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Operations Policy & Country Services

World Bank Procurement

Enabling Quality Infrastructure

APEC Initiative, August 31, 2016

Agenda

- The WB Procurement reform in a nutshell:
 - Facts and figures
 - Reform process/ Journey
 - Key feature of the reform

- Key features of the new Procurement Framework to ensure quality infrastructure:
 - Strategic planning
 - Appropriate procurement and contract award
 - Contract management



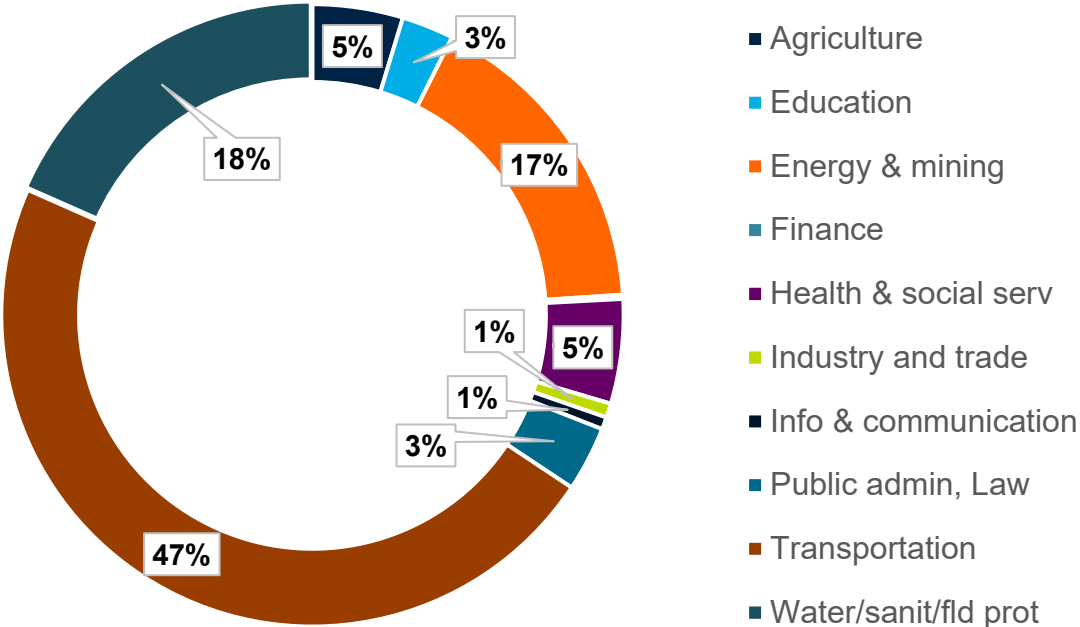
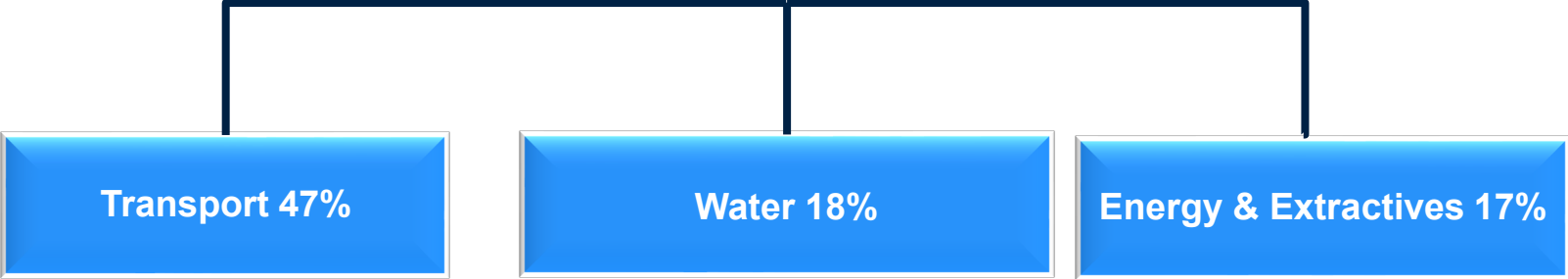
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In a nutshell

