool. It remains not the only tool. And Bernard, I will leave to answer question of the risk model and where we are on CPAR.

Bernard A. Becq: Just to add on the last one, it is only one of the different tools we use, it is also is a way we are using it by having the validation and then the scoring done. So it is also important.

On the CPAR, you are absolutely right. Many of them are two or three years old. What we are looking at really here is that we have them. They provide kind of a baseline of the knowledge of the procurement systems, what we are going to look at is the action plans which are agreed with the governments on strengthening procurement reform because each of the CPARs has an action plan identifying about 10 key actions to be done, which are used to strengthen the system, so it is not so much the CPAR per se, but it is how indeed they have implemented the reforms that they have committed to.

On the risk model, the idea is to identify gaps. It is a fairly sophisticated and complex model which identifies all sorts of risks, then rates them in terms of how likely these are to occur, seriousness of the risks and then coming up with three things.

One is the risk rating, and then it will be depending on what this risk rating is, we would go ahead or not identifying each of the gaps and the actions—the mitigation measures, so to speak, which have to be implemented.

Linda Menghetti, ECAT: Give me a follow up—

(AUDIO BREAK)

As I understand it, the OECD/DAC proposal, it has a much lower threshold than what any of us would characterize the current World Bank Standard Bidding Document. It is one of the areas where, I believe, it is a critical area where three is required, but yet, the OECD/DAC, has the sufficient necessary information, but not all of the information. And so, it is that type of precise—how those two are joined, because frankly, when I was going back and looking at your PowerPoint, “ensures the equivalence to the principles and policies”, but what about the detail. Because I know there are a lot of companies that are engaged in procurement with the Bank that see a lot of how the Bank’s own procurement system is working and would like to see that translated, but there is a concern that this does not quite get us there.

Jeff Gutman: You want to take a few questions or you want to answer that one for now? Go ahead.

Bernard Becq: This is clearly one of the key issues with the proposed use of the bidding documents. The tool as it is, has some sub-indicators which are related to it, so they will have to be assessed. Not only the bidding document, but there are several issues in fact, which relate to it.

There is one, in which we cover the General Conditions of Contract. There are others on Contract Administration, so the Bank, when it does the assessment of those sub-indicators, looks at these bidding documents if they exist, because not all countries have Standard Bidding Documents.

Actually, there are very few countries, which have Standard Bidding Documents, so again, when we look at the capacity level of the bidding agencies, this is one of the things we would have to look at.

The Bank policy is that the Standard Bidding Documents have to be approved by the Bank with minimal changes. The best practice with regards to bidding documents is really coming from the harmonization by the head of procurement of the MDRs, with such general condition, for works which have been approved with FIDIC. This is kind of our standard.

So we have documents to rely upon when we analyze, but the answer is clearly that the Standard Bidding Documents as they are known now, would not be used.

Linda Menghetti: Just a follow up, if I may, how does this proposal achieve equivalence with the World Bank procurement? Not that the Standard Bidding Document would not be used, I can understand that equal amount of equivalence, however you want to define that. If the same types of requirements at that level are not required to be put into the country's laws or regulations when it does procurement, if that is not a threshold minimum, how does this achieve equivalence?

Bernard Becq: It will be because these are some of the critical indicators, so we will look at those Standard Bidding Documents, general clauses, and anything else, which go to it. But it would not be standard in the sense of the Standard Bidding Documents or the master procurement documents that are used by the Bank. That is clearly the deviation here.

Let me just emphasize. If the OECD/DAC indicators settled everything with regard to equivalence, we would not have to have an equivalency test in addition to the OECD/DAC tool. If the application of the OECD/DAC tool gave us everything that was in the guidelines, we would be fine. We can just do that and that would be the end of the exercise and then it would be simple. But not all aspects of the guidelines are adequately or fully covered in the OECD/DAC tool. We agree. And those are what would be particular to the subject of some of the equivalency examinations the Bank staff would be doing beyond the application of the OECD/DAC.

There are some others that relate to pricing, that relate to language, for example, the securities, et cetera, where the Bank is rather specific in its guidelines and those standards would have to be maintained in the country's own system if we are able to say that the results are going to be a problem.

Julie Altieri, Siemens: I am Julian Altieri, from Siemens. Thank you very much for the presentation and the opportunity to comment. Just getting into the details a little bit, one of the major concerns that we had was in terms of the complaint mechanism and the debriefing and I noticed in the presentation you had said that the Bank would still be involved in overseeing this.

In the paper, I saw that there will be an independent body, but it was not specifically named as the Bank and just as a bidding company. One of our best methods of recourse, we feel, is having that ability to go back to the Bank when we feel that something is not going right and I am just wondering how that is going to be going forward if the Bank is still going to maintain a strong supervisory role.

We would hope that they would in these projects have that recourse for companies. Thank you.

Bernard A. Becq: Actually, what we are going to look at first is what systems they have in the country and this is your series of sub-indicators to assess in terms of the strengths of their own complaints mechanism and they would have to meet certain standards.

But that, in no way, will do away with our mandate to review complaints even if they are in under assistance. So, the appendices of the guidelines agreed, also read, and in particular, the debriefing will still be applied.

So you will still have that opportunity. What would change though, to be completely clear in my response, is that a lot of the processes will not be prior reviewed.

So we will still be in the same position to review, but given that we did not do a prior review, that may be changing a bit. Although we could still be called upon to intervene before the contract award. You see what I am saying? Yes.

Peter Harrold: One of the things that has been interesting in some of the responses that you are asking him is about people's responses. One was saying--I was in India last week; a very large company Power Grid, but I think you have a lot of business that is very interested in this proposal, but we were saying, "We would not want to have you abandon us as a source of advice if we were to do this. If we had a problem during procurement or something was difficult, we would like to feel we could still call upon your technical advice to review a draft document."

Absolutely of course, that is the function we really prefer to perform and the same will of course be true that that service will continue to be available to potential contractors. The same advisory services and the same relatively sympathetic listening to complaints.

Thomas: I am Thomas Yolanda (ph) representing-- Louis Berger I am in a kind of awkward position, I worked more than 20 years in the Bank and I was posted in three countries, and not one could qualify for this use of country system. So let me comment on what I saw.

I was posted in Mauritania, Burkina Faso, and lately in Afghanistan. I think Burkina Faso is definitely the country which could qualify for this kind of use of country system, but after reading the very interesting paper that you produced, my conclusion was really that hell, in spite of the good intentions, meaning, that I do share your noble objective meaning that there will be no accountability without ownership. There will be no reduction of contracting cost without harmonization of procedures. I have been witnessing for years and years the fights between European Union, of the Country Development Bank, the World Bank, USAID, on using the best system and no one was really perfect.

And for the countries where I served, it was really a huge, a very time-consuming process and definitely something which would reduce the capacity—undermine the capacity.

But many are talking about capacity-building efforts, what I witnessed is that it is not enough. I enjoy your fund. It is a profound civil service reform that you have to implement.

When you have a PIU, a Project Implementation Unit with a procurement experience, it is not for the sake of ring fencing, it is because a director in Burkina Faso is paid \$400.00 a month and that you have to organize a system whereby it will be paid at least \$1000.00. Otherwise, you cannot prevent him from trying to get some benefits from the procurement and the contract that he is awarding.

