



BIMILACI 2007

Partners for Quality Infrastructure

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IADB, Washington DC
May 10 and 11 2007

BIMILACI 2007 took place at the Inter-American Development Bank's headquarters in Washington DC, on May 10th and 11th, 2007.

DAY 1

OPENING ADDRESS

I- Opening remarks Mr. Daniel Zelikow, Executive Vice President of the IDB

- a. Thanking all representatives for their participation;
- b. Since there are opportunities for business and value for money, the right procedures should be implemented;
- c. Two years ago: Procurement reforms were implemented in the IDB with a shift in the procurement process through harmonization, less cumbersome procedures, training of personnel, especially in the field, more transparency, common definitions on fraud and corruption;
- d. Harmonization and alignment among the MDBs under the Paris declaration: standardizing bidding documents; procurement assessment and its tools;
- e. Global need for transparency, efficiency, economy and effectiveness;
- f. Support our borrowing countries through participation in many conferences such as OECD-DAC.

II - Opening remarks from Dr. Jorge Díaz Padilla, President of FIDIC

- a. Conclusions drawn from FIDIC Meeting in Beijing with representatives from WB, ADB and Government of China: The consultants should be included in decision making process at the strategy level and have an active role in the adaptation of the policies.
- b. The Executive Vice President of the ADB highlighted that consulting activity should be conducted with:
 - i. Honor
 - ii. Quality
 - iii. Infrastructure: The message from the field is that there is need for sustainability and therefore quality.

=>**Conclusion:** Need to develop a relation of trust between FIDIC and the MDBs, and seek more integrity.

III - FEPAC

- a. Thanking remarks to IDB, WB, FIDIC;
- b. Topics to be discussed: Competition, integrity and quality;
- c. The general objective is to avoid low quality services.

IV - Opening remarks from Sabine Engelhard, Chief A.I. PRM – IDB - Report on progress since the last meeting

- a. BIMILACI is an opportunity for dialogue with consulting industry which is an essential partner to exchange ideas, share views on development in our world, help improve policies and procedures, to improve service delivery;
- b. Developments since 2005 at IDB:
 - i. More harmonization: common master procurement document;
 - ii. Anti-corruption;
 - iii. Common procedures to fight corruption;
 - iv. Common training sessions;
 - v. Common procurement assessments in country;
 - vi. Common tool to evaluate country systems in procurement;
 - vii. Working towards an increased use of local consulting more use of industry of consultant especially locally.
- c. Adaptation of the procurement policies: Increased feasibility and accountability in the procedures;

- d. Way forward: building sustainable country capacity, risk management and country results frameworks, stressing outcome measurement, monitoring and reporting, etc...

V - Opening remarks from Enrico VINK, Managing Director of FIDIC

- a. FIDIC today: 75 countries close to 80 at the end of the year; 35000 consulting firms amongst members; represent entire consulting industry and speak in one voice for the consulting industry;
- b. Evolution of FIDIC and its activity: FIDIC continues to grow but struggles to meet this demand: lack of skilled resources so risk of impact on ability to work unless we can do something; issue of integrity is important; development of capacity and sustainability. Very active in development of new products and new tools;
- c. Why in BIMILACI?: because it is the only opportunity to talk with the MDBs and to look at better ways of harmonizing and to focus on the value of investments; to share views to achieve our objective and influence some MDB activities for more collaboration and development out in the field, to improve quality of our service.
- d. Since 2005: 6 key findings:
 - i. Harmonization
 - ii. Country systems
 - iii. Corruption and integrity
 - iv. Quality in procurement
 - v. Capacity building
 - vi. Use of local consultants?
- e. Today:
 - i. Are our systems really sustainable?
 - ii. What are the real issues to be tackled in the area of integrity? Is there an opportunity for collaboration? How can we tackle the roots of the problem?
 - iii. Sustainability: what are we trying to achieve? Do we have the tool to achieve that?

