



Chair's Summary of Meeting of the Board Directors

6 February 2006

Policy Papers on:

- Policies and Procedures on the Use of Consultants by the Asian Development Bank and its Borrowers
- Revising the Procurement Guidelines

1. The Board approved the two policies, expressing appreciation for the efforts to incorporate suggestions and recommendations following consideration of the W-papers. For both policies, one Director opposed and one Director abstained on behalf of two constituent countries. The Board noted the (i) efforts to reconcile differing views and demands, especially with respect to harmonization with the policies of other development institutions; (ii) highlighting of procurement as a governance issue; and (iii) contribution to streamlining procedures and enhancing ADB's operational quality.

2. Although most Directors recognized that substantial harmonization has been achieved, one Director maintained the view that complete uniformity between World Bank *Guidelines* and ADB *Guidelines* should be the objective. The Board was generally of the view that harmonization with development partners is a worthy goal and encouraged staff to continue to pursue this goal. Some Directors raised the issue of extending procurement eligibility beyond member countries to permit universal eligibility. However, one Director suggested it be treated on a case-by-case basis, and another Director suggested the topic was beyond the scope of these policy papers. The approach taken towards adoption of country systems for procurement received some support, in particular the cautious approach and plan to coordinate efforts on pilot testing with the World Bank. Some Directors reiterated the importance of country systems and encouraged staff to continue work in this important area. Others reaffirmed the desire for a cautious approach.

3. Several Directors expressed a desire for a more flexible weighting of cost and quality under the Quality and Cost Based Selection (QCBS) procedure for recruiting consultants. They felt that, in some cases, a higher weighting on cost would be more appropriate, lowering consulting costs to borrowers while maintaining quality. One Director opposed such flexibility while others deferred judgment, saying additional time was required to consider the proposal.

Staff were instructed to evaluate experiences under QCBS and report back to the Board within 2006 with a specific recommendation on whether to introduce a degree of flexibility in the QCBS weighting. New procedures for consultant recruitment were supported. Although the decision to drop the earlier proposal for framework contracts was supported by some Directors, one Director encouraged staff to experiment with this form of contracting on a pilot basis. There were varying opinions on geographic representation and the participation of national consultants. Some Directors thought there was a need to encourage national consultants through increased financial incentives, among other approaches. Two Directors raised the issue of the perceived trend to recruit individual consultants, explaining that recruitment of firms is much less costly to administer and preferred from a governance perspective.

4. Several Directors questioned whether the policies, especially the capacity building provisions, could be implemented without additional resources. It was noted that capacity building was required on several fronts, within ADB's regional and country departments, and within borrowing country agencies. The introduction of the requirement for Executing Agency capacity assessments was welcomed, although one Director commented that clear procedures are required, especially with establishing capacity criteria for conducting post review.

5. The link between the ongoing review of ADB's governance and anticorruption policy, and the policy papers was noted. The shift away from detailed checking towards mainstreaming of governance concerns was supported. Some Directors expressed concern that new streamlining measures, such as post review, needed to be supplemented by other measures to insure continued oversight, including the need for more effective enforcement and uncompromised application of sanctions in the case of compliance lapses. One Director recommended that ADB develop project accountability frameworks to reflect the priorities to be set out in the upcoming governance action plan.

6. Two Directors opposed the change in procedure for allowing countries to grant domestic contractors a preference. Under the revised procedure, harmonized with the World Bank, some countries will lose the entitlement while others will gain.

Asian Development Bank