



REVIEW OF THE WORLD BANK'S PROCUREMENT POLICY AND PROCEDURES

Overview

Consultations: May – September, 2012



Background: The Current Policy

- The Bank's [policies](#) for procurement under IDA and IBRD-financed operations:
 - ✓ Devised in the Bank's early years
 - ✓ Geared toward large-scale investments in infrastructure
 - ✓ Based on the principles of economy and efficiency, equal opportunity, encouragement of domestic industries, and transparency
- Central feature: International Competitive Bidding (ICB)
 - ✓ Open to bidders from all Bank member countries (no restriction)
 - ✓ Required for all large and complex transactions
- Other methods permitted:
 - ✓ National competitive bidding (NCB) also open to bidders w/out restriction
 - ✓ Shopping based on three quotations
 - ✓ Several other methods (LIB, PPP, FIs, FAs, Force Account, PAs, UN agencies, performance-based, community participation)
 - ✓ Specific procedures for consulting services based on quality and/or cost
 - ✓ Noncompetitive forms of bidding, on an exceptional basis

Background: The Bank's Role

- The Bank is not a party to the contracting process. Instead, the Bank:
 - ✓ Stipulates how borrowers are to carry out procurement using the Bank's Guidelines and, for ICB, Standard Bidding Documents
 - ✓ Assesses borrowers' capacity and project procurement risks
 - ✓ Helps borrowers prepare project procurement plans
 - ✓ Reviews predetermined stages of the procurement process, and provides its "no-objection" to proceed for all large and high-value contracts, many mid-sized contracts (because of high risks), and all exemptions to open competition. It also reviews a sample of smaller contracts
 - ✓ Provides technical advice and financing to support borrowers in building capacity and carrying out procurement reforms

Background: Procurement in 2010-2011

In 2010-2011, the Bank:

- Committed US\$43 billion to 360 new development projects and programs
- Supported implementation of more than 1,800 projects in 120 countries, each with its own national procurement system
- Disbursed about US\$7 billion under some 80,000-100,000 separate contracts
- Carried out prior reviews and provided “no-objection” of 9,700 new contracts, worth US\$13.6 billion
 - ✓ A small share of these contracts—the top 100—accounted for half of the value of those contracts
 - ✓ These reviews required 60% of the administrative budget devoted to procurement
- Reviewed another 9,000 new contracts, valued at US\$1.4 billion, ex-post
- Handled 52 cases of mis-procurement and 359 complaints from bidders

Background: Policy's Evolution Over the Years

- Over the years, the Bank has updated and revised its policy and procedures to adapt to
 - ✓ Changing borrower needs, economic conditions, best practices, and technologies
 - ✓ The Bank's sectors, instruments, and ways to deliver and promote development
- Changes have been made to
 - ✓ Expand procurement methods and eligible expenditures
 - ✓ Heighten attention to fraud and corruption
 - ✓ Factor in risks and borrower capacity
- New international commitments have been made to
 - ✓ Use country systems
 - ✓ Harmonize among development partners, in particular other multilateral development banks
- The most recent round of changes to the [Guidelines](#) was made in January 2011

Why this Review?

- The review is being undertaken in response to new demands emerging from:
 - a changing global operating context,
 - the diverse and evolving needs of clients, and
 - the varying business and instruments that the Bank offers today to promote development.
- The review is part of the broader Bank's modernization agenda and reform of investment lending.

Why the Review: A Changing World

- Globalization has blurred the distinction between bidders in developed and developing countries.
- Bidders for the works, goods, and services financed by the Bank are increasingly registered in borrower countries. These bidders also include multinationals and their subsidiaries.
 - ✓ Companies registered in borrower countries now account for about 80% of the contracts reviewed by the Bank, up from about 60% in the early 1990s
 - ✓ Companies registered in borrower countries won 74% of the value and 83% of the number of International Competitive Bidding contracts over 2006-2010
- Public-private partnerships (PPPs) and outsourcing have brought new interactions between the state and the private sector, changing contractual relationships and how public procurement is conducted

Why the Review: A Changing Operating Context

- **New concepts of public procurement and public sector management have emerged**
 - ✓ More countries now see public procurement as a strategic function of the state and a public sector management tool instead of merely an administrative process to comply with
 - ✓ There is greater focus on performance and getting more “value-for-money,” including for contract management, and less on compliance for the sake of compliance
 - ✓ Nontraditional methods of public procurement, new interactions with suppliers, and e-procurement platforms are increasingly being used
 - ✓ There is renewed awareness of the need for integrity and probity, given the vulnerability of public procurement to fraud and corruption