BUSINESS SESSION 1 – REDEFINING QUALITY

Moderator: Rafael Hernandez - IDB

I- EFFECTIVENESS OF THE WORLD BANK'S POLICY FOR CONSULTANTS – Gian Casartelli, WB

- a. Study objective: Assess effectiveness of the Guidelines in “leading contract allocation”
- b. Finding 1: Efficiency and economy
 - i. In 50% of the cases, it takes more than 11 months to prepare a short list and each technical proposal contains 400 to 700 pages
 - ii. Need for efficiency but there is a fragmentation since ten years ago since 10 years ago.
- c. Finding 2: Participation
 - v. An average of 21 consultants/consulting firms express their interest; then it takes almost 6 months to establish a shortlist. It leads to a worrying conclusion: the top consultants do not participate in the process: only 12% of participating consultants/consulting firms belong to the top 10% of consulting firms;
 - vi. Need for innovation in our Banks and need for improvement from all sides;
 - vii. How much innovation do we want to encourage in national capacities from top consultants?
- d. Finding 3: Quality
 - i. QCBS should not be used as often;
 - ii. Way to price and evaluate quality are very rigid.
- e. Finding 4: Opportunity to compete fairly
 - i. Forcing geographic distribution is a source of high risks, including from an integrity viewpoint as it increases the possibility of selecting an unknown consultant;
 - ii. Need to balance the selection and improve short lists;
 - iii. Careful wording of the advertisement.
- f. Finding 5: Evaluation Committee

- i. Need to have competent members of the selection committee for issues of transparency ;
 - ii. The guidelines do not specify who should be a member of the evaluation committee.
 - g. Finding 6: Evaluation Results
 - i. The study finds no correlation between quality and price, but still finds same technical scores for differently priced proposals;
 - ii. Award to lowest priced proposal in 67% of the cases.
 - h. Finding 7: The scoring formula
 - i. Favors higher priced proposals;
 - ii. The range of technical score is very narrow: no particular explanation other than the clients know the formula;
 - iii. The scoring formula depends on the lowest price so consultants cannot predict the end-result, but makes it difficult for clients to calibrate the scoring;
 - iv. The formula itself creates a distortion in the ranking.
 - i. Finding 8: National consultants
 - i. Most contracts are awarded to national consultants: no explanation for that finding other than development consideration by the client, or to lower prices, or the types of services required;
 - ii. But: there could be a loss of quality to the use of national consultants only.
 - j. Finding 9: Transparency
 - i. Issues of transparency sometimes arise as a consequence of a lack of discussion among the members of the Committee.
 - ii. Differences on the results of the evaluation show that there is a strong concern in that regard.
 - k. Warnings
 - i. Elaboration of the evaluation committee
 - ii. Composition of the evaluation committee
 - l. Recommendations:
 - i. Enhance efficiency and economy: consultants should pay a fee to ensure that they want to be involved in the process.
 - ii. Strengthen consideration for quality by: 1) rephrasing the guidelines; 2) clarifying principles of the guidelines; 3) using QCBS and SSS less often as it only adds little value to the process of selection.
 - iii. Balanced short list and link to a suitable selection method
 - iv. Other recommendations centered around the general idea that QCBS should be used less often.

II- THE FIDIC RESPONSE (Jorge Díaz Padilla – FIDIC President)

- a. FIDIC focuses on quality, but finds that there is a need to agree on what quality means. FIDIC recalls the need for a basic framework for the discussion to avoid lowering the level of quality in procurement as:
 - i. The lack of sustainability is a risk as it might trigger an increase in the number of disputes;
 - ii. Quality should be priority in project-life cycle;
 - iii. Competitiveness should be increased.
- b. FIDIC's mission: develop global Best Business Practices for the industry through:
 - a. Careful selection of competent consultants;
 - ii. QBS is the best selection method: FIDIC does not support QCBS which started to be used when the issue arose as to whether national consultant should be selected rather than international consultants. However, experience showed that it worked against the selection of national consultants and it made it harder to find national consultants;
 - iii. Evaluation committees: They are often not competent and not fully integrated. FIDIC believes that QCBS does not require that members of evaluation committees be competent.
- c. FIDIC supports Best Practices & integrity :
 - a. Because integrity is quality. But integrity must be integrated in the procurement process;

- i. The contracts should be harmonized. FIDIC does not support country system because it finds that there necessarily is a discrepancy between the different countries.
- d. Moving Forward: 1) Focus on QBS and integrity; 2) Create strong evaluation committees because it is the weakest link in the selection of the consultants; 3) Recognize sustainable development and capacity utilization to retain skilled personnel; 4) Find partners for quality infrastructure.

III- SUMMARY OF THE PRESENTATIONS (Rafael Hernandez)

- a. Effectiveness of Bank's Policy for Consultants: Issues regarding the establishment of a shortlist (i.e. unbalance)
- b. The FIDIC response:
 - i. Need to take a holistic approach and head towards "managing for results";
 - ii. Problems start with the lack of specificity of the definition of the project;
 - iii. Concern about the composition of the evaluation committee.
- b. Integrity: It is a priority at the IDB and progress was made in that regard.
- c. Others remarks from the mediator:
 - i. Questions: How do countries deal with protests ? Countries manage the process more than before but do they have appropriate mechanisms ?
 - ii. The IDB has recently approved a new lending framework available (it can be downloaded) which emphasizes the Bank's responsibility to develop countries' national systems. The countries do not want to rely on rules they have not adopted. As a consequence, MDBs need to help them develop their own systems.
 - iii. Our clients are strongly in favor of QBC.