So I think, I have the right to be a bit provocative here. The record of the Bank in terms of implementing civil service reform is not good for all countries.

But this is the most difficult thing to implement in the Third World, and with all that, we will keep these black holes—we felt that the judicial system—there will be no conflict resolution systems, no sanction system without a profound reform of the judicial systems. And in countries which are plagued with nepotism, clientelism (ph) is going to be very, very difficult to really add that this, let's say, civil service reform, which are the basis for any capacity building effort.

So my first question is, has the Bank the ability to implement reasonable and efficient capacity building effort based on civil service reforms? My second question is, and even more provocative than the first one, is the incentive system within the Bank?

I do not know any countries that do, and I do agree to be recorded on that. I do not know any country directors that are ready to humiliate the country in telling the Board that is not meeting the standards, and we are growing the right to use their own country system. Without a strong backup system, even at the level of the Board, there will be no incentive and the management of the Bank—I am sorry to have said that—to keep the responsibility of the fight against corruption to the task team leader and that team leader would not be able to oversee all the processes, the regulations, the rules which have been put in place.

So, you are giving an impossible mission to the people in the field by doing that. If you do not want to do that, you have to bring—again, an incentive system which could ensure that people have the guarantee that by helping the country to meet the standards, they will be recognized and even rewarded. Thank you.

Jeffrey S. Gutman: I think that is why we are starting with a pilot in a very limited number of countries in terms of finding those countries where the standards on the ground, in terms of civil service, in terms of legal systems and processes can be counterpoint and that is part of the analysis and implementation.

I agree with you. We have to get to that to make harmonization work, and harmonization is important and civil service reform is tough, where you have real problems in terms of trying to change. What happens on the ground is more than procedures. It is in the whole aspect of civil service reform, which is a key focus.

I think that goes back to the issue of incentives as well, for Bank staff. As we move on the governance and anti-corruption strategy and the GAC which we just launched this past week, the key element in that, there are these kinds of issues in terms of how we address that, how we set up incentives to be able to identify where we have problems and risk, and how we actually adapt how we do business to be able to more aptly address the issues that you are talking about.

I think that is a challenge for us, but it is definitely on the front burner in terms of what we are doing. It is what the Board has approved and that is where we are focusing, and think it is a major evolution of how the Bank is intending to do business and how it actually is doing business in terms of what happens on the ground. But I am here to listen so I do not want to be the sensitive one.

Peter Harrold: I think you are absolutely the country director, then I am going to put the hands up and say, "My country is no good so please do not do anything to me."

However, what is quite interesting, I found very interesting as we went around and I am sure that my colleagues had a similar experience. There are a number of countries that said to us, "Well, our system really is not up to this task yet."

We have really got to do a lot more before we can be considered. And these are from heads of National Procurement Agencies, and they are saying, "our consultant selection system is just in a mess, so do not even ask us to do this national capacity building thing. Because for appointing local companies, our system is awful, but can we talk about how you can work with us to strengthen our system." And that is what we would like to do for now.

So there maybe an incentive for country directors to try to get in. But it is quite interesting that the incentive for directors for procurement is not that. They are more interested in trying to get their systems right. They are much more interested in the potential capacity building support than they are in this seal of approval. But it is a real issue and we will keep a very close eye on it, that is why, it is not going to be the Country Director's decision as to whether or not their country will be going into it. They can put their hand up, but there will others that will take advantage.

David Tardif-Douglin, DAI: Thank you very much, my name is David Tardif Douglin, I am with DAI, and thank you for your presentation. I have seen how World Bank involvement in procurement reforms can make a difference as different donors get together. We had a project in the Philippines on procurement reform and work with the World Bank and ADB very effectively on that.

My question is really related to the piloting process because I wonder whether the one year you are talking about seems to be a sufficient time. It says that a pilot with eight countries in the first year, so I guess, the larger question is how long will you be doing that pilot, how long do you think you need to do a pilot before you can sort of workout all of the bugs in the system?

And when I talk about the bugs, I think similar to the question that was raised earlier has to do with what happens when a country that passed the bar before fails. And that can happen for a number of reasons including political change and new administration, whatever, how would you handle that? Thank you.

Peter Harrold: We do not really know how long the pilot might last, but we have been doing this pilot on the environmental safeguards. We launched that in March 2005. We have just done the first Evaluation of that. We are sending the report to the executive directors very soon. Now, without prejudging, without saying too much, I can tell you that the primary conclusion is that it is much too soon to draw any general conclusions and that we cannot yet propose any mainstreaming of this approach. We need much more experience and that may take up to 2-1/2 years.

It is certainly is not a one-year thing. We do not know how long it is going to be but it is a few years. That is for sure. But there is a regular point actually because we do not make it very clear, so I think we are going to make it clearer in the future.

The consequence of slipping back, the consequence of going to inferior practices, I hope the first reaction will be to put it right, but if it cannot be put right in a very short order, we would be retaining the legal provision to re-impose the Bank system, that is, we would revert from the essence of this proposal which is that you move to ex-poste review of procurement decisions.

You would revert to prior review of all of the last procurement decisions and explicitly of the ICB.

David Tardif-Douglin: I guess the one reason I asked that was that I am assuming there would be a lot more political ramifications. Once you are considered an A student and then they say you are an F student, you are kind of annoyed I suppose. Well, just wonder whether that would be—

Peter Harrold: We hope that would be a strong incentive to stay with high performance standards.

Nancy Boswell, Transparency International: Nancy Boswell with Transparent International. Let me add my thanks to the others for your putting this together in a broad consultation and one of the benefits, I guess, of coming after other people is to say I agree with a lot of what has already been raised, so I would not go into it in great depth. Although, I think, Stephen Canner's point of putting some of the comments up on the website earlier rather than later so that we can benefit from them when we come to the consultation is a good idea. Clearly, from TI's perspective, the idea of strengthening national systems is what we are all about.

Also clearly, from TI's perspective procurement and corruption in procurement has been a priority issue from day one, so it is because of that concern, I think that we take a special interest in what you are doing and share the concern that this be done right and with great care and deliberations.

So the fact that you have taken more time is something that I think we appreciate and hope you will continue to do a sort of consultation as this goes along.

I wanted to go back to a couple of comments—the gentleman's comment about the incentives for standing up to a country in saying, "No, you do not qualify." The unlikelihood of that actually happening. Does it not suggest the benefit of considering an advisory Board of some sort with external stakeholders both here and also in country to work on this from the inception—the development and

methodology right through its application and right through the pilot, so that you have external—it is like your sanctions for it, to have an external chairman, to have a mixed group that includes private sector of all kinds, other civil society groups that have the expertise in this area I think could be very beneficial in not just the actuality of this but the perception that this is being done in a transparent and apolitical way.

I would also add that we share the concern with the indicators. If I look at some of the sub-indicators, and again as Jeff Gutman said, “this is terribly complex” and some of the things you have said today raised questions about whether we are even reading this right. But there are number of sub-indicators that are critically important. They are not non-critical at all with regard to documents, with regard to physical transparency, with regard to a number of things, but there is not time here, but I would want to revisit that too.

