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# WORLD BANK PROCUREMENT POLICY

October 2016

## POLICY CONTEXT

The World Bank Group committed in the year 2014 more than US\$65 billion in loans, grants, equity investments, and guarantees to its members and private businesses. Commitments from IBRD to middle income countries totaled US\$18.6 billion, while IDA, the World Bank's fund for the poorest, made commitments of US\$22.2 billion. In 2012, the World Bank started its first comprehensive overhaul of its procurement system with the explicit goal to move from a one-size-fits-all policy to a fit-for-purpose policy. A first phase of consultations was held from May 2012 through February 2013, the second phase ran between August and December 2014. In total, the World Bank received input from about 5,000 stakeholders in close to 100 countries, representing government, the private sector, academia, and civil society. In July 2015, the World Bank's Board of Executive Directors approved a new policy governing procurement in projects financed by the Bank.

## EIC POSITION

EIC participated very actively in the Bank's consultations and has asked the Bank to ensure that International Competitive Bidding (ICB) remains a mandatory procurement arrangement for its high-value investments, with appropriate Bank oversight. For large and complex infrastructure projects, EIC has advocated the maintenance of the Bank's "golden standard" of procurement documents and practices. Concerning the use of so-called "Alternative Procurement Arrangements", EIC has expressed its concern that the proposed new policy no longer calls for the "equivalence" of clients' arrangements with the Bank's own procurement procedures and documents but that the required standard has been watered down to "acceptable" procurement practices. Irrespective of the procurement approach, EIC has called for the mandatory use of a fair and balanced international standard form of contract that provides an indispensable reassurance for international bidders. EIC has also emphasized the need to integrate sustainable procurement criteria in Bank-financed procurement.

## STATUS QUO

The Committee on Development Effectiveness (CODE) and the Audit Committee of the World Bank's Board of Executive Directors endorsed the Proposed New Framework for Procurement in World Bank Investment Project Finance: Phase II in June 2015 and the Board of Executive Directors gave its final approval of the proposed new Procurement Policy on 21 July 2015.



The New Procurement Framework introduces a risk-based approach that **tailors procurement approaches to fit market contexts**. In the view of the World Bank, the new strategy will better respond to Borrowers' needs and project realities because it provides more options to best achieve value for money and fit-for-purpose solutions as agreed with the Bank in the Project Procurement Strategy for Development.

**Open International Competitive Procurement (ICB)** is expressly mentioned as the “**preferred approach**” for **complex, high-risk and/or high-value activities**. The Bank's procurement resources will target the most significant contracts in the Bank's portfolio which are subject to review at the Operations Procurement Review Committee, and closely monitor and track performance, time and out turn cost, gather borrower and supplier feedback on approach.

The new proposal introduces a possibility for the Borrower to **apply elements of Sustainable Procurement and to reject Abnormally Low Tenders**. It also bases the decision-making process on value for money beyond the lowest evaluated bidder approach to the “**most advantageous bid/proposal**”, while the use of National Competitive Bidding is simplified and enhanced in specific areas or sectors as agreed by the World Bank.

The Bank is determined to enhance the way it handles complaints, including **contract-related correspondences**. To that end, the World Bank will centrally monitor procurement related complaints, recognising that complaints arising from the execution of the contract are governed by the contract between the Borrower and the contractor/consultant, and provide more support to Task Team Leaders, this includes setting operating standards and developing measures for complaints tracking.

In May 2016, **EIC co-organised together with CICA**, the Confederation of International Contractors' Association, a **joint mission to the World Bank's headquarters in Washington DC** and met with the Bank's Chief Procurement Officer to discuss the implementation phase of the new procurement policy and the reform of the Environmental and Social Safeguards Framework, which meanwhile has been concluded. EIC also seized the opportunity of its Washington mission to explain its views on the use of the Alternative Procurement Arrangements, the “Value for Money” principle, Abnormally Low Tenders and on Sustainable Procurement to the European Directors' Offices at the World Bank.

## WHAT'S NEXT?

Until the beginning of 2016, the World Bank Management will finalise and issue the Procurement Directive, Procedure and Regulations and replace the current Procurement Operational Policy (OP 11.00), Procurement Bank Policy (BP 11.00) and the Procurement Guidelines with the new Procurement Framework. EIC will continue monitoring the implementation of the new system and will advertise towards the Bank's clients the more frequent use of the option for Sustainable Procurement.

## DID YOU KNOW ...

Developing countries will need to invest an estimated US\$1 trillion per year through 2020 to overcome the lack of adequate infrastructure. Helping countries to meet these infrastructure needs represents the World Bank's largest business line, at US\$19 billion, comprising 47 percent of the total assistance to client countries in fiscal 2014.