IV- OPENED DISCUSSION

A- QUESTIONS

QUESTION 1: Do the study conducted by the WB and its conclusions indicate that there will be policy changes in the selection of consultants? What is the probability that it will lead to changes regarding the selection by QBS?

QUESTION 2: Improving country systems is one objective and that objective was approved by the industry. Where are we in that process?

QUESTION 3: The consulting industry is concerned with issues of quality, integrity and sustainability in the projects and is concerned by the fact that top consultants are withdrawing from selection. The industry wonders how much quality the MDBs want ?

- ⇒ If it is as much quality as they can afford:
 - How much quality, integrity and sustainability do the clients want?
 - What do you get back from partner countries ? Are they prepared to go and sign the ICSID Arbitration Convention ? Do they have to sign other relevant Conventions such as UN Convention against fraud and corruption?

QUESTION 4: What will the Bank do if the countries disregards arbitration standards?

B- ANSWERS

Procurement Policy Office, World Bank

- There is a difference between the guidelines and their applications: even where there is a poor application of the guidelines, it does not mean the guidelines do not provide for good procurement. The WB does not want to be too restrictive in their guidelines. Revising guidelines would therefore face opposition and be seen as going beyond the mandates of the WB.
- Regarding CQS: the issue can be better addressed in a guidance note than in the guidelines.

- We need to make delays shorter, increase the quality of TORs and participation, and to hire more local consultants.
- Regarding QCBS: the correlation between price and quality can be improved but the bottom line would be 80/20 in QCBS.
- The notion of country systems is misperceived. The WB will not rely entirely on country systems. As of now there is a need for capacity building for the consulting industry on that specific issue, but it cannot be the sole responsibility of procurement.

OPCOS, World Bank

- In a selection process, including QBS, cost issue is and will always be a criteria of selection. CQS is barely used.
- The WB's objectives in pursuing country systems initiatives are to improve quality in procurement, reach the right standards and maintain those standards. The Country system approach is only intended to increase procurement quality standards. The change to country systems must be gradual and progressive given also that the WB fears that countries will want to maximize procurement opportunity rather than to increase quality.
- Once the system is in place and accepted, the question of which techniques should be used to assess the country systems will arise. Which conventions must have been adhered to? Which protest systems?

FIDIC: The evaluation of consultants on their own offer and their own price is risky.

IDB: Countries are moving towards strengthening their national systems and managing by results

- Need to support that initiative
- Harmonize and then move to country systems

World Bank

- Arbitration is not mandatory: It is a matter of supervision and leverage with the country but the Bank cannot be prescriptive.
- World Bank alone can't change its guidelines, since they were harmonized.

AfDB: To reassure FIDIC: The AfDB has a project to modernize the procurement system of the countries and proceed by phase since 1) the Bank must see what is in the country; and 2) determine where we need to make progress to define standards from the outset.

FIDIC

- Regarding QCBS and QBS, there is very little dispersion between competitors and price becomes an important tool for decision as:
 - ⇒ innovation disappears because it costs too much money;
 - ⇒ there is a chance that the least qualified personnel be qualified;
 - ⇒ work from previous projects be re-used for the new project.
- The issue is as to how to make things work and how much quality is requested on the project. Whatever system is used, FIDIC wants to see it work and is concerned that it will not work properly and quickly, baring in mind that the work performed has consequences for the following years.

C- GENERAL COMMENTS

ABOUT COUNTRY SYSTEMS

COMMENT BY EBRD

- The general system needs to be balanced: the Banks want to lend and the client, on the other side, does not know how to select nor supervise the project. The selection is only a small component of the project.
- Regarding EBRD's experience on QBS and QCBS: There is no need to amend the policies; in practice QCBS is increasingly used. The procedure used is as follows:
 - ⇒ EBRD makes a budget estimate internally and then publishes its estimate. It will select the consultants that come within that budgetary envelope;

V- CONCLUSION OF THE SESSION

- Need to reconcile the interests of each actor in the procurement process:
 - ⇒ The IDB has a fiduciary responsibility to see if the funds are used for the purpose for which they are intended;
 - ⇒ The countries have legitimate interests in developing their own systems and IDB has the responsibility of helping them;
 - ⇒ The private sector has an interest in having reduction of costs, good rules, etc.