And finally, on a risk tool that you mention, Bernard, that it is not ready yet, we have not seen it yet. I think it speaks for the need for ongoing consultations so that we look at that tool, we can provide comment on it and how it might be used and whether it really does address the risks that INT and others have surfaced. And I guess, related to that, we do not see the DIR in here at all as one of the tools that you will be using. You have got your CPARS and other things. Will you be doing detailed implementation reviews as part of this process?

Peter Harold: We have to be able to see the DIRs to use them. I would note that as we have gone around, we have the frequent comment on the need for—I do not really want to call it continuous consultation, they want to call it continued scope for input from the stakeholders as we proceed.

When we met with Germany, with the BDI, that many of you know very well, one of the key points they made was, we are pleased to see you today for the consultation but we like the opportunity to continue to get feedback and to continue give commentary.

When you have done an evaluation and assessment of a particular country, we would like to, before you make a final decision, to give feedback and say, you do not really think that is the way it is in that particular country. Here is the problem that our members have faced in trying to do business.

And we think that that is really important input to this process. We have not really figured out yet, to be honest, what is the best approach. I mean, an advisory Board is one idea; having a website where we post documents and invite comments is another approach; having a series of contact points in different countries where we can send documents for people to review and give us feedback is another idea.

What I do know is that there is a significant demand that says, “Do not just stop with this consultation process today, let us find a way that this can be an ongoing thing, so that we can continue to work together on this to make sure that we have the right outcome.” To be sure we will be reaching the right conclusions.

I do not know what it is going to be, but we do know that that is a universal demand and it is something we are going to have to put forward, a suggestion in the final version, and continue to refine as we go along. It is not something we can promise today, but we certainly fully agree with that.

I guess, one of the indicators would be to please give us your specific comments. There is absolutely nothing fixed about that proposal. We are not trying to validate our idea. We put that up as a suggestion. We are getting a lot of comments on which are critical and which are less critical. And we will be taking that very seriously as we refine that proposal.

Bernard Becq: Just on this one, in some sub-indicators regarding fiscal transparency, budget planning, all of them are critical, so I do not know what the better word would be, I mean, it is not that those, which are two or just minor issues which can be swept under the carpets, that's not the point, but also in some of these broader PFM when they have been readied, is because we will look when we do the assessment at other tools which the Bank has, the CFAAs, the PEFA indicators and so on. So it is not going to be only those here.

On the risk management tool, we are of course happy to organize, and you could have discussion on this when we have it ready. I mean, we could show already how it is going to work. So I am absolutely happy to do that.

Jeffrey Gutman: I think on the issue of monitoring feedback, I do not see this as a one-shot deal: We did all these consultations, we go back and just been run with the assessment and never come back. And if we are looking for the appropriate methodology to keep the light on the situation, obviously, we learned a lot by the application in terms of how to apply and I think we need to find the right way to do that. I take your proposal on the Advisory Board and it is something we need to think about.

Obviously, we have a lot of proposals for Advisory Boards for a lot of different things at the Bank--and everything else, so we need to look carefully on how to handle that.

On the issue of the DIRs, for those of you who do not know what a DIR is, DIR is Detailed Implementation Review, which is a detailed portfolio review done by our investigative unit, by INT. Looking at specific parameters or flags for fraud and corruption, and indeed, we are in discussions now with INT as we gather more and more information as to how to carry this forward.

Under the Volcker Panel Review of INT, one of the major recommendations was to better integrate the INT, the investigative body into operations so we can work on issues such as capacity building, but also in prevention, both for our task teams but also for our client countries. We are moving in that direction now in terms of learning and actually applying. So I do think your suggestion is correct. There are not that many DIRs, but there are a lot of broad investigations and other lessons to be learned that need to be taken into account when we are reviewing a specific country situation or, even more importantly, in this specific sector situation. Because within a country, as Bernard was saying, you have variations between different institutions. You some strong ones with good history of procurement and you have others ones that are weak even within the same country.

Pat Mears: Pat Mears with the National Association of Manufacturers and I, too, would like to thank you for this consultation process. I know it has been extremely labor-intensive for all of you but it is the best way to achieve a good outcome. I think everyone here today has agreed that we all want the same thing in the end. I

think there is a good deal of support for national country systems and I think we all want a high standard. I would lend my support to the idea of comments being publicly available, not just summaries, but in detail, where comments are made, what is the response to that, if it is not addressed in the system, why not or how that could be handled in the future. I think that is extremely important to the business community that companies are able to look at this and see problems they have, how they are going to be specifically addressed.

I also would lend my support to the idea of an advisory board of some sort in which I think this is an issue. It is not an exaggeration to say it is highly complex. Those of you who have been involved in this for years have a level of understanding in detail of the issues involved that many of us do not. So I think wherever possible where there could be representative groups of people who are very knowledgeable and this is most helpful for all of us.

Because details in this is so important, we have a colleague here who spent a lot of time looking at this, who is an expert, and I would hope she will have some time today to actually go through some of those. Because we can all say we want a high standard, but it really, it does come down to what are the specifics. So we would like to be able to do that today.

Fred Berger, Louis Berger Group: Consulting Engineering Community, the American Consulting Engineers Council is the US-based representative of FIDIC, so we have obviously been in strong contact with you over the years. We very much welcome your comments that it is your intention to include the consultants later in designing a system that will incorporate consultants into it. Let me remind you that when the procurement rules were changed some years ago under Srinivasan, we warned you that many of the aspects would have a very negative effect on local consultant capacity building in the Third World and while you did not agree with us then, I think the recent research within the Bank has indicated that we were right and that local consultants are being hurt.

So we hope you will value our opinions in a more timely manner when you start incorporating the consultant side into this. For those of us who know and worked with and love the Bank, we know that you are also a research house and if you are doing a pilot project, you must have metrics out there that will define the success of a pilot. I think it would not only be helpful for all of us to be more comfortable with your pilot program if you would post those metrics so we know where to find success. But I think it would also help the countries that are being subjected to this pilot glare to know what they have to hit and where they will fall short and how will be measured.

One other comment, I am still a bit confused, Mr. Gutman made a comment at the end that it is everybody's objective, which I agree to have a wider and broader acceptance of responsible procurement. Without being too rude, all the comments about it seemed to be a bit colonial as if the external community is responsible for harmonization and so forth. You have been doing capacity building—we have all been doing capacity building in the Third World for 40 years. I know I have been doing it since '72 in Nigeria, and nothing stopped the borrowers from stepping up and incorporating some of the good practices that they saw in the PIUs into their own procurement regimes. Nothing stopped them from changing their own procurement modalities for national competitive bidding or any other non-Bank managed.

Nothing stopped them from saying to you, "Look, we think that the ADB system for procurement is better than yours, and if you would not mind, we are going to use the ADB system on the World Bank procurements." Is that a good enough system? Which lead me to one other aspect of this that concerns me, when you build this 54th characteristic model of perfect procurement, we know that the Bank is not monolithic. You have a lot of your own procurement units having participated in some failed procurements that have been run by the Bank. How did the different procurement units of the Bank score on your ratings and in the equivalency system, would they all pass or would you have to bring some technical assistance to some of them as well? I have run into some very curious procurements that have been Bank run.