Why the Review: A Changing Operating Context

- Besides using the Bank's Guidelines, **Bank borrowers are increasingly bound by new agreements and instruments that govern public procurement**
 - ✓ Many have entered into regional agreements with their neighbors and trading partners
 - ✓ Some 21 borrower countries either adhere to the WTO's Government Procurement Agreement (GPA) or are observers
 - ✓ Another 20 borrower countries have adopted laws inspired by UNCITRAL's Model Public Procurement Law
 - ✓ A number of borrower countries in Eastern Europe either are members of the European Union and governed by—or are gradually adopting—laws that must be consistent with the EU's Directives
 - ✓ 159 countries have signed the United Nations Convention Against Corruption

Why the Review: Diverse Needs of Clients

- The **Bank's 120 borrowing member countries are diverse and, to varying degrees, are striving to reform their national procurement systems**
 - ✓ Country Procurement Capacity Assessments have been carried out by the Bank, in collaboration with development partners, for nearly all borrowers, and action plans have been adopted to implement improvements, with the Bank's support
 - ✓ Ratings of public sector capacity have been improving, most markedly for high- and upper-middle-income countries
 - ✓ Still, fragile and conflict-affected countries, many small countries, and sectors or institutions in even more capable countries face particular challenges
- Many countries are keen to **adopt new tools and e-procurement platforms** to take advantage of the gains that can be realized in the large global market and from enhanced and faster processes

Why the Review: A Changing World Bank

- Since the Bank's procurement policy was first adopted, there have been many changes in the instruments that the Bank offers to promote development
 - ✓ At the start, only two sectors—transport and power—accounted for half of the Bank's lending
 - ✓ Now the Bank has a major role in supporting water supply, agriculture, education, health, social protection, community development, and public sector management, as well as infrastructure
- **New lending instruments have been devised**
 - ✓ New investment lending, such as Emergency loans
 - ✓ Development Policy Loans (DPLs), Guarantees, and Program for Results (PforR) financing
- **New delivery mechanisms have been developed**
 - ✓ Sector-wide, output, or performance mechanisms
 - ✓ PPPs and other partnership arrangements
 - ✓ Community-driven development
 - ✓ Conditional transfers and grants

Why the Review: A Changing World Bank

- The Bank has **expanded the items that it finances** to include
 - ✓ Most locally procured works, goods, and services
 - ✓ Salaries, operating costs, recurrent items
 - ✓ Grants and other transfers
- The **Bank's internal capacity has been strengthened**
 - ✓ The number of Procurement staff has more than doubled since the 1990s, and about 70% of them are located in country offices
 - ✓ New tools and aids have been developed, including ways to assess institutional capacity, determine procurement risks, and handle complaints

Challenges

- ✓ Revisions to the policy and procedures have been made in the past, and have addressed issues as they emerged, incrementally and sequentially. However, **the provisions added over time now make the Bank's policy and practices time-consuming and overly complex.**
- ✓ The Bank's policy and procedures remain **most appropriate for large-scale investments in infrastructure** but less well tuned for other applications
- ✓ **Country systems, harmonization, procurement reforms: progress has been made but it is uneven.** This requires the Bank's procurement to move from a “one-size-fits-all” approach to one that accounts for risks and capacity and provides a platform for country procurement reform and capacity building.
- ✓ There are new challenges such as how to **incorporate value-for-money, best fit for purpose, environmentally and socially responsible procurement, technology, and other innovations**

Addressing the Challenges

- In alignment with the Modernization agenda:
 - ✓ Less “one size fits all” and more “fit for purpose”
 - ✓ More emphasis on risks and risk management
 - ✓ Greater use of country systems, as applicable, and harmonization among development partners
 - ✓ More innovation and flexibility
 - ✓ Deeper engagement on governance and anticorruption
 - ✓ Increased value-added and overall efficiency
 - ✓ Capacity building

Goal of the Review

- All of these factors provide the rationale for undertaking a thorough analysis and review of the Bank's procurement policies and, on the basis of that assessment, devise a new policy framework that works in the future.
- The goal is to ensure that the Bank's procurement policy and procedures remain relevant to:
 - ✓ A wide range of clients with different capacities and needs
 - ✓ A wide range of risks
 - ✓ A wide range of instruments, delivery mechanisms, and ways of doing business
 - ✓ A large number of transactions—both large and small, simple and complex, one-time and routine

The Approach

- A **common starting point**
 - ✓ First-round diagnostic presented in the [Initiating Discussion Paper](#)
- The review is to
 - ✓ Be comprehensive, methodical, and empirically based
 - ✓ Be aided by inputs from borrower countries and national procurement bodies, policymakers, practitioners, bilateral and multilateral development partners, international organizations, private sector representatives and business associations, civil society organizations, experts, and academics
 - ✓ Benefit from the results of the parallel IEG evaluation
- It would be carried out in **two phases** to allow for
 - ✓ Ample consultation, learning, and interaction on ideas within the Bank and with external stakeholders
 - ✓ Additional analytical studies, benchmarking, and fact-finding
 - ✓ Developing an overarching policy framework before recommending specific changes to the Guidelines and their application, and to the Bank's oversight model