BUSINESS SESSION 2: QUALITY IN PROCUREMENT

Moderator: Cristian Santelices – IDB

I- BEST PRACTICES IN THE SELECTION OF CONSULTANTS - Greg Thomopoulos - FIDIC

A- PRESENTATION

- a. Highest quality at the lowest price: priorities are incompatible:
 - i. Consider potential risks;
 - ii. Maximize benefits to the clients.
- b. Quality in the projects:
 - i. Quality has been deteriorating;
 - ii. Demands for services are greater than resources. As a result, many companies have chosen other projects where they would have more resources to perform.
- c. Causes for the deterioration of quality in projects:
 - i. Problems arise when price taken into account in the selection of consultants (i.e. QCBS);
 - ii. Poor design of the projects;
 - iii. Corruption in the procurement process;
 - iv. Incompetent contractors;
 - v. Poor project management;
 - vi. Lack of resources.
- d. Best Practices
 - i. Best Practices should be ensured through the selection of consultants;
 - ii. Cost should be taken into consideration at all stages of the process, not only the selection of the consultants
- e. Purchaser should:
 - i. Be informed and guided to convey the objectives of the project: sometimes, it is not done very well in the TORs;
 - ii. Be able to evaluate and select consultants himself;
 - iii. Understand the risks and procedures inherent to project execution;
 - iv. Be able to follow through with the procedures and monitor the outcomes;
 - v. Be better equipped to incorporate quality-based principles to allow them to develop a sustainable practice.
- f. Who needs quality?
 - i. Everyone
 - ii. Best value does not always mean best cost: FIDIC believes that it requests good quality design of the project.
- g. MDBs should select consultants on quality, not QCBS
- h. Quality in selection procedures and design results in fewer costs and better quality.
- i. Next steps: FIDIC wants to switch to QBS arguing that the major clients who have used QCBS have switched to QBS, such as New York City, and the Japan Bank for Industrial Cooperation.
 - ⇒ **Conclusion:** Quality-based principles should be incorporated in the project to increase quality of said projects.

B- QUESTIONS ON THE PRESENTATION

QUESTION 1: Regarding the need for informed finance: Where do we need to make more progress? On the client, or on the finance itself?

Answer: Education is the key: we need to educate the client on the best value for price paid. Finance has a role in it because they want a quality outcome.

QUESTION 2: Quality comes first, but couldn't there be circumstances where the consultants could exaggerate their qualification to provide the services to win the contract and then negotiate the fees?

Answer: Because it takes time to award the contract, often enough the personnel proposed by the company is not available when the contract is awarded, and that affects the quality. The results from past experience show that a good measure is linked to a good performance.

C- GENERAL COMMENTS

COMMENT 1: The method of selection of the consultants cannot be linked only to the outcome. There are lots of things to factor in. Isolating one factor would be too restrictive.

COMMENT 2: The countries should be consulted when choosing which method to be used for the selection of consultants, and especially in long term projects, because it is their money. Therefore, the question should be "what is the best selection method based on what we need?". But the TORs have to be well-defined. It is not only either QBS or QCBS.

COMMENT 3: Consulting services are not a commodity because there is an intellectual input critical to the physical realization of the project.

II- A NEW APPROACH TO PRICE IN CONSULTANT SELECTION - Angelo Vian - FEPAC

A- PRESENTATION:

- a. FEPAC recommends that consultants be selected based on a combination of the evaluation of technical proposals and the price, giving a higher importance to the technical component. It also recommends that the formula used to evaluate the price proposal be based on market prices.
- b. FEPAC requests that the MDBs include in their requirements for loan concession criteria ensuring the best technical quality of the services at a fair price, compatible with the required quality, i.e. QCBS.
- c. FEPAC proposes to conduct a study jointly with the EBRD and the IDB, in each Latin American countries, on the harmful effects arising from hiring consultancy services at low prices. That study would facilitate the identification of the reasonable cost of the consultancy services, in connection with the cost of the project to be carried out.

B- QUESTIONS & REMARKS:

- a. WB: No clear benefit from the formula.
- b. ADB: did a quick simulation based on the formula used by the WB which seems to lead to awarding the contract to the proposal offering the least quality. WB's new formula is complicated: the Borrowers must be educated.
- c. FEPAC: when the formula was developed, FEPAC was looking for a formula with a fixed rate of exchange between quality and price to avoid distortion. But, because quality is hard to evaluate, the consultants want to be evaluated based on the merits of their own proposal.
- d. WB: The formula on which the ADB based its simulation is not a WB formula and has not yet been adopted by WB. Issue of quality is not taken into consideration in the formula.