Peter Harrold: First of all on the—I thank you for the nice light touch on very serious issues. On the future approach to how we might do selection of consultants, I think my colleagues explained to them., I think maybe today has helped the process surrounding this. This is testimony to the fact we are learning to be a bit better consulting about these things than we used to be. We are trying a lot harder to understand that we do not have all the answers in the Bank. We have to learn an awful lot from the outside before we finalize proposals. That is what we are going to do today. So, you can rest assured that, when we do get around to revising approaches to selection of consultants, we will be knocking on your and many of the doors for ideas on that including how we can ensure the healthy development of the local consulting industry because you are right.

That is something where we are very concerned about and relationship between price and quality is a big issue. We certainly will post them. We have not done the metrics properly yet, to be honest. Because we cannot redo the metrics until we got a bit further down the way in terms of finalizing our proposed methodology, but we will certainly post those metrics as soon as we can.

Bernard Becq: Just to clarify, there is no Bank-run procurement per se, but there is Bank prior reviewed procurement.

Peter Harrold: I think one of the things, as we have gone through this process, we always need to bear in mind, is that as we search for higher levels of excellence everywhere, the fact is that today for most international competitive bidding and for selection of consultants, for all of that, we are using the Bank's system at the present time. And yet, there are strange outcomes and there is corruption that does occur. Our ICB process is not free of corruption as the record from the Integrity Department is the first to show. So, we do not start from everything is fine. Under this arrangement, why are you playing with it—

00:48:20

Jeff Gutman: I think that there is progress here and I do not think that one has to parse this down to understand where we work. I think that in terms of our own capacity, just to respond, did make me think—there are people and staff in procurement who are more towards the transaction side and those more towards the institution and policy side, not necessarily one and the same. We are trying to understand and address that so we have capacity on both ends to be able to deal.

You made a question on comments being publicly available in detail with the response and I think that it is something that we need to—we are trying to find the best way to do it since there is an avalanche of information and response as to how we are to best gather and post that information in a timely manner, in a way that the people feel that they have been heard. But also, so that we can actually show how we have responded and we will be tackling that with our communications people to try to get the best way. We have learned a lot over the years in effective consultation in our projects. Hopefully, we can apply it here effectively and you will see their response.

Sandy Merber, General Electric: Thank you. I am Sandy Merber with General Electric. I have a question or a comment that picks up on this—or of something that has been discussed already but it has to do with what happens at the end of the pilot and moving towards full implementation, if that is the decision at the end of the pilot, one of the big problems with any program is scalability. Things that often work very well on a local level due to the attention and energies that are given to it fail when they are generalized to a higher level. There are a couple of issues with respect to the pilot program in that regard.

One is, a couple of times, it has been mentioned that even within a single country, various institutions and agencies have different capacities. And therefore, we need a pilot to avoid projects that span more than one agency because you would get confused reading.

Given that, the question is, whether a pilot project in one country is scalable even to the procurement process generally in that country.

The second, on the exclusion from the pilots, the projects that are and I think that the technical term that is used in the document is “not too complex”. The question is--does that imply that that the projects that are too complex to be included within the pilot are therefore not contemplated to be included in any permanent program that may arise from the pilot?

The subsidiary to that question, I guess, is then how do we know what is too complex and what is not too complex? The question generally is towards what happens to the other end of that.

How do we make sure that a few successful examples in a pilot program are generalize-able to the entire procurement world?

Peter Harrold: Well, that is a really good point. We do not have an answer to that question at this time, to the question of scalability, especially if we are being very careful only to select those pilots where the chance of the success is very high. What happens then when you scale up to and include areas where the chances of success where by definition lower but suddenly then, they are included. It is a very good point, and we will think about that and we will try to give it more specifics about what we are going to do in terms of valuation.

We have been focusing very much on trying to design the pilot, right? But we clearly have to build into it the metrics, we have to build in the process of evaluation and what would happen at the next stage. But if we do move forward with the pilot, I would hope that we would build into it that it would stop excluding the more complex

relatively fast because we do have to have—if we are going to have an evaluation and happen to reach the judgment about mainstreaming at some point in time or not mainstreaming, we need to reach the judgment; it has to be on the basis of not a rigged pilot but a broader pilot, it is something we will think about so thank you for that.

Jeff Gutman: On the issue of complex, actually we would welcome comments on where you had experience on. Sometimes, I am thinking in my terms what is complex. But, I think an understanding based on your experiences especially General Electric or several others that are here- I think that we have the opportunity to be able to identify where things are actually moving and they may vary by country.

Also, certain countries have much more experience with much more complex bidding. But obviously, we are trying to get the initial foot in the door correct and then figure out how can we expand from here. And, it goes to the scalability. You may be able to get one ministry or one state in the country that actually has a good system. And the question is, how will you use that model for replicability?

I must say that some of the reactions from some countries are very interested in going through the assessment if they feel confident and they are going to win because they would have the seal of approval and Good Housekeeping seal. But, it is also a risk that if you fail, how far back you are and it is hard if you are going to be the first one through the system. It is going to be tough.

Let me take one more question and then I am going to break since I have not taken anyone from the cheap seats.

Katie Mark, The Urban Institute: Hi. I am Katie Mark from the Urban Institute. I have a question about the indicators whether any consideration was given to including indicators that collect direct feedback from the stakeholders, for example, from contractors and bidders. I did not seem to see any. I mean, on the 52 indicators, there are 54, right?

Jeff Gutman: In terms of how we gather that information when we are going ahead in assessing a country?

Katie Mark: Do the countries have a system set up? And, could they, where they would, for example find the percent of bidders who found the system to be transparent or the percent of contractors who said that they were paid in a timely manner, for example?

Bernard Becq: I am not sure I am following here, the issue that there is no such sub-indicator which would track this kind of information or is it more of the broader reliable system of collecting information because there are two different issues. There are some indicators, which refer to the broader information system. Then there will be what we are going to look at in terms of performance because a number of those things are coming to bid all of these things. That would be included.

If the question is on the reliability of the information, that clearly is an issue and we have mentioned that. And it is also why we introduced this idea, this concept of the website where you would be able to collect some information. The third part of the clarification maybe is clear when we do the assessment. It is not a couple of

dedicated Bank staff who are going and doing the assessment on their own, very clearly, we will run this with our other partners. Not only by the bank, but with bilateral donors but of course, that would require to go into the country with some kind of meeting surveys with the local industry. And then, the last part is the transparency of the whole evaluation and the disclosure of the result which is an even broader basis. That is how we conceive of it.

Jeff Gutman: I suggest that we take a break for about ten minutes and then we will come back. I understand that people want to get a little more into of the details. I have got to figure out how to do that and I know that and I know that we have some groups who would like to make a more robust presentation of the issues. So, we will come back in ten minutes.

To start the next round of questions and comments, actually, we have the benefit of Development Finance International, and, Diane Willkens has actually put together a presentation, folks. You will see a lot of the analysis, which they have done. So, I think that it would actually be very useful because it would help us move in the direction of detail. So I am giving the floor to Diane and we have some slides which we can manage from here.

Diane Willkens, Development Finance International: Thank you all very much and thank you for the consultation. Jeff, when we talked last week, you asked for the detail so be careful what you wish for.

