THE EVOLUTION OF THE WORLD BANK’S PROCUREMENT FRAMEWORK: REFORM AND COHERENCE FOR THE 21ST CENTURY

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ABSTRACT. In 2011, the World Bank announced its intention to conduct a holistic review and reform of its procurement framework. This reform was intended to ensure that its procurement system, which is the means through which the Bank disburses developmental loans and grants is in line with modern trends in procurement, is flexible enough to respond to unforeseen challenges and is coherent. This paper examines both how Bank procurement has evolved since the first formal regulations were issued in 1964 and the implications of the recent reforms for the Bank and its borrowers. Readers will see that ongoing reforms evidence a significant change for the Bank’s approach to procurement and its relationship with its borrowers and will dramatically affect the way the Bank-funded procurements are conducted.

INTRODUCTION

The World Bank is a multilateral development bank established by virtue of the Bretton Woods agreement to provide reconstruction finance to the countries devastated by World War II (Alecevich, 2009). The success of the Bank in doing this meant that it soon refocused its objectives to provide development finance to “under-developed” countries (Morais, 2004). In response to calls for the Bank to take a more proactive role in fighting corruption in Bank-financed projects and doing more to entrench good governance in Bank borrowers, (Winters, 2002), the Bank began to impose good-governance and

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anti-corruption requirements on borrower countries where it provides structural lending or finances a development project (World Bank, 2006). In addition, the Bank has for decades required that the procurement process for funded projects be conducted according to Bank mandated procedures and has often updated these procedures to take into account new challenges or innovations (World Bank Procurement Guidelines, 2011).

In many ways, the Bank (and the United Nations Commission on International Trade Law (UNCITRAL) have been at the forefront of shaping the international procurement landscape. However, one of the challenges for the World Bank’s procurement system arises from the need to develop a procurement system that is able to meet the Bank’s objectives (World Bank Procurement Guidelines, 2011) and is useful for Bank borrowers who are at very different stages of socio-economic development (Frilet, 2009). This is especially important where the Bank uses its procurement guidelines as a template for the reform of developing country systems. The absence of true harmonization in the area of public procurement in earlier decades meant that the Bank had to develop an internationally acceptable procurement system suitable not only for different categories of Borrowers, but also for the different types of sectors, lending instruments and contracts that are funded by the Bank. The Bank’s procurement system is currently seen as a reference point and serves as a model for procurement reform in other development banks and in some developing countries - despite the fact that the Bank’s context of procurement is very different from domestic procurement.

As mentioned above, the Bank procurement guidelines are often updated to reflect new challenges or innovations in Bank-funded procurement and the Bank’s procurement system has undergone significant revision since the first formal procurement procedures were issued in 1964. These revisions reflect changes in the Bank’s approach to corruption, changes to the Bank’s membership, and changes in the field of procurement and in the Bank’s own lending products (Hunja, 1997, p. 217).

In 2012, the Bank commenced the most substantial reform of its procurement system yet, which is part of the Bank’s broader modernization agenda and reform of investment lending (World Bank, 2012a). This reform is intended to take into account the changing global operating context; the diverse and evolving needs of Bank
clients and borrowers; the challenges faced in conflict and fragile states; and the new and diverse instruments the Bank now offers to promote development. Some of the recent changes in the procurement landscape which were not considered by the Bank’s previous procurement framework include public-private partnerships (PPPs) and outsourcing, which have wrought new interactions between the state and the private sector; (recent) commitments to rely more on domestic country procurement systems in Bank-financed contracts; efforts to harmonize the procurement practices of the Bank with the other multilateral development banks as well as regional and international attempts to harmonize procurement practices and policies more generally.

This paper seeks to examine the proposed changes to and the evolving nature of the Bank’s procurement framework and distill the implications for the Bank and borrowers under Bank-financed contracts. The direction of World Bank procurement is of importance globally, first because the Bank provides leadership for the other multilateral development banks in relation to procurement (Nwogwugwu, 2005); second, because of the large sums of money that are disbursed by the Bank utilizing its procurement framework (World Bank Annual Report, 2013), and third, because many developing countries engaging in the process of procurement reform are influenced by the Bank’s own procurement policy and procedures (Williams-Elegbe, 2013). Despite the importance of Bank procurement in the global context, there is little academic information available on Bank procurement generally and the proposed reforms in particular.