- e. FIDIC: Regarding the issue of the “Informed Purchaser”: the budgets set up by the MDBs or any other entity who has that responsibility are inadequate to select consultants who are therefore underpaid. As a consequence, the proposals submitted in the process are often low quality proposals. The selection of consultants using QBS does not guarantee quality.
- ⇒ Questions:
- Is that good for maintaining quality ?
 - How much do we want to pay to encourage innovation?
 - How good is an in-house estimate for a specific job ? Example: An in-house estimate granted US\$800.000 to conduct the full survey for the construction of a 100 kilometer highway in a country in Africa. It cannot be done.
- f. FIDIC: Do the MDBs still have engineers among their staff to prepare the TORs or participate in the design of the projects? Do the client countries have staff? If not, the MDBs are not competent to evaluate whether QBS, QCBS should be used.
- g. EBRD:
- ⇒ Regarding the appropriateness of the fee levels: In a comparative study including the public and private sectors, the market was conflicted to the extent that the Bank could not give a firm and definitive answer;
 - ⇒ Concerning staffing and appropriateness of staff: Very junior staff is responsible for these tasks. EBRD does not hire engineers but bankers. As a consequence, the Bank out sources the preparation of the projects.
- h. WB: The WB still has qualified staff and experienced team leaders. Portfolio has evolved, and so has the profile of staff, as well as that of project management. However, within the countries themselves, there are wide discrepancies. The WB acknowledges that there is a weakness but also finds that there is no clear answer to that specific issue.
- i. ADB: It is not uncommon that project staff be too generous or too tight in the estimate. It is more often due to the inaccuracy of the TORs.
- ⇒ FIDIC could help prepare good TORs, more standardized projects and accurate costs estimates.
- j. FIDIC: How is quality measured? How are the reference costs defined?
- k. FIDIC: FIDIC has published new guidelines focusing on procurement principles. They include a standardized definition of consulting services to define best practices. Guidelines are accessible on demand and will be posted online later this year.

IV- QUALITY PROCUREMENT – THIRD PARTY REVIEW – Veljko Sikirica – IDB

A- PRESENTATION

- a. Scope of the assessment: pilot independent review of the procurement process in 6 EAs in projects financed by the Bank in 3 countries, including projects related to education, sustainable development, agriculture and Sanitary protection (...);
- b. PHASE 1: Evaluation of the institutional capacity of EA in procurement
- * Why this review?:
 - To evaluate proficiency of the EAs;
 - To verify compliance with Bank’s procedures and policies;
 - To rate potential risks;
 - To identify means to strengthen the procurement function;
 - To identify and recommend best practices.
 - * How?:
 - Review of all documents handled by the EA;
 - Review of all the documents within the Country Office.
- c. PHASE 2: Design and preparation of training programs based on the findings;

d. Conclusions:

- Good procurement management practices within the EAs; some of the EAs were rated as proficient.
- Weaknesses: in human resources; procurement cycle management and planning.

e. Lessons learned: There is a need for training, for a better institutional evaluation of the capacity of the EA and for closer monitoring.

B- QUESTIONS AND REMARKS

- a. FIDIC: The findings raise the question as to how people are trained how to join our efforts to be more effective on the human side of the procurement activity?
- b. Human resources is the weakest link, lack of competences
- c. The findings tend to show that the EA is the weakest link in the process. It raises the question as to the best way to collaborate to make them stronger.

⇒ Answer EBRD: EBRD participates in the project preparation phase which implies selection by the Bank itself. Selection committees are composed of 3 to 5 Bank staff of similar rank and seniority; they are from different reporting lines. The Bank also uses e-selection for selection of consultants to speed up and simplify the process. The Staff should be rewarded for participating in that exercise.

- d. The technical proposals are sometimes very voluminous. The number of pages should be limited (such as in the US DOT where they impose small fonts and limited number of pages). The ADB started to do that 10 years ago and is very strict, inflicting penalties to those who do not respect the requirements. That effort also allows to reduce the costs because it requires less translation, less material, etc.

⇒ Recommended for harmonization.