A few key "phrases" that come out of OECD documents I think are important here. First, public procurement is a government activity that is most vulnerable to corruption. Secondly, the multiplicity of rules may have a negative impact on transparency as we all know. That was in the bribery and the public procurement document that came out this summer.

And last, some comments about what could be done locally if the proper criteria and benchmarks are not set and these are the kinds of games that we all contend with in our business. Let me say from my perspective. I have been doing World Bank-related tendering in business for almost 20 years now. There is enormous respect for the Bank and your ability to do capacity building across multiple sectors. I am also here, representing today a number of global corporations among the folks like Hewlett Packard. And, we have some small, what I would call developing countries clients as well. In particular, a company from India who is a little worried about writing their own comments to the proposal. They are afraid that it might be held against them. Even in that case, I am trying to encourage clients to get involved out there and what they have to say.

So, I want to get into that background as we move forward.

Industry and the World Bank share an objective, it is like arguing against motherhood and apple pie, I suppose. If you said you were not in favor of strengthening national procurement systems, we are, we have been we wish all of us excellence in achieving that goal. However, we have some concerns.

The proposed methodology and the process that we have been discussing does not meet the standards of the Bank's current procurement system and the fifty years the Bank has spent improving the practices. The measurement of equivalents and we think fairs, and we do not think in the long run this will build local capacity. We think

it shows countries a way to the bottom. The loopholes and omissions in the current proposal run counter to and conflict with the Bank's strong position against corruption and for increased transparency.

So we have some recommendations and then we will go through some details about the proposal, areas to focus on. We think the tools in the proposal should be re-drawn to preserve and maintain international best practice in procurement.

This is language drawn from the document itself, by the way, that is intended to maintain international best practice. Unfortunately, we do not think that it will. And we think the Bank should convene a technical working group of world-class experts to develop effective tools that would replace what is on the table today, to be able to assess a country's adoption and implementation of the International best practice. When we speak international best practice by the way, we are not asking for anything higher than what the Bank is already doing today. By the Bank's guidelines, it's procurement rules, practices, processes--they have been improved over the years. That is what we are asking for, not something higher.

We think this working group should include experienced U.S. and European firms who have been actively involved in the analysis. We have an ongoing discussion with OPCS about this recommendation. I want to put it out here that European colleagues and industry have also expressed a strong interest in participating.

So now, we can move into some of the analysis.

In looking at this, as you can see, I come equipped with my own security blanket here. We took the World Bank Procurement Guidelines and the standard bidding documents and lined them up side by side with the detailed methodology that we have been talking about: the OECD/DAC Version Four. The CPARs, and we have had some discussion already about the CPARs, the data unfortunately is simply not available. When we looked at it, there are fewer than fifty countries that we see have had a CPAR conducted, many of those are old. So we are limited in looking at CPAR data. I heard you say, Peter, that you are working hard to put more on the website that would be welcome.

We also tried to look at loan agreements. There are many times in this proposal where there is reference about putting capacity-building plans into the loan agreements. Unfortunately, those, too, are very limited on the website and you also heard discussion about the national competitive bidding side letters—those are not available to the public so it is not possible for us to review those in accord with a proposal.

We also looked at some history the O5 (ph) countries systems proposal indicators. A note on that, when we were at the OECD/DAC meeting in Paris, several of us heard that the OECD-DAC version four paper was in the World Bank's words: "a watered down version of the O5 country systems proposal." And we heard then that the O5 was deemed to be too high, the bar was set too high and that many developed countries could not pass the rigorous tests of the O5 Proposal.

As you know, the O5 Proposal was withdrawn for a number of reasons. What we asked then in Paris still has not been provided. I would be really interested. We have not seen what countries could not pass the OECD Version Four and what elements of the OECD Version Four are really deemed to be too high. But at this

point we are dealing with an O4 Proposal that is weaker than the O5 and that is what we have assessed and you will see that in a moment.

And of course, also the capacity assessment and the risk assessment tools that are laid out in the proposal, we have had some discussion before break, those are not available for review either.

So in a summation here, we are going to be looking at ways we think what has been put on the table fails to articulate encourage international best practice. Unfortunately, we think it will reduce transparency and accountability and increase the potential for corruption and undermine reliability and accessibility of procurement information and decrease protection for bidders in bidding and the tendering process. And all of this links directly back into details of the proposal.

If you have not had a chance to study the proposal that we are discussing today on the website, what I tried to do for you today is just quickly capture a little bit of the flow chart so you can understand the order in which these documents become important.

So in Flow Chart Number 1 in the proposal, the first thing we are focusing on is the OECD/DAC it's the first tool that is applied and I did not capture the whole flow chart. It is really interesting to look at this whole series. There are about three or four flowcharts and they are very useful to understanding the way the proposal moves.

What we do not have, of course, if you do not have the CPAR, you do not have the CPAR Action Plan, and we cannot review the NCB side letters, they are not available to the public. So those documents are not going to be available in this process at this point.

Today, and this is taken from the proposal itself, the Bank says it has developed world-class standards, bidding documents and selection procedures that maximize. And we think then in the international best practice milieu here we are looking at the World Bank ICB Guidelines, standard bidding documents, the UNCITRAL Model Law, WTO practices and the New York convention. There are other documents but these were some of the highlights.

When you look under the country systems proposal, we think the ICB guidelines are largely omitted and we will show you why in a few moments. We think standard bidding documents are waived and in fact they are replaced by simply suggested minimum content. We do not have visibility about what would be required under these local bidding documents. The UNCITRAL Model Law is not reflected, and the work on WTO transparency is, to our best reading, has not been considered in this proposal.

To give some detail here, and we are not expecting direct reaction to each one of these, but I think important for folks in the room. We have annotated with where we think there are weaknesses, each of the indicators and have some further documentation and discussion about why we think the indicator is lacking. So under the Bank's proposal, a country pilot is not required, as we heard, to apply the standard bidding documents. It is not required to adhere to Bank norms on fraud and corruption.

There has been a lot of work done over the last couple of years that is documented in Section 114 of the guidelines, but these are not required that we can tell under this proposal. 115 is, but 114 is not.

Ensure competitive selection of country procurement personnel, based upon procurement knowledge and skills. That is not required.

Ensure compliance auditors that are substantially informed about procurement to conduct quality audit to contribute to compliance with regular reporting: not required.

Effective procurement data collection analysis and reporting, that is not required.

And when I say required, it is not a three under the indicators or there are elements, if you read the fine print of the OECD-DAC indicator, there are elements that show the omission and why it does not match up with Bank practices today.

Codes of conduct and ethics are not obligatory or enforceable and the procurement decision fees of a proposed pilot would not be disclosed until after loan execution and in fact, only then after the loan is effective and if and when it gets posted on the website. And loan agreements are really hard to find on the website, to the point that it underlines reliability, transparency and accessibility of the procurement information.

There are weaknesses in the provision of publicly available, free of charge, comprehensive and easy to understand: the benchmark of fair procurement.

The timeframe for disseminating procurement information is not specified, something the Bank does well today.

The use of regulations and model tender documents, I have made a comment about that previously. There is not a requirement to regularly update and make transparent implementing regulations.