This paper starts with a review of the Bank’s procurement approach between 1964 and 2014, highlighting the salient changes that have occurred in the past five decades. The paper will then analyze the architecture of the proposed changes to Bank procurement after 2015. The paper will then conclude with an analysis of the implications of the proposed changes to the Bank’s procurement framework.

**PUBLIC PROCUREMENT IN THE WORLD BANK: 1964 TO 2004**

Almost twenty years after its establishment, the Bank recognized the need to provide Bank staff with formal direction on procurement and thus, in 1961, the first written procurement rules were compiled
to provide guidance for staff. A few years later, in 1964, the first formal instructions, which contained the procedures to be used by Bank staff in conducting international competitive bidding (ICB) were approved by the Bank’s Board of Executive Directors. Although the use of ICB and other procurement procedures were formalized in 1964, the Bank had earlier introduced ICB as the normal procurement procedure in 1951 (World Bank, 2012a). It was decided in 1956 that only Bank members (and Switzerland) would be eligible to bid for Bank contracts (World Bank, 2012b). However, the Bank now permits firms and individuals from all countries to bid for Bank-financed contracts, with very limited exceptions (World Bank Procurement Guidelines, 2011). Preferences for domestic suppliers were introduced in 1966 and the specification of currency for bid comparisons was regulated in 1971. The first formal instructions on selecting consultants, mainly for large engineering contracts, were issued in 1966 (World Bank, 2012b).

As stated above, these initial procurement documents have undergone significant revision over the years to reflect changes in the Bank’s approach to lending, changes in the global financial landscape, and innovations in the field of public procurement (Verdeaux, 2006). After the creation of the initial procurement guidelines in 1964, the documents were amended in 1965, in 1974, in 1985 and in 1995 (Casavola, 2006; Hunja, 1997). During the 1970s to the 1980s, the Bank exercised its fiduciary duty by reviewing and approving all contracts and eventually shifted from the explicit approval of contracts to the use of a letter of “no-objection” given to the Borrower to proceed with the contract, a move which clarified the Bank’s role as a financier and not a party to the contract (World Bank, 2012b). This requirement for a letter of “no-objection” from the Bank is still in use today (World Bank Procurement Guidelines, 2011).

The next decade brought yet more changes and in the 1980s the Bank introduced a measure of flexibility into its procurement procedures to take into account the purchases of common or “off the shelf” items and to set thresholds for the use of ICB. The Bank also introduced price as a criterion for the consideration of consultants’ contracts (World Bank, 2012b). In addition, the 1980s evidenced a slight, if informal, move towards the use of country procurement
systems where appropriate for Bank financed contracts (World Bank, 2012b).

In truth, the actual reliance on country systems in Bank-funded contracts were few and far between during this decade, but this set the stage for the introduction of the now famous Country Procurement Assessment Reports (CPARs) as well as the formal acknowledgement of the necessity to rely on country systems where appropriate. Twenty years later, this led to an extensive piloting program on the use of country systems to examine the modalities for the use of domestic country systems in Bank-funded contracts and to determine the level of robustness that could suffice for a domestic procurement system to be used in Bank-funded procurement (World Bank, 2008; 2009a; 2009b; 2010). The CPAR was developed to be used as a means of conducting a holistic review of domestic public procurement, which could be used as the basis for initiating procurement reform. As stated by the Bank, the CPAR was intended to be an analytical tool to diagnose the health of the existing system in the country, and in the process generate a dialogue with the government focused on needed reforms...to improve a country’s system for procuring goods, works and consulting services. (World Bank, 2002). Other changes that occurred during this decade were increased codification and standardization of procurement and the introduction of standard bidding documents (World Bank, 2012b).

In relation to the basis of the Bank’s procurement policy, it can be seen that between 1964 and 1994, the Bank’s procurement policy was premised on four considerations: economy and efficiency in the procurement process; competition; encouraging the local industry, and transparency (World Bank Procurement Guidelines, 1995, 1996, 1997 & 1999). These policy considerations were implemented through specific procurement procedures; in particular, open and competitive bidding, which has been described as the “mainstay” of the Bank’s policies for the procurement of goods, services, and works under Bank-financed projects (World Bank, 2012a). Open and competitive bidding was achieved through a default measure of requiring International Competitive Bidding (ICB) for Bank-financed procurements. ICB in essence means that procurements are advertised internationally and are open to persons beyond the borrower country (World Bank Procurement Guidelines, 2011).
As can be seen from the above, although there were several changes to the initial procurement guidelines, some of which introduced innovations or flexibility into Bank procurement, it must be noted that these changes did not in any way signify a shift in the Bank’s underlying procurement policy and the four policy considerations mentioned above still dominated the Bank’s procurement guidelines, in spite of the introduction of new procurement methods, the increased standardization of procurement and changes to the Bank’s lending.