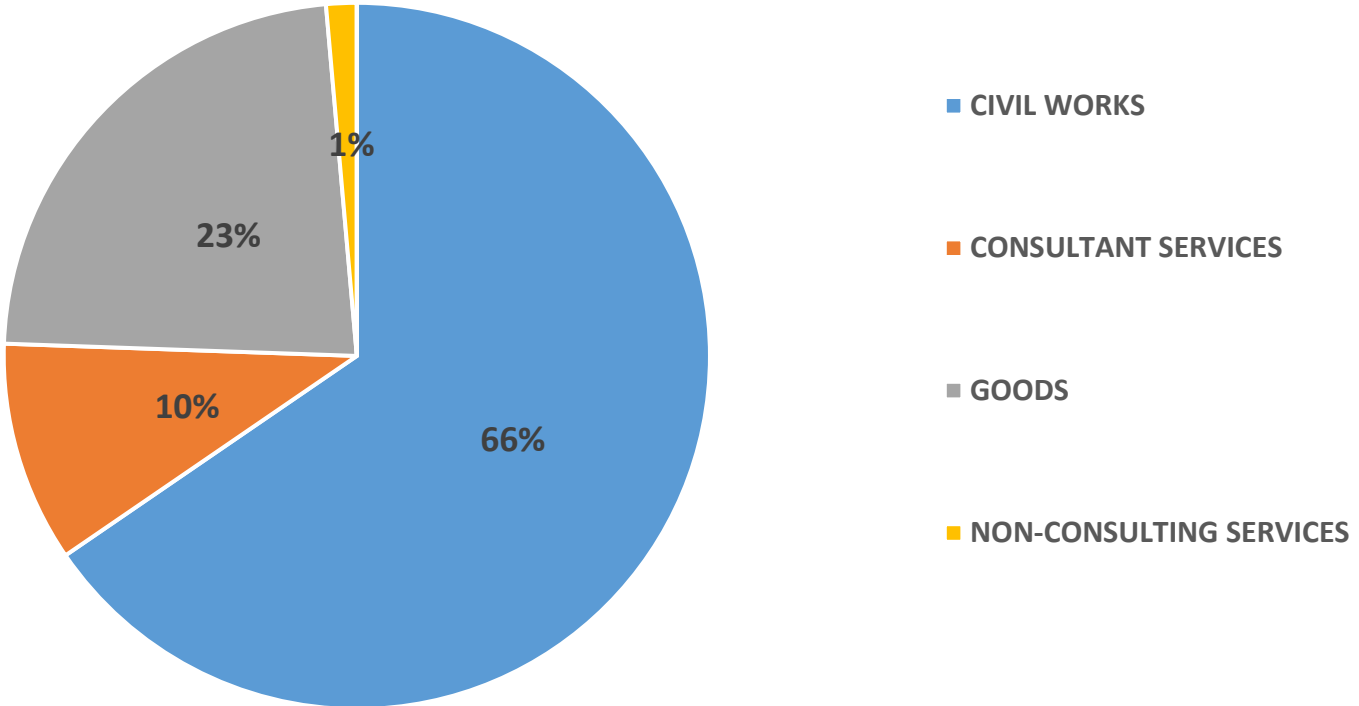
Facts and Figures

- Multilateral Development Bank;
- Most governments represented;
- Bank funds over 1,800 investment projects in 172 countries;
- Active project portfolio worth about US\$80 Billion in total;
- Annual procurement circa USD20 Billion;
- Bank's procurement system started over 50 years ago;
- 250 procurement staff in 72 countries support projects;