One of the difficulties in understanding the OECD/DAC and how it relates to this proposal is that the OECD/DAC looks at laws and regulations, but it has no hardcore evaluative criteria for the actual operation on the ground.

We feel that that is a gaping hole, but what we dealing with it. We are just commenting on what we have which is the laws and regulations.

No more need for a procurement manual for contracting entities and the procurement documents in accordance with international standards. It is really left to local standards.

Decrease the protection of bidders, something those of us who are bidders in the room here care about. We think it should be strengthened that all evaluation criteria are included and a stipulation for lowest evaluated cost is the sole award criteria.

A clear method for evaluating non-price criteria that has been something worked out where typically non-price criteria are transformed into a numerical value that is not a requirement today. I think it is too much subjectivity.

The amount of time for bid preparation, providing bidders with all the information needed, there are some assurances that have dropped, as you can tell. All pre-qualified applicants are allowed to bid.

Bidders with a record of bid opening and explicitly deny the bids received after the close date are excluded, that certainly should be there. We have talked about recourse; we are certainly in favor of the Bank staying very involved in however these pilots move forward until such time—and specify in advance how currency and payment is handled.

These are where all the games are played to win deals. The protection that is in place now by the Bank's standards are important.

Those were some of the hardcore details. What we have captured here are how the indicators rank up in terms of requirement for a three, requires a two and then a capacity development plan. Unfortunately, that again is in the loan agreements, which are not available, reliably available at all in the website. And then, what requires a number two. And I really encourage you all to log on to OECD website and take a look at Version Four. The detail is there. It takes a little going through but it is important you be informed about what these indicators really consist of, other than the categorization--

7D and 9E, a point I am sure--7D only appears in the French version of the OECD/DAC. It does not appear in the English version and so 7D does not show up in the criteria. But I think you will want to have it show up because 7D is a requirement that countries permit open competition in conformance with best practices.

9E is the Bank methodology. It is in the OECD/DAC but it is not in the Bank methodology. Because of that, the Bank does not categorize the need for well-trained and knowledgeable procurement auditors as critical, which we think you probably want to.

So when you take these things and you pull them together, we did a comparison with the '05 proposal and 05 had 77 indicators that boiled themselves into this and some key ones we think have been left behind.

Now we are looking at 40% of the sub-indicators require full compliance, some have been downgraded, however. Others watered down and again, that is the World Bank's own words. And many others are less rigorous than the ICB. So let us take a moment and move on to the ICB and the notion of equivalence.

When we look at the detailed methodology, I will not read all of these aloud and I have copies of this presentation for folks. But the indicators are much more ambiguous than the ICB guidelines. There is not the same amount of rigor required in the OECD/DAC baseline indicators. They lack meaningful assessment tools for operational practice. We have talked about validation. I know in the OECD/DAC, it is supposed to be a self-administered tool, with this self-administer this validation, but I heard you say today that the Bank is going to be involved in that so that will be interesting.

We have talked about loan agreements and how they are available. It is unclear to us why some of the sub-indicators are critical, others are not critical and we have heard comments earlier today as well.

It is unclear to us how you look at the CPAR, the NCB side letter and the OECD/DAC assessment factored into a measurement of equivalence. There is no methodology for that laid out and what is actually going to be a measure of equivalence is my understanding, and that is really where the rubber meets the road because page five of this document and all of the reassurances given the industry have been around attaining equivalence. But at this point there is no way to comment on what that is to be, except this critique.

Unspecified timeframe and let us talk about the capacity development plan. Bernard, you mentioned a short time for capacity improvement, but there is no detail or guidance in here about how that will be assessed or validated. And many of us who worked around the Bank for years realize that it is tough to follow up on conditionality in the loan agreements.

We think there are a few areas where we would say the guidelines are acceptably covered by sub-indicators. A point under the one lower left where it says fraud provisions in the bid documents of large contracts. We have heard a lot of discussion about large and complex contracts. That meaning may change but typically it is been 10 million or more and there is a handful today that fall under this.

I think with the large increase in infrastructure spending by the Bank, we should all pay close attention to this clause and how it plays out because there will be a lot more protection to bidders if we can make sure the detail is provided here.

So, you see: notification and advertising, standard and brand names, dispute settlement, mis-procurement and joint venture. Those are the areas in our opinion that are acceptably covered.

But when you look at the ICB guidelines, there is a lot here that is omitted. We think about 12% of the guidelines are covered and another 88%, to throw out numbers, are not covered.

We highlighted a few in the next press of your button. Clarity of bidding documents, pre-qualification, some you have heard me mention. The award of contract eligibility, really key areas where we need to go back and take another look. They are not adequately covered today.

So in conclusion, the methodology does not improve upon the withdrawn O5 proposal. The proposal offers no methodology to really assess the day to day operational procurement practices and we cannot comment on a methodology that is not made part of this process. It does not measure equivalence. If you had another way that you going to look at equivalence it would be really appropriate to let us understand what that would be and to be able to comment on it, and the essential proposals of the tool, really in the second or third flowchart, I think it is flowchart number four, is where the compliance and risk assessment tools come into play in actually selecting a country without having the details of those--we are at a lack to be able to comment.

I think we are done. There we go. You saw those at the outset. And our final assessment is that it is a step backward in effective and accountable international procurement. It runs counter to good governance, sustainable economic growth and in closing, I would just come back to say, this is not about raising a bar higher than the bar already in place today. It is about effectively measuring how countries are meeting the bar today and ensuring that we maintain, in the words of this proposal, where the Banks processes and procedures are being implemented today.

I thank you for taking the time to let me provide the detail. We have had some analytical documents that accompany this and what I would ask is that this, as well as these analysis papers, be a part of the posting to the website please. Thanks.

Peter Harrold: Just as the proposal is a lot to absorb, this is a lot to absorb but thank you for the great care and attention in analyzing the proposal. A lot of very serious points and we are going to have to sit down and look very hard, point by point and see how we can improve the proposal.

We want to have a workable definition of equivalence. We do not want to have one that is vague or incomprehensible or does not give reassurance to people. So we take this extremely seriously and it is very helpful. Obviously, we have to sit down and go point by point. Let us see how we can revise the proposal.

Bernard Becq: Thank you Diane, there are several aspects that I think we really need to sit down, go through everything because there are a lot of things which could be clarified. There are the issues of the disclosures, the CPARs, loan agreement, CPARs posting on the website. Definitely, we will go back and look at why they are only fifty, the only ones which could not be on it are those where the borrower would have specifically objected to this, but that should not be resulting into only fifty being posted.

On the previous assessments, I think one thing is the countries which could not pass. We have got a few comments from people who tried to run it to say which countries would not pass, would require to go through the whole exercise. As you know, as part of the monitoring of the various declarations, there is some reporting. There are 22 pilot countries, and a number of others have used the tool sometimes as part of the CPARs, in particular in middle-income countries. So there is a little bit of information, but not of course the ability to answer, because to answer this would require that we would conduct a review...the size and in fact there are 180 of them so that would be—

I think on the charts and how it works, that is something which I want it corrected because you are right, it does not work. The CPARs, the NCB side letters, all of those are Bank products and this is part of what would go into guidance to assess as we do it, the 54 sub-indicators. This is how it would play out, and of course the charts has the NCB side letters on the wrong side.