The most significant addition to the Bank’s procurement policy occurred in 1995 when the Bank introduced a new paragraph in its guidelines dealing with fraud and corruption in Bank procurements (World Bank Procurement Guidelines, 1995, 1996, 1997 & 1999). This new paragraph established the Bank’s intention to debar firms engaging in corruption in bidding for Bank-financed contracts and also contained a clause permitting borrowers to include a “no-bribery” pledge in bid documentation. The paragraph on corruption was again revised in 2004 to include bid-rigging, price-fixing, collusion and coercive practices in the list of prohibited activities and grant the Bank contractual access to bid and contract documentation and the power to audit the accounts of suppliers. (World Bank Procurement Guidelines, 2004; Williams, 2007; Dubois & Nowlan, 2010).

It must be noted that the introduction of anti-corruption measures into the Bank’s procurement landscape was a long time coming and evidenced a dramatic shift away from the Bank’s often stated policy not to interfere in domestic corruption issues, as these were considered “political,” even if the corruption arose in a Bank-financed project (Shihata, 1997; Wallace-Bruce, 2000). The prohibition against being influenced by political or non-economic considerations by the Bank is found in Article IV, section 10 of the Articles of Agreement, which provides that:

“The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I” (Art. IV IBRD Articles of Agreement, 1944).
However, with the assumption to the leadership of the Bank by James Wolfensohn in 1995, the Bank decided to face the issue of corruption in developmental projects head-on and to grant legitimacy to its anti-corruption efforts, it was determined that it could rely on another provision in its Articles which provides that loan proceeds must only be used only for their intended purpose (Art. II IBRD Articles of Agreement, 1944). It must be noted that the Bank’s decision to become more proactive in fighting corruption coincided with wide-ranging calls for governments to take action against corruption (Naim, 1995; Thai, 2001), against the backdrop of technological changes that provided the public with easy access to information and knowledge and forced governments to become more accountable (Glynn, Kobrin & Naim, 1997).

The introduction of an anti-corruption policy into the Bank’s procurement policies had two objectives: the first was to ensure that in accordance with the Bank Articles of agreement, Bank funds were to be used for their intended purpose, with due regard for considerations of “economy and efficiency” and the other was to ensure that corruption did not continue to remain an obstacle to development (Mauro, 1997; Winters, 2002). The Bank’s policy against corruption is based on four main strategies. The first is to ensure that the procurement process contains preventive and punitive elements against corruption. The Bank’s policy of debarring corrupt contractors guilty of various infractions assists in executing both these elements (Williams-Elegbe, 2012). Second, the Bank ensures that the pre-approval stage of loans and projects is rigorous and contains input from all interested parties (Mansuri & Rao, 2013; Schlemmer-Schult, 2001). Third, measures are taken to ensure that, institutionally, the Bank is corruption free; and fourth the Bank improved auditing and supervision requirements in its projects (World Bank, 2012).

It could thus be surmised that by the end of 2004, the Bank’s procurement policy was based on the four considerations mentioned above: economy and efficiency in the procurement process; competition; encouraging the local industry, and transparency; with the introduction of an anti-corruption policy that led to increased oversight and further encouraged economy and efficiency in project procurement.
It should be noted that prior to the current spate of reforms, there was little clarity in the Bank’s procurement guidelines as to which provisions were “policies, guidelines, rules and procedures”, which meant that any deviation from the guidelines had to be approved by the Bank’s Executive Board, no matter how small or reasonable. One of the objectives of the current reforms is thus to increase the level of coherence in the Bank’s procurement system by distinguishing between different categories of information and the mandatory nature or otherwise of the information, all within a broader, more carefully defined procurement framework.