Overall Direction

- Lay out the path for the Bank to continue to
 - ✓ Fulfill the Bank's fiduciary obligations as required under the Bank's Articles
 - ✓ Meet the needs of borrowers and the Bank as a development institution
 - ✓ Advance the Bank's role in promoting best practices and a setter of international standards
 - ✓ Make progress in the use of country systems and harmonization
- As part of that process:
 - ✓ Ensure strategic alignment of the Bank's procurement policy and procedures with the Bank's modernization agenda and its broader policy goals
 - ✓ Prioritize what we want those policies to achieve
 - ✓ Set out clear objectives and a results framework that can be monitored and measured
 - ✓ Identify and work through the potential trade-offs among competing goals

Review Timeline

Phase 1	May-September 2012	<p>Consultations. Online and face to face, seeking input on issues to be addressed and views on key principles for modifying the Bank policy. Initial diagnosis and rationale is outlined in the Initiating Discussion paper.</p> <p>Establishing (June 2012) an International Advisory Group on Procurement with representatives from clients, industry, civil society, bilateral and multilateral development agencies, along with international organizations such as WTO, OECD and UNCITRAL, which will advise the Bank on the scope of the review and its conclusions and recommendations.</p> <p>Series of studies and benchmarking exercises, and compilation of lessons and experiences with public procurement innovations.</p>
	October, 2012	<p>Summary of all feedback received and posted online</p> <p>Outline of findings and emerging guiding principles posted online. Final studies posted.</p>
	November-December, 2012	<p>Drafting a proposal for an overarching framework and guiding principles for revisions to the Bank's procurement policy, based on diagnosis, studies, expert opinion, and consultations.</p>
	Early 2013 <i>[month to be determined]</i>	<p>Board of Executive Directors consideration of a draft proposal for an overarching framework and guiding principles for revisions to the Bank's procurement policy and procedures.</p>

Review Timeline

Phase 2	March-April 2013	Consultations. Online, seeking input on how to translate the policy framework and guiding principles into specific revisions.
	May 2013	Summary of feedback received posted online.
	June-September, 2013	Consultations. Online and selected workshops seeking input on <i>the implementation arrangements and revisions to the procurement guidelines.</i>
	October 2013	Summary of feedback received posted online.
	End 2013- Early 2014	Board of Executive Directors consideration of the specific revisions to the policy and procedures, guidelines and implementation arrangements.

Areas for Discussion

- Whether and How best to:
 - ✓ Incorporate innovations such as value-for-money and best fit for purpose
 - ✓ Increase flexibility, focusing on implementation and “how to”
 - ✓ Move from the “one-size-fits-all” approach, and account better for various risks and capacity levels
 - ✓ Distinguish between results and processes, and strike the appropriate balance between procedural compliance, risk management, borrower capacity, performance, and results
 - ✓ Ensure procurement is sustainable (quality- and life-cycle-based evaluations)
 - ✓ Exploit the potential offered by e-procurement
 - ✓ Provide a platform for country procurement reform and capacity building
 - ✓ Embody an integrated system of fiduciary controls and recourse
 - ✓ Explore further possibilities for the use of country systems and harmonization
 - ✓ Increase cost-effectiveness and reflect the organizational, business process, resource, and skills implications for both borrowers and the Bank

Questions for your Consideration

- The analysis presented in the Initiating Discussion Paper captures the key issues and concerns that should be addressed in the review. Are there other challenges which the review should try to address?
- Taking into account the new concepts of public procurement and the broader context of public sector management best practices, what type of changes should the Bank take into consideration in modernizing its procurement policies?
- In light of various levels of risks and capacity among borrower agencies, how can the Bank best ensure that funds provided by the Bank are used for the purpose intended?
- The [Initiating Discussion paper](#) highlights the multiplicity of demands and contexts procurement is serving today –diverse sectors, instruments, delivery mechanisms and clients with varying institutional frameworks and governance conditions. What recommendations could help the Bank best tailor its procurement requirements to meet these diverse and varying demands and needs?

Questions for your Consideration

- What could the Bank do to simplify and streamline its current policies and to take advantage of the potential gains offered by e-procurement and IT-based tools?
- International consensus calls for use of country systems and harmonization among development partners. What can the Bank do to advance the use of country systems and harmonization among partners through the procurement policies?
- What suggestions do you have to monitor and evaluate the Bank's Procurement policies and assess their impact and effectiveness?
- Do you have other suggestions to help the Bank develop a proposal for a new policy framework and guiding principles for revisions to the Bank's procurement policy?

Your Input and Views

Visit the World Bank's website
to share your views,
stay updated,
and get more information.

<http://www.worldbank.org/procurementconsultations>

Thank you for participating.