Peter Harrold: Is there any country that has not had a CPAR? I mean, they are not all published.

Bernard Becq: Not all are, we do have. And the only ones who would not be posted may be those where the borrower has objected to—

On the UNICITRAL Model Law, the budget in your agreement, New York Convention of Foreign Arbitration—I mean these are not Bank tools, we have participated in the UNICITRAL, I have my colleagues from the legal department. You are not the first one to raise those issues of how we would introduce, so that is an area, which is open. Then you have the whole list.

My main clarification on this and again, and I would really welcome to sit with you and others to go through each of the 54, because this would be tedious. That a lot of the equivalence assessment is not in the OCED/DAC tool. It is in the second phase of the country-level assessment and the Annex 4, which we have, where we go paragraph per paragraph. But it is absolutely essential that we can choose a process to go through all of this.

You came up with this 12 percent versus 88 percent. I believe with the assessment of equivalence and then the performance assessment because a lot of what is stipulated in the guidelines, procedures for bidding and all of these things, they will be in the performance criteria. So it has to be seen complimentary, I just wanted to make this clarification because I think it is important. I will stop—

Steve Canner: I just want to ask that we have this sit down before we pull things together and have this discussion?

Michael Sanio, American Society of Civil Engineers: Thank you very much I really appreciate this discussion on country procurement systems. I am Michael Sanio, I am the Director of International Alliances at the American Society of Civil Engineers. We have worked very closely with the World Bank, FIDIC, as well as the World's Federation of Engineering Organizations on Corruption and have really benefited from the relationship and I believe the Bank has benefited as well.

What I would like to suggest is this notion of some kind of an informal working group. I get a little nervous when I hear an advisory Board, but this is a very complex area. There is a lot of interest within our industry. We represent, through our members about 10 percent of global GDP, about 5 trillion dollars in things that are being designed and built. What I would like to encourage is some kind of an informal working group where the voice of our industry is reflected in the proposed revision to the procurement. And that this body be involved not only in structuring the pilot, but also being a resource as the pilots are being executed into the future.

Jeff Gutman: I think one thing coming out of this discussion in particular that I am sure from others is how we—what is the appropriate way of doing follow-up as well as continuous monitoring.

Let me come back just a few points out of Diane's presentation. I think obviously one needs to go piece by piece—because a lot of it relates to the specific indicators: whether you get a two or a three. What does it mean to get a two or a three and what is sufficient and what is equivalent? I mean, there are a lot of definitional issues which we need now. That and we should get a sit-down to discuss that because that is very important. I think the other part is on, if there is a problem with presentation, where we have it covered but it covered in the secondary part of it.

Right, because I must say the team has worked extremely hard to taking the experience of the first one to build on the OECD/DAC, but to work through a much more extensive, with a follow up that comes in terms of the internal review and assessment of how things are implemented on the ground which is going way beyond OECD/DAC is critical. And we consider that critical to the viability and credibility of what we are proposing to be able to address a lot of the issues which are not addressed in the OECD/DAC. So that is the first count and the question is how the other items come to play to be able to address some of the weaknesses. So I think there are several items. What is the two versus three rating? What is sufficient, what is not sufficient in going forward? What are the specific ones that we need to move from two to three or maybe three to two? How do we work where the OECD/DAC does not cover something? How do we work that in terms of our own systems? And then ultimately how do we work this monitoring and feedback group?

I think you can take it this way, it depends on how you structure this, but I think we need to sit down and go one by one because that is the only way to really insure, especially those that as you have gotten into the details of how this works, yet the devil is in the details, and it really is important to have that kind of conversation on that, and we are offering that very much so. Other comments? In the back please?

Jeanmarie Myer: I just have a quick question. Recently, I was at the DAC Joint Venture meeting on Procurement and I attended the Capacity Development workshop at that meeting. One of the participants or several of the participants from the participant countries mentioned about the—they said we keep getting training and training but our capacity really does not improve.

My question is, this proposal really, the capacity development pieces of this proposal will put a very important component of the success of this project. What, if anything, are you doing to look at the capacity development that has been out and what we are doing in that and what areas may be looking at that again and looking at making changes to improve real capacity development?

Bernard Becq: This is clearly a critical part of the whole exercise. The term capacity development is actually better than the capacity building, which is usually considered as the training, and you train people and then they disappear. Indeed, at that meeting in Copenhagen, it was a very extensive consideration.

We have not, at this point, looked on the systematic basis, what were all the capacity building initiatives, which have been conducted. Clearly, this is one of the key aspects we will look into for each country.

I mentioned that as part of the information we would rely upon, there are all the CPARs action plans and a lot of them have to do with capacity developments but there is also the broader context of the diagnostics of the Bank and in particular, public service reform. You have sometimes DPLs: Development Policy Lending conditions that have to do with procurement reform so there is a whole wealth of information and we have listed those we shall look into when we do the assessment, but there is no generic initiative to look at, "what has been done?"

Jeanmarie Myer: Can I suggest that we should do that? I think that we have been putting out a lot of capacity development in the procurement area for a good 15 or 20 years now. I think we have some, our lack of success proves that our approach is probably deficient.

I would like to make one more comment, just to comment on the UNCITRAL Model Law that was brought up—the UNCITRAL Model Law, a lot of the countries that we are working with, we have launched procurement reform projects and legal reform and a lot of it is based on the UNCITRAL Model Law, their new laws.

The UNCITRAL Model Law was not really written by procurement experts as such, it was more trade and trade focused. I think the law is basically flawed in some very important respects. And I think that if we are looking at, if we try to do particularly the equivalency assessment that you are talking about, it is going to be more complicated because their basic legal structure is based on the UNCITRAL Model Law which is I think we all, I mean many of us recognize that it is flawed. What are you going to do about in the equivalency assessment, how are you going to address that?

Bernard Becq: Well, I agree. This is why the Bank has not recommended the UNCITRAL Model Law as the one model. When we are involved in a lot of these capacity development initiatives, we do not advocate the UNCITRAL Model Law and it is also one of the comments I made earlier.

Now, to me this is a different issue than the equivalence. I really understand equivalence in this context, as equivalence with our Bank policies and guidelines. My legal colleagues have gone but they participate in the UNCITRAL, and actually, there is a paper which we produced about two or three years ago I believe, which identified all the missing elements of UNCITRAL, something which we could also share but it is not a core issue for our assessment of equivalence.

Jeff Gutman: To talk on the capacity side, because I think that is a crucial question for us and that is at the heart of whole idea. Actually, one major benefit, if we can get this assessment right, is to be able to identify the gaps to be able to target capacity building. It is also the instrument that one applies for capacity building. Traditionally, we had TA, part of our loan, kind of going; it gets kind of short trips. So, how do you do it? Where I think we have had the most successes when you work together with a unit and a ministry and you are actually learning by doing in many ways on procurement.