PUBLIC PROCUREMENT POLICY IN THE WORLD BANK: 2005 TO 2014

The decade between 2005 and 2014 saw a profusion of activity and shifts in the Bank’s procurement policy. Whilst the previous 40 years had witnessed mainly incremental changes to the Bank’s procurement framework and policies –the most significant being the introduction of an anti-corruption policy, implemented through the insertion of punitive and preventive anti-corruption measures into the Bank’s procurement guidelines the decade between 2005 and 2014 witnessed rapid movement in the Bank’s procurement framework and policy. It must be noted however, that although these shifts occurred at a faster pace than earlier changes to the Bank’s procurement framework, the changes were still related to the Bank’s anti-corruption agenda and mainly dealt with extensions to the Bank’s anti-corruption policy combined with a new governance approach in Bank procurement (Debevoise & Yukins, 2010).

In 2005, the Paris Declaration (United Nations, 2005) as expanded by the Accra Agenda (World Bank, 2008a) and subsequent high-level documents issued by global development institutions gave the impetus for changes to Bank procurement. These documents identified the reliance on country procurement systems in aid or donor financed projects as a priority for development partners (United Nations, 2005; World Bank, 2008a). These multilateral instruments provided the momentum for the Bank to engage in its pilot on the use of country systems and the eventual provision in the Bank’s procurement guidelines accepting the use of a country’s system in a Bank-funded project within certain narrow limits (World Bank Procurement Guidelines, 2011).
During this decade, there were increased attempts made to harmonize the practices and policies of the major multilateral development banks (Nwogwugwu, 2005). These attempts can be traced to the High Level Forum on Harmonization in Rome in 2003 (OECD, 2003) steered by the OECD’s Development Assistance Committee (DAC), which also championed other high level forums in Paris, Accra and Busan. Harmonization efforts led to the use of County Partnership Strategies, which introduced coherence in funding priorities between development partners, whilst in relation to procurement, development institutions pursued harmonization of procurement guidelines, the standardization of bidding documents as well as cooperation in relation to anti-corruption enforcement (Yukins, 2013; Folliot-Lalliot, 2014; Seiler & Madir, 2012; Zimmerman & Fariello, 2011). It may be noted here that whilst the Bank was pursuing its own harmonization agenda, the World Trade Organization was in the middle of renegotiation of the 1994 Agreement on Government Procurement (Arrowsmith & Anderson, 2011).

These cumulative shifts in the Bank’s procurement framework were occasioned inter alia, by the policy changes on the development landscape as discussed earlier. The shifts were also brought about by changes to the Bank’s methods for delivering project finance (Gelb & Hashi, 2014); new areas that qualified for Bank lending; increased sectorial support as opposed to project lending; the increasing complexities wrought by fragile and conflict affected states as well as global developments in public procurement, which saw far-reaching reviews of public procurement frameworks by inter-governmental and multilateral bodies such as the European Union (EU) and UNCITRAL (2011).

It must be noted that these shifts were not peculiar to the Bank’s procurement space, and since the start of the new millennium and most notably since the financial crisis of 2008, the Bank has been reevaluating its entire operations and governance framework in order to be able to respond better to unforeseen global changes and events, increased accountability, inclusiveness and participation in Bank decisionmaking (Mansuri & Rao, 2013; Ahluwalia, 2009; Ebrahim & Herz, 2007). The Bank itself has realized that there is a high correlation between the extent and quality of public participation and overall project quality. (Ebrahim & Herz, 2006). Thus, the desire to improve the effectiveness of Bank-projects has led to concerns
about “good-governance” both within and outside the Bank (Woods, 2000; Santiso, 2001). One of the stated dimensions of good governance is the quality of policymaking and public service delivery (Kaufman et al., 1999) and this reveals why the Bank’s procurement policies were impacted by the Bank’s governance reform agenda. In addition, as has been discussed previously, improving public procurement practices is one way of improving the effectiveness of expenditure as good public procurement practices are a major determinant of the effectiveness of public expenditure (World Bank, 2014).

In 2012, the Bank commenced a holistic reform of its procurement policies, practices, and procedures. The reform commenced with a comprehensive review of the Bank’s current approach to procurement under Bank-financed operations, the first such review by the Bank since it was established (World Bank, 2012a). The review covered both the Bank’s operational procurement policies and procedures, and their application by the Bank and its borrowers.

