To: The Board of Executive Directors
From: The Secretary
Subject: Policies for the procurement of works and goods financed by the IDB. Revised version
Policies for selection and contracting of consultants financed by the IDB. Revised version.
Report of the Chairman of the Budget and Financial Policies Committee. Final version

Inquiries to: Mr. Eugenio Diaz-Bonilla (extensión 1013)

Remarks: This final version of the above-referenced Chairman’s report contains the modifications approved by the Board of Executive Directors at its meeting on 19 January 2005. The text changes are indicated with a line in the right margin.

Supersedes: GN-2349-2(1/05), GN-2350-2(1/05)
References: GN-2349-1(1/05); GN-2350-1(1/05)
Report of the Chairman
Budget and Financial Policies Committee

Policies for the procurement of works and goods financed by the IDB. Revised Version. (document GN-2349-1);
Policies for selection and contracting of consultants financed by the IDB. Revised Version. (document GN-2350-1)

The Budget and Financial Policies Committee met on 10th January 2005 and again on 18th January to review management’s revised proposals for the new procurement policies to be applied in operations with Bank financing.

Directors acknowledged the substantial progress made by the administration in developing proposals that would benefit borrowers and the suppliers of goods and services as well as the Bank.

Directors acknowledge that these policies supercede all previous policies, Board decisions, manuals, procedures, legal interpretations and processes pertaining to procurement of goods, works and consultants

1. Fraud and corruption. The Committee agreed not to discuss the issues involved in the definition of fraud and corruption at this juncture, but would do so when considering proposals for sanctions procedures. It was agreed that the definitions agreed on that future occasion would also be applied to the policies currently under discussion.

2. Accelerated transition to new policies. To accelerate the use of the new policies, Directors asked management to do everything possible to encourage borrowers to modify the contracts on existing loans wherever practicable. Directors acknowledged Management’s commitment to issue and use the seven Standard Bidding Documents (SBDs), in line with those agreed by the Heads of Procurement of MDBs, as available on the World Bank’s website. Management will report to the BUFIPOL on the details of final version of the SBDs.

3. National legislations. Management provided Directors with assurances that the new policies would be consistent with national laws and that appropriate practices, coordinated with the World Bank, needed to conform to national laws and regulations would be followed. In particular, Management may modify some technical aspects of the Standard Bidding Documents, following accepted World Bank practices, to comply with relevant local legislation in a manner consistent with IDB policies. This report also includes the list of language changes proposed by the Mexican Chair that were circulated earlier and were discussed in the January 18th meeting of the Committee.
4. Errata and some further changes. Management explained two sets of errata distributed in the meeting and an additional note proposing changes in the documents GN-2349 and GN-2350. These corrections and changes would be incorporated in the final version of the policies, except in the case of the change suggested for paragraph 3.20 on the selection of auditors within the policies for selection and contracting of consultant, where the suggested changes do not apply and the original wording, similar to the one utilized by the World Bank, is maintained.

5. Country eligibility. A majority of the Committee rejected a proposal to abolish unilaterally the restriction of eligibility to countries that were members of the Bank. However, in the January 10th meeting several Directors indicated that, considering the benefits for the Bank and its members, they would support the expansion of eligibility of nationalities in project procurement through reciprocal arrangements with other regional development banks, while other Directors considered that the costs and benefits of those possible reciprocal arrangements, including the possibility of attracting other members, needed to be carefully analyzed. This issue was further analyzed on January 18th where the discussion moved from reciprocal arrangements to the possibility of simultaneously adopting universal eligibility with other regional Banks with comparable lending programs, such as the Asian Development Bank. Directors acknowledged that the decision to move to universal eligibility, even in coordination with other regional banks, was a delicate one, which required considered action by the Bank’s Board and, possibly, changes in the Charter. In this regard, most Directors, in order to show the Bank’s leadership in this topic, requested that Management initiate conversations within 45 days with the Asian Development Bank, and other regional banks, on procedures that would lead to the simultaneous adoption of universal eligibility by those Banks and the IDB, which may also imply changes to their Charters. The Board also requested that Management analyze the cost and benefits for the IDB and its members of the application of universal eligibility. Management will report back to the Board within 6 months on the progress of the conversations and cost/benefit considerations. Directors will revisit the issue of national eligibility with the results of these discussions and analyses.

6. Weights in Quality and Cost Based Selection (QCBS) The Committee also discussed the issue of the weight given to cost in Quality and Cost Based Selection (QCBS). The US Chair favored harmonizing criteria with the World Bank, whose policies indicate that “normally” a 20% weighting for prices should be used. However, a majority of the Committee preferred to stay with management’s proposal (a weight that could be set at 20% or 30%), which had been adopted in the Fall of 2003 after a lengthy discussion. Directors agreed that the IDB, in consultation with the WB, will prepare in a year (from the adoption of the revised Project Procurement and Consultant policies and procedures) a study of their experience in using different weights on this matter, so that the issue of percentages can be then revisited based on empirical evidence. The issue of a proper balance of quality and cost is very important for Borrowers and non-Borrowers. Both must strive to give their taxpayers value for their money. A careful empirical investigation on this issue should help the Board to reach a more informed decision on the issue of weights in QCBS within one year.
7. Time limits for Bank’s actions within the new policies. Directors indicated that when preparing the procedures and guidelines to be used by staff in implementing these policies, it would be critical, as part of adopting best practices, to include specific time-limits for the periods within which the Bank will carry out its responsibilities in the procurement process, including clear time deadlines for each of the policies where the Bank has to provide a response to Borrowers.

8. Implementation of Action Plan. The Committee requested Management to update the timeframes of the Action Plan to strengthen project procurement approved by the Board in December 15, 2004. This request was based on the time expected to be saved through closer collaboration with the multilateral community in developing additional policies and procedures.

9. Other issues. The Committee also discussed two additional issues: a) the need that Management develop—as quickly as possible—the necessary guidelines to evaluate and determine when a government’s electronic procurement portal meets Bank standards and can handle both the publication of business opportunities, as well as the actual bidding process; and b) the inclusion in Staff guidelines of the possibility of authorizing a bid procedure, if the Borrower utilized a short list of consulting firms—which met originally the wide geographical spread required by the new policies—but later those same firms decided to respond through local subsidiaries.

On the basis of the agreements reached at the Budget and Financial Policies Committee, I propose that the Board approve the policies laid out in documents GN-2349-1 and GN-2350-1.

Annex

Changes presented by the Mexican Chair

A. Policies for Procurement of Works and Goods Financed by the IDB (GN-2349-1)

1. Page 6, change to footnote 13, clause 1.15
2. Page 9, change to clause 2.8

B. Policies for Selection and Contracting of Consultants Financed by IDB (GN-2350-1)

1. Page 5, change to clause 1.14
2. Page 9, change to footnote 14, clause 1.21
3. Page 11, change to clause 2.5