DAY 2

BUSINESS SESSION 3 – QUALITY PRACTICE - INTEGRITY

Moderator: Mrs. Dilek Macit - EBRD

I- PROFESSIONAL INTEGRITY GUIDEBOOK– Stephen Schwenke – IDB/WB

A- PRESENTATION

- a. Integrity is vital and yet sometimes nearly impossible because the systems are often built around unethical practices. However, the procurement systems must rely on ethics and integrity to achieve quality.
- b. Requests can be made to the speaker to obtain copies of the two reports used to build the ethics report discussed in that presentation
- c. General findings:
 - Global need to enhance ethical performance and find a way to see how to eradicate the vested interests that affect the system.
 - Quality is not just a concept, it is also an identity. Consultants want to be part of the process known for its quality because they feel they are in the right place doing the right thing.
 - The process must be fair in order to meet the consultants' expectations.
- d. Integrity in the MDBs:
 - Ethics initiative in the IDB. It is the only MDB that has an in-house program to enhance integrity;
 - Need for institutional strengthening and capacity building;

- Need to establish rules that are commanding rules but they are also a way of getting people involved.
- e. The speaker invited emails and calls for any question related to the matter

B- QUESTIONS:

WB: The WB recommends to create a common database and create common mechanisms to resolve discrepancies.

Answer: There is a list of blacklisted consultants and there should also be a star list as part of the public record as well.

II- FIDIC TOOLS AND INITIATIVES ON INTEGRITY MANAGEMENT– Jorge Dias Padilla – President of FIDIC

- a. Procurement systems based on selection methods provided for in the procurement guidelines of the MDBs are not effective and fail to provide quality.
- b. Integrity in business practices: FIDIC and the MDBs should cooperate to combat corruption.
 - ⇒ FIDIC is already involved in that regard with CICA to identify common grounds.
- c. FIDIC presents the Business Integrity Management System (BIMS): BIMS is a tool developed by FIDIC and FEPAC. FIDIC would like MDBs to take a look at the project and if appropriate endorse it as a recommendation for the borrowing countries;
- d. FIDIC also presents the Government Procurement Integrity Management Systems (GPIMS): GPIMS is a product designed by FIDIC and tailored for MDBs and their EAs. It is based on the protocols from the OECD on fraud and corruption and the UN Convention against Corruption.
 - ⇒ FIDIC encourages the MDBs to use that system in their activities. The product is now finished, but needs to be used by the MDBs.
- e. FIDIC disagrees with the publication of sanctions and related information. It finds that publishing such information is a source of dispute and conflict. It recommends that instead of publishing sanctions, the Banks used positive incentives in recognition of positive efforts.
- f. FIDIC would like to insist that the firms who have made efforts on integrity be recognized by the IFIs
 - ⇒ **Conclusion:** BIMS & GPIMS need endorsement by the MDBs and within the companies to avoid losing credibility

III- RED FLAGS IN PROCUREMENT – Sabine Engelhard and Miguel Toruño - IDB

- a. A joint study by the Project Procurement Division (DEV/PRM) and the Office of Institutional Integrity (OII) based on cases from OII investigated and substantiated between 2004 and 2007;
- b. DEV/PRM and OII analyzed some of the most common corrupt and fraudulent practices in project procurement. Based on those findings, the two offices seek to develop new mechanisms to help identify and prevent such practices, such as:
 - Training;
 - IT use for the database of Red Flags;
 - Dissemination of technical materials;
 - Monitoring the red flags program;
 - Disclosure of sanctions.

IV- TACKLING DEMAND SIDE CORRUPTION – Emmanuel Lomo - AfDB

- a. The list of sanctions of the AfDB is not published;
- b. The presentation focuses on:
 - Supply and demand: Where there is corruption, there is a “corrupter” and a “corrupted”;
 - Ethics in procurement;

- The definitions of fraud, corruption, collusion and coercion
- The role of the Anti-Corruption and Fraud Division of the AfDB and the new policies on whistle-blowing.

V- QUESTIONS AND COMMENTS ON BUSINESS SESSION 3

CICA: CICA's position is that you cannot consider that corruption is just a private sector issue that can be tackled by focusing only on private sector, but there is also an important responsibility of the employer as well as of civil society. CICA is acting alongside the other actors to curb fraud and corruption. It is also the Banks' role to help the private sector to resist and combat that corruption. So we expect MDBs to take some action on the wording of the contracts because, for us, it is a matter of credibility.

FEPAC: A clear and unambiguous document avoids issues of fraud and corruption.