The reform was aimed at ensuring that Bank procurement is in alignment with its changing role and the challenges and innovations that dominate Bank operations and that the Bank’s procurement is fit its purpose and aligns with the Bank’s broader modernization agenda (World Bank, 2012a). The reform also had as its aims the attainment of the larger goal of improving development effectiveness by encouraging the use of country systems and harmonization (between funders), building competitive local industries, strengthening public sector management, improving governance and anticorruption, promoting sustainability, accelerating investment in infrastructure, and deepening international trade, among others (World Bank, 2012b). It is thought that these agendas converge, in some way or another, with public procurement and the review would assist in identifying both the opportunities and the trade-offs in realizing these policy goals to exploit synergies that advance the Bank’s agenda, and to position the Bank for the future (World Bank, 2012b).

The review led to the development of a new framework for procurement in Bank projects, which was adopted by the Bank’s Executive Directors in November 2013 (World Bank, 2013). This new framework sets out for the first time, a vision statement for Bank project procurement, to the effect that: “Procurement in Bank
Operations supports clients to achieve value for money with integrity in delivering sustainable development” (World Bank, 2013, p.1).

The importance of the articulation of this vision statement cannot be over-emphasized as it means that for the first time, the Bank is clear as to the purpose of its procurement and the statement explicitly puts Borrowers at the centre of Bank procurement. Before this, Bank procurement requirements were imposed on Borrowers to meet the Bank’s requirements and fiduciary obligations. These requirements were often adopted without input from the users, and often without taking into account end-users needs (Casavola, 2010). An important aspect of the vision statement is that it seeks to ensure sustainable development. According to the Bank, procurement is both a development instrument and a strategic policy tool that can support a broad range of economic and social development objectives (World Bank, 2014).

Interestingly, this is also the first time that the Bank has development at the centre of its procurement policy and practices, instead of its fiduciary obligations. It also signals an acceptance of the wisdom that public procurement can be a prominent tool to help achieve developmental objectives (McCrudden, 2007; Arrowsmith and Kunzlik, 2009; Watermeyer, 2000; Karangizi and Ndahiro, 2009). The Framework document also emphasizes that the vision statement will be undergirded by principles of best practice in procurement, which are: economy, efficiency, effectiveness, integrity, openness and transparency, and fairness (World Bank, 2013).

The Framework document also developed a value-proposition for the Bank. This value-proposition is focused on achieving value for money, supporting the Bank’s clients in pursuing sustainable procurement goals, integration, and exercising adaptability and leadership (World Bank, 2013). Again, it must be noted that this also evidences a paradigm shift for the Bank as prior to this, Bank procurement policy was seen as a tool to standardize procurement practices and ensure the appropriate use of Bank funds. Although the Bank prided itself on its role in setting the tone for public procurement, especially for developing countries that often looked to the Bank for guidance and financial assistance in relation to procurement reform, this is the first time that the Bank is expressing a formal objective to provide leadership in public procurement. This leadership role will take the form of the Bank continuing to champion
procurement reform, the articulation of best practices and the Bank developing its knowledge of partner systems (World Bank, 2013). A key aspect of the Bank’s new leadership role will relate to capacity development in its borrowers. The Bank has stated a commitment to providing a more systematic approach to support capacity building in its borrowers and it has been proposed that the Bank may identify a set of borrowers who may benefit from an accelerated program of capacity building (World Bank, 2014).

In relation to the adaptability of procurement, the Framework document expresses the desire that at the micro or project level, Bank procurement arrangements will be “fit-for-purpose” (World Bank, 2013). This is again a paradigm shift for the Bank and will finally put to rest the criticism that the Bank used to adopt a “one size fits all” approach to its procurement regulations, which were designed for large stand-alone infrastructure projects and did not therefore meet the needs of non-project (or program procurements) and smaller value, less complex project procurements. This new move towards adaptability means that the Bank will permit the use of country systems, where it sees that an acceptable standard of procurement will be achieved, even if the country’s approach and legal and administrative tradition differs from the Bank’s.

One area of Bank procurement that is not affected by the review is the legal remedies of the Bank in relation to procurement as well as the Bank’s approach to preventing and sanctioning fraud and corruption in Bank financed projects (World Bank, 2013). This is possibly as a result of the fact that most of the changes to the Bank’s procurement policy and guidelines between 1994 and 2011 focused on changes, amendments and supplementations to the Bank’s approach to fraud and corruption and as a result, further changes are not as yet required in this area.