In fact, if you talk to our Chinese colleagues, one of the benefits they would point to of all the years has been project management and procurement. That was what they got most out of the Bank, in terms of upgrading their own skills. I think if you look throughout the world, frankly, there is much more happening on capacity building than we may give credit for, but it is like over time and it is like it has come together. And then there are areas where we have been working for years and we have not moved. For the reasons that were mentioned this morning, in terms of civil service reform and just general public administration problems or governance problems.

I think that is at the heart of this, is to make sure you can use this. One thing is to work in the countries and find the areas where you can move the agenda. But even in the poorer countries to find the gaps, to be able to address it. But then, finding the right way and I think under harmonization, it is not just harmonization of rules and policies, but I think different donors who are doing different capacity building and where it is working now is when we work together and actually put our heads together, and work on the ground.

We definitely have this issue of “you can ring fence project” and totally protect it versus trying to work with the institutions. This is at the heart of country systems, is how you do that, finding the right time to be able to say, “no, we will work with the institutions and there may be certain risk factors but then you put in other measures to be able to protect against those risks.” But, the most important, beyond just making sure that the project itself and project financing goes where it needs to go is using that as a way of lifting the capacity of the institution.

But it is a fine detail which is challenging but you can see even in the poorest countries you will find certain ministries. I have actually seen it with some of the MCC projects where it works very well in some other ministries in the country--I think going back and looking at how it works and why it works and what are the instruments to make it work, and it is changing the way we do it.

I think harmonization and alignment is a big part of it. The other part is decentralization, having people on the ground has since made us be able to be more responsive and understand what the needs are, and I mean, the Bank's decentralization hopefully helps to move that agenda.

Nancy Boswell: If I could just add a couple of quick thoughts before we close down. One is, while we are talking about capacity building, I know that working with civil society, the private sector, the bidders, the engineers and other civil society groups, is something that you have been thinking about in terms of capacity building when you look at procurement, third party monitoring including citizen oversight.

Articulating what that is going to look like I think would be very welcome. Two questions, one in terms of timeframe, given all the points that have been raised and I am sure raised in other consultations, how do you see this going forward if we have 10 days or so until the deadline? Then the holidays are coming in and then taking this forward to the Board?

I guess it takes me back, did you see this as an ongoing process because clearly we would not be ready to look at certain things. You will not have certain things ready until January-February.

And finally on resources, I mean, it does strike me that this is going to be very resource-intensive for all of you to get this right and as I understand, resources are already thin, particularly around the procurement area, so clearly you do not want to take away from the poorest and those most in need of help to make this thing go right. Are there substantial additional resources contemplated to do this?

Jeff Gutman: Let me just quickly respond to that on the resources side, it is fully recognized, you are not going to get any incentives on the ground unless there is some resource behind it to be able to assess it. That is what we are working on.

We actually have estimates of what this country system pilot's work should cost. We presume that once we come back to the Board and agree on the way forward that we have priority to be able to have resources appropriately.

On the timeframe, we are now set to go to the Board by the end of February and it means having a document kind of we have to do our internal management review probably the end of January, beginning of February. So we have added extra two

months to the process to be able to go after a lot of the issues and be able to ensure that the consultation is correct.

Issues that have come up today, particularly in the presentation that Diane made, we can work a discussion on that, but a lot of this is an ongoing process. The question is, "Do we have enough to start?" and "Are we prepared?" and we are going to have to make that judgment and then the senior management, including the president as well the Board.

Diane Willkens: But we do not have to panic that when December 20th comes, we never have an opportunity to--

Jeff Gutman: No reason to panic. At least not yet. But we will try to do the meeting in details as much as we can before.

Anthony Leegwater, IRIS Center: I realize that we are towards the end here so I will keep this brief. I am Anthony Leegwater from the IRIS Center at the University of Maryland. In the IRIS Center, we are often concerned with how things are measured and they are actually measuring what we think we are trying to measure. So I wanted to return to perhaps the most popular topic today which are the 54 indicators. And I noticed in looking through the indicators that a lot of them had to do with sort of this system, the rules, the frameworks, the procedures and a lot of top-level things, and I wondered whether to what extent are these assessments going to be based on, the actual performance in adhering to these rules and procedures because we all know that you can have the nicest set of laws on the books and people do not actually follow them sometimes, particularly at the local or the project level, so I wondered, sort of how that is being assessed as part of your process?

Jeff Gutman: That is very much at the heart of this. Bernard, you want to tackle this?

Bernard Becq: Yes, that is absolutely the crux of the matter, which is why we separated the country level where you have the broad data assessment against the standards of the 54 sub-indicators and then the equivalence to our policies and the pilot projects, which will require an assessment of their performance and that includes of course, adhering to whatever rules and policies would have been vetted at the country level, and as I mentioned, this is very much because, we know from experience that you have weak countries with strong executing agencies, you have strong countries with highly developed systems where you still have agencies or sectors where things are not working properly, and this proposal to review at the project agency level, performance, which includes some of these things Diane has mentioned, planning for bid and all of these things--adhering to the policies and then the risks which will be involved, so very much that is at the core of the way we have structured the proposal.

Peter Harrold: The one point I would make here is that it's certainly true that having the right framework is no guarantee of performance. That is absolutely true. At the same time, it is very unlikely that you are going to get the performance if you have not got the right framework. So the framework is the initial screening out, if you like. Do you at least have the right legal policy and institutional framework that suggests that you might have decent procurement and if you do, you get past the first hurdle of being a potential. And then we go into, it is this sequential testing, it

is like being at university. You have to get through your first year to make it into the second. This is a bit like that. This is kind of the first year exam. But the performance stuff is really what the finals are all about.

Jeff Gutman: I am obviously not going to try to sum up because that would be too difficult, and we would be here longer than probably this session. We will be posting and we are working on how to post these things so you can actually go through and see your comments, how we responded, at least the issues that have been raised. We obviously need one more, we need a follow-up meeting with a small group of people who are interested or anybody interested can get together on the details, in terms of the indicators and such, which we will schedule. Diane, and other people that want to come, too, please indicate to us.

I am not sure when we will get it up on the web but we are trying to proceed with so many consultations going on simultaneously and sequentially, we are just trying to catch up because we still have three more consultations going on—New York and three, LA and Chicago and then one here and with CSOs later on in the week.

Let me thank you. This is an extremely important initiative for us and for our client countries. It is something that our partner institutions also, the other multilaterals, who are watching obviously very carefully because they want to see how we can proceed on this. It is very useful; there are obviously various elements to this that we need to take into account. Many of you, as I have said before, have worked with many countries outside of World Bank systems, and if you have, and you have countries that you think actually would be appropriate to think about for piloting, it would be nice to get that kind of feedback as to how we go forward.

As we refine the methodology, we will take a lot of these into account and there is a work in progress, obviously. As we are talking about a pilot, it is going to take much more, and so in how we monitor, how we engage, whether it is an advisory group or informal group or whatever, it is something we need to consider as we go forward, given the range of people who want to be involved in overseeing this and obviously we want to push as much as we can on the element of disclosure of information. We are moving more and more in the Bank to press that. Obviously, we have got to bring countries along and we are working towards that increasingly.

So on that basis, I want to thank you all for coming. I want to invite you to stay engaged and appreciate the frank comments but also the constructive way in which they have been presented. We look forward to working further with you. Thank you very much and thank you to Whitney. Thank you.

00:59:35