BUSINESS SESSION 4 – QUALITY PROJECTS IN INFRASTRUCTURE

Moderator: Cristobal Silva - IDB

I- SUSTAINABLE PROCUREMENT AND ITS IMPACT ON PROCUREMENT AND COMMERCIAL REALITY – John Boyd - FIDIC

- a. FIDIC activities: FIDIC finds good global practices. However, FIDIC acknowledges the difficulty of imbedding considerations of sustainable procurement in a project.
- b. The definition proposed to describe what is sustainable procurement is very narrow because:
 - i. The proposed definition applies to a series of different actors;
 - ii. The project's goals and the indicators vary for each project.
- c. Usage of activities:
 - i. Barriers to sustainability: inclusion in procurement policies, innovation and risk, performance benchmark;
 - ii. Sustainability is thought to cost more and clients have not yet made the connection. They have the idea that it costs more but don't think about the general objectives;
 - iii. Need to deliver quickly and quality with least cost. With sustainability, it might take a little longer.
- d. Implications on procurement and moving forward:
 - i. Regarding the issue of whether the countries should assume full responsibility: FIDIC agrees on the principle but remains cautious;
 - ii. Regarding sustainable procurement as a "new trend" in procurement activities: Nowadays, a project is successful if it encompasses special considerations for environmental issues, as opposed to before where it was seen as a constraint;
 - iii. One of the issues of sustainability is integrity.
- e. Recommendations to IFIS:
 - i. Add sustainability to the list of criteria which includes economy and efficiency in the selection process;
 - ii. Sustainability should be part of the definition of quality in order to hold the consultants to a standard to stimulate good performance;
 - iii. Sustainability should be included in the guidelines for the Borrower.
- f. Conclusion: FIDIC has a good experience in the area of sustainability and therefore welcomes opportunities to establish dialogue with the IFIs that are starting to look into these issues.

II- SUSTAINABLE PROCUREMENT – Janine Ferretti - IDB

- a. Sustainable Procurement Trends and opportunities for the IDB: The IDB focuses on:
 - i. Mainstreaming sustainability at all levels of the institution and of its operations;
 - ii. Harmonizing approaches among the MDBs and other institutions/entities. IDB is currently involved in a harmonization process and determination of how to include sustainability in the process;

- iii. Tracking and reporting on sustainability outcomes;
- b. The IDB has a project and corporate focus
 - v. 2 main objectives: 1) to address environmental and social impact; and 2) to recognize that it is a powerful tool for conservation objectives that countries might have.
 - vi. The IFIs are trying to simplify and streamline the procurement process which means investing in country capacity and governance
- c. As of today, the IDB has the same tools as the other IFIs on risk mitigation;
- d. Regarding opportunities: The IDB recognizes that there is an interest in addressing procurement as a more strategic process, such as the strategy adopted by the United Kingdom.

III- QUESTIONS AND GENERAL COMMENTS

CICA: Regarding social issues in procurement and the joint statement of Nov 27 2006 on these issues: CICA underscores the fact that, generally, contractual documents are too vague about the responsibility of the stakeholders. CICA is advocating for the inclusion of a provision in the contract recalling the objective of the contract and the price in order to meet the social requirements. If the consultant does not comply, he is not paid. CICA thinks it is the best way to obtain social and environmental compliance.

IDB: An integrated approach should be adopted in order to develop the concept of sustainable procurement and to give the IFIs the possibility “to blend in” rather than impose and police the issues.

Janine Ferretti: Today, the Bank is just ensuring that its safeguards are implemented properly. But, the general approach will soon be very global, namely on issues such as reduction of emissions in its activities. Procurement will be a means of implementing and furthering these efforts of reduction.

BUSINESS SESSION 5 – QUALITY SERVICE – DEVELOPING CAPACITY

Moderator: Yinguo Huang - ADB

I- THE CHALLENGE OF CAPACITY DEVELOPMENT – Bayo Adeola - FIDIC

- a. The main objective is to have a viable consulting industry worldwide, by developing mechanisms guaranteeing sustainability in the Project Cycle and a good return on investment;
- b. The IFIs essentially target the public sector to develop products that would respond to these constraints;
- c. FIDIC wants to focus on the private sector promoting strong member associations, forcing engagements of governments, ensuring local capacity, promoting practices that encourage knowledge transfer, developing training materials and training platforms;
- d. Challenges: strengthening of weak regional groups, funding for training in the private sector.
 - ⇒ The way forward: 1) recognize the role of procurement policies and practices in capacity utilization; 2) recognize the role of national professional associations as pivotal for the private sector.

II- The role of professional and expert consultants – The advanced knowledge economy

- a. Assessment for the consulting industry: the public sector needs independent consultants who are dynamic providers of knowledge as they can establish links with universities, R&D, professional schools... A strategic approach must be adopted to include them in public procurement.
- b. The Governments can give the initial impulse that will contribute to the development of a dynamic knowledge policy and a dialogue with professional associations, the industry... That scheme will increase the general knowledge among consultants and stimulate innovation.
- c. 5 steps to achieve that objective:

- Develop awareness in coherence with the general policies to achieve that objective;
- Deploy a regulatory framework;
- Evaluate demand for consulting services and the need for outsourcing;
- Assess the Governments' capacities;
- Include the universities and R&D;
- Determine which role the consultants can play.