An important aspect of the review as was mentioned earlier is the differentiation between the different facets of the Bank procurement system, within the procurement framework. According to the Bank, the Procurement framework will include five facets- the vision statement; procurement policy; procurement directives; Borrower’s procurement procedures and the Bank’s Procedures, and will replace the Bank’s current approach (World Bank, 2014). There is thus a clear separation of these facets, which will lead to clarity in implementation.
The review of Bank’s procurement policy is far from over. In August 2014, Phase II of the review commenced which would articulate the new proposed framework into a fuller strategy on how the Bank would support client procurement performance and would provide the outline of a new statement of procurement policy (World Bank, 2013). This phase addressed implementation issues, included more consultation with stakeholders, and led to the preparation of a detailed policy proposal, which was presented to the Bank’s Executive Directors for approval in 2015.

2015 AND BEYOND: POLICY, DIRECTIVES, AND PROCEDURES

As mentioned above, the new procurement framework is comprised of the draft procurement policy, directives, and procedures. This section will examine the purpose and thrust of each of these documents.

Draft Procurement Policy

The draft procurement policy (World Bank, 2014b) will form the basis for the Bank’s approach to procurement and articulates seven principles that will guide Bank procurement (World Bank, 2014). It may be noted here that these principles are not new to public procurement, and have been accepted to be the basis of “good” public procurement in national systems (Arrowsmith, 2005). As enumerated by the Bank, the principles overlap in many respects and this may be an indication of the tension the Bank faces as an institution operating in diverse contexts. These principles are:

Value for Money

Value for money is defined by the Bank as the “effective, efficient and economic use of resources”. Value for money is an established concept in public procurement and has been the subject of much discourse (Schooner, 2002). It is a principle that seeks the most cost-effective or economically advantageous approach to procurement, taking into account, not just price, but quality, life-cycle considerations such as maintenance and end of life and disposal costs. As a principle, value for money has itself been the subject of much expansion as it was originally a concept that focused on the bare cost of procured goods and services. Prior to this reform exercise, value for money would have been catered for under the
policy considerations of “economy and efficiency” discussed above. The separation of value for money as a stand-alone policy consideration may highlight the interest in resource management, given the after effects of the global financial crises and prior criticisms about waste in Bank-funded contracts (Winters, 2002).

**Economy**

As defined by the Bank, this principle takes into account factors that support value for money (illustrating the proximity between the two principles) as well as environmental and sustainability criteria as agreed between the borrower and the Bank. In general procurement parlance, sustainable procurement is not considered equivalent to economy and in fact, may at times be in conflict with this principle. Thus according to the Chartered Institute of Purchasing and Supply, “sustainable procurement” includes socially and ethically responsible purchasing; minimizing environmental impact through the supply chain; delivering economically sound solutions and good business practices (CIPS, 2011). It is clear that the Bank desires to expand the possibility for borrowers to include social and environmental considerations into contracts funded by the Bank in the same manner as they do for domestic contracts, but the challenge that may arise here is ensuring that these considerations remain compatible with the ICB procedure and are not used as a means of excluding international bidders.

**Integrity**

As has been discussed above, the Bank began to take measures against corruption in Bank-funded contracts from the 1990s and the draft procurement policy merely restates that borrowers, sub-borrowers and all persons involved in a Bank-funded contract, whether declared or not must observe the highest standard of ethics and must avoid conflicts of interests.

**Fit for Purpose**

The draft procurement policy states that the most appropriate approach must be adopted to meet development objectives and project outcomes. Thus, the Bank will adopt a flexible approach to procurement arrangements to take into account the risk, value, complexity and context of procurements. An examination of the draft
borrowers’ procurement procedures developed by the Bank illustrates the range of procurement procedures, which will be used to implement this principle.

**Efficiency**

Here, the approach according to the draft policy document is that project procurement arrangements should represent good value for money, with specifications and processes that are proportional to the value and risks of the procurement. This is again a wholly new approach for the Bank and means that procurement procedures may be tailored to fit the risks and value of particular procurement. This principle is also intimately connected with the principles of value for money and economy as discussed earlier as it seeks to ensure that the costs of procurement do not exceed the costs of the goods or services being procured.