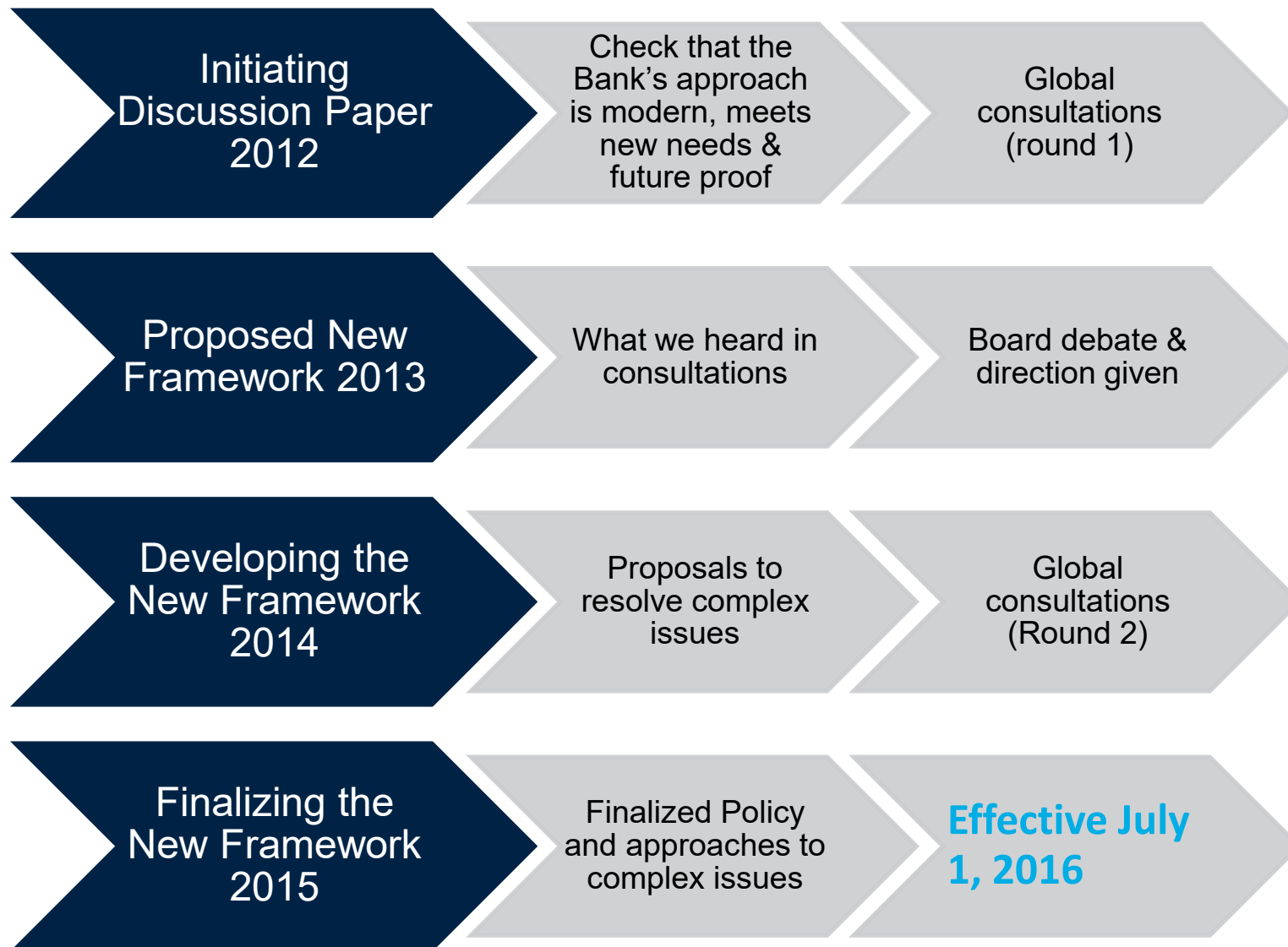
Top areas of spend in FY16



Contracts by categories, FY16



The Procurement reform: Journey





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Key Features of the Framework



Key innovations

- Requires **Project Procurement Strategy for Development** (PPSD);
- Enables **Value for Money** as a core procurement principle in all procurements:
 - A shift in focus from the lowest evaluated compliant bid to bids that provide the best overall value for money, considering quality, cost, and other factors as needed;
- Provides more options for **tailored procurement** approaches;
- Permits **hands-on expanded implementation support** as an option for the highest-risk operations;

Key innovations (2)