III- QUESTIONS AND COMMENTS

COMMENT- ADB:

- a. The consulting industry must be regulated. ADB has already regulated the activity in three countries, including China.
- b. The MDBs should focus on capacity building in the areas of sustainability and economic development. The ADB had launched training programs in that regard.

COMMENT FIDIC: The training component must be accompanied by a “utilization component”.

COMMENT ON THE SYSTEM USED IN BRAZIL: The Government impulses innovation by implementing mechanisms like the fund for research and development in the energy sector. These funds can be used to stimulate technological innovation through three types of entities, universities, consulting industry. It is implemented by FINEP and it gives to the consultants a way to improve their engineers and to exchange.

BUSINESS SESSION 6 – WRAP UP

Moderator: Bernard Becq

I- FIDIC: FIDIC raises 2 issues with the intention to follow up:

- a. FIDIC would like to engage in a discussion regarding the request for proposal and the contract for the consultants once they have performed. There still concerns about liability and insurance in those documents.
 - b. FIDIC raises a question: There are instances where consultants have performed their work and their payments were withheld by the countries. FIDIC pleads with the MDBs to act in favor of the consultants.
- ⇒ The mediator asked FIDIC to send the documents on third-party liabilities
- ⇒ Regarding the payment of consultants, the mediator mentions that each of the Bank has its own procedures but reminds that they are not a party to the contract and that it is a complex matter.
- ⇒ Further issues can be submitted to Sabine Engelhard or Bernard Becq.

II- ADB: Harmonization should be the base of all Best Practices in all MDBs. However, in the harmonization process, the MDBs could adopt either of the following solutions to avoid issues with clients:

- a. The documents are fully harmonized and identical in all MDBs; or
- b. Use the same approach as top colleges in the United States, i.e. 90% of the document is identical from one institution to the other, and then, 10% of the document is proper to each institution.

III- AFDB: This forum is a chance to listen to the industry and to realize that certain provisions in the harmonized documents are not very accurate or need to be adapted.

IV- EBRD

1. The Capital Resources Review was approved at the end of last year. It leads to three important observations:
 - a. The mandate of the Bank to support developing countries in achieving full development has been fulfilled;
 - b. Therefore, the Bank shifts its focus towards the South, the Balkans, Ukraine and Russia;
 - c. It is also undergoing a modernization process and takes more risks as it will now have activities with less informed clients.
2. This year, a reviewed version of the policies will be presented to the shareholders. These new policies address the issue of green procurement.

V- IDB

1. Camille Gaskin-Reyes (Division Chief DEV – IDB): thanking remarks for the dialogue held between the representatives of the Consulting industry and the MDBs and all the other organization represented during the Conference; looks forward to exchanging more ideas and pleads for more communication of concerns and information between the Consulting Industry, MDBs and all the other organization.
2. General conclusion on these two days:
 - a. Common goal to all represented during the Conference: achieve sustainable development and join efforts to achieve this goal.
 - b. Common need to fight fraud and corruption.
 - c. The dialogue will allow to adopt a realistic approach on sustainable institutional strengthening, including better planning, etc;
 - d. The consulting industry is the “doer” and provides with the field information. MDBs have to receive it and turn it into Best Practice.

VI- CLOSING REMARKS

1. The MDBs commit to this dialogue with their partners and look forward to an open dialogue and partnership.
- 2 Recapitulation of the observations made by the WB, FIDIC, and the IDB:
 - a. Regarding integrity: WB, FIDIC and IDB proposed to hold a workshop on integrity where they would create common tools to fight fraud and corruption and seek to insert the harmonized definition of fraud and corruption in the procurement guidelines.
 - b. Regarding the procedures to select consultants, the mediator recalls the necessity to focus on the following: 1) choice of the right method; 2) timeframe; 3) evaluation protocol, including the evaluation committee;4) short listing; 5) drafting TORs (which requires training of Bank’s staff);
 - c. Regarding Sustainable procurement (ESRP): WB, FIDIC and IDB propose to hold a workshop and recall the need to engage the people in that particular issue;
 - d. Regarding individual consultants’ assessment: the tool does not exist yet. The countries must be associated with the creation of such tool.
 - e. Borrowers could be invited to the next BIMILACI.