- Promotes **strategic engagements** with providers:
 - i.e., sectorial engagements, pre-meetings
- Enables the use of **sustainable procurement** criteria in procurement;
- Improves the approach to resolving **procurement-related complaints**:
 - A standstill period, debriefing;
- More **involvement in contract management** of procurements with high value and high risk;

Enabling Quality Infrastructure



Enabling Quality Infrastructure (QI)

- Successful delivery of QI relies on good procurement:
 1. **Strategic alignment of objectives** ensures that suitable projects are selected that will add the most value;
 2. **Good Governance** ensures a competitive, globalized business environment, with open and fair access to bidding opportunities;
 3. Adherence to Procurement Core Principles ensuring **fit-for-purpose** quality infrastructure, faster project delivery, and better **value for money** with integrity;

Strategic planning

- Reduces downstream cost, better risk/reward allocation, better VfM:
 - Market Analysis
 - Fiduciary Risk Analysis
 - Fit-for-Purpose/Context Specific Solutions that deliver VfM
- Identifies risks incorporated into procurement design:
 - Disaster resilience, client capability to manage the asset
- Promotes private sector's participation through market engagement:
 - Sectorial Engagement, pre-meetings
- Provides more collaborative approaches to encourage innovation and a longer-term outlook by firms:
 - Competitive dialogue, PPPs.

Procurement and contract award

- More variety of procurement methods:
 - Competitive dialogue, framework agreements, etc.
- Fit-for-purpose evaluation and qualification criteria to achieve VfM:
 - Evaluation of Criteria: Qualifying or Rated-type
 - Evaluation of Costs: adjusted bid price or life-cycle
- More options during evaluation to assess factors that add value or reduce risk longer-term:
 - Sustainable Procurement, LCC, ALB, negotiations, BAFO, value engineering, etc.
- Complaint handling;

Contract Management

- Greater focus on contract management enables better performance of client and contractor, and better relationships:
 - KPI monitoring,
 - dispute resolutions.
- Better procurement information monitoring and tracking;

Project overview

- Project Development Objectives
- Key result indicators
- Statement of requirements
- Project components

Operational Context

- Governance (FCS, Legal & regulatory factors)
- Economic factors
- Sustainability aspects
- Technology factors

Market Research

- Market identification and segmentation
- Previous experience
- Market capability, nature of competition
- Current practice, pricing methods, benchmarks

Client capability

- Experience and capacity in this procurement
- Level of support required to do the procurement and manage contracts

- **What is a good result?**
- **How will value for money be achieved?**
- **How will opportunities/risk be managed at different procurement stages:**
 - Prequalification
 - Specification
 - Evaluation
 - Contract Management
- **How will suppliers/contractors be motivated to bid/innovate?**
- **How will you incentivize suppliers/contractors to perform?**
- **Determine the right procurement arrangements:**
 - World Bank in full
 - Other MDB/bilateral
 - Borrower's own arrangements
- **Will the procurement use (for example)?:**
 - Request for Bid, or Proposal
 - International/National
 - Pre/post qualification
 - Special conditions of contract
 - Framework agreements
 - Reverse auctions
 - Competitive dialogue
 - Value engineering
 - Best & Final Offer
 - Negotiation
- **How will the bid be costed?**
 - Lump sum
 - Target fee
 - Schedule of rates
 - Time based
 - Performance based
- **How will responses be evaluated?**
 - Substantially responsive/Lowest evaluated cost
 - VfM rated criteria
- **Contract Management approach:**
 - Risk management
 - Monitoring of costs, key performance indicators, milestones and deliverables
 - Contract variations

For all projects:

- Procurement Plan
- Summary PPSD for inclusion in the Project Appraisal document

Where needed:

- Procurement Risk Management Plan
- Contract Management Plan



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Contacts for World Bank Procurement Framework:

Christopher Mark Browne
Chief Procurement Officer
cbrowne1@worldbank.org
Tel: 202 458-5485

Diomedes Berroa
Lead Procurement Specialist
dberroa@worldbank.org
Tel: 202 458-9432

World Bank Group
1818 H Street NW
Mail Stop MC 10-1018
Washington DC 20433
USA
[Procurement Website](#)