**Transparency**

This is a preexisting policy goal of Bank procurement and the World Bank has always required and still requires transparency in the procurement cycle. Thus, according to the policy document, sufficient and relevant information must be made in an open manner publicly available to all interested parties consistently and...at reasonable or no cost (World Bank, 2014b).

**Fairness**

The World Bank requires that all eligible individuals and legal entities be given the same opportunities to compete for World Bank-financed activities. As was discussed above, Bank contracts are open to bidders from all countries, in order to increase competition. Under the draft procurement policy, the procurement process must ensure equal opportunity and treatment for bidders; equitable distribution of rights and obligations between contracting authorities and contractors, providers and consultants; and credible mechanisms for addressing procurement related complaints and providing recourse. In a sense, this statement encompasses the requirements for fairness as well as transparency.
Procurement Directives

The proposed directives are an entirely new feature of Bank procurement and provide instructions on applying the procurement policy. They cover such issues as thresholds for prior review, use of post reviews, auditing, and the specific roles of Bank staff. It appears as though the directives will cover macro issues that apply to all Bank-funded procurement, irrespective of the nature of the sector or the type of lending instrument. It is interesting to note that the Bank is borrowing the terminology used in the European system. This may be an indication of the increasing globalization of procurement terms and norms (Krisch & Kingsbury, 2006; Chiti & Mattarella, 2011; Ioiane, 2012).

Procurement Procedures

Prior to this reform program, the Bank procurement guidelines were an all-encompassing document that contained procurement policy, procedures and practices. However, as discussed, the reforms separate the distinct facets of Bank procurement and in relation to procedures, further separate the procedures applicable to Borrowers from the procedures that apply solely to the Bank. It should be noted that both sets of documents are entirely new and in relation to the procedures applicable to Borrowers, the procedures differ significantly from prior revisions to the procurement guidelines, which adopted an incremental approach for changes or additions. The new procurement procedures were drafted with more clarity and a more intuitive layout for users.

HIGHLIGHTS AND IMPLICATIONS OF THE PROPOSED REFORMS

As has been discussed above, the proposed changes to the procurement framework evidences a step-change for the Bank in relation to its procurement policy, approach, organization and arrangements and will have implications for the way the Bank organizes and conducts its procurement in future. Some of the areas of organization that will be most affected include the Bank’s approach to risk assessment - as there is going to be a focus on high risk and high value contracts; the Banks staffing - as Bank procurement staff will move from reviewers of contract documentation to trainers and partners; and Bank understanding of
capacity development in Borrowers in relation to the use of country systems.

The all pervading nature of these changes mean that it is likely that the Bank itself does not realize just how many variations will be wrought and will be required until it fully adopts and begins to implement the new procurement framework. This makes it pertinent that a sufficient period of transition be granted to Bank clients, Bank staff and contractors in relation to the changes. Some of the more salient implications for the Bank’s proposed changes to its procurement framework are outlined below.

**Fit for Purpose**

Procurement arrangements must be “fit for purpose.” The idea of “fit for purpose” procurement is that the best outcome in relation to what is being procured should be pursued through dialogue with potential suppliers in order to generate the best overall result for the contracting agency and the users of the goods and services (World Bank, 2012b). This may be one of the most difficult concepts for the Bank to adopt and internalize, as it entails a move away from traditional procurement thinking which ensures minimal pre-contract interaction between contractors and the procuring agency in order to minimize the risks of corruption and collusion in the procurement process. Knowledge sharing and dialogue between potential contractors and the procuring agency can enhance outcomes in, where research and development or innovative solutions are required. Enhanced dialogue is already a feature of procurement regulations in other contexts such as the “competitive dialogue” procedure in the EU procurement directives (Art. 29, Directive 2004/18/EC and Art. 30 Directive 2014/24/EU). It will be interesting to see how the Bank will ensure that a similar procedure in the Bank context does not lead to abuse by Bank clients.

**Value for Money**

The concept of value for money in public procurement regulation is hardly new, but it has transformed from a concept that pursued the least-cost procurement to a concept that is focused on the life-cycle costs of the procurement and not just the cost or purchase price (World Bank, 2012b). Although the Bank has traditionally permitted the consideration of factors beyond the cost price for Bank-funded
procurements, anecdotal evidence suggests that most Borrowers would focus on price in Bank-funded projects to ensure that they do not fall afoul of the Bank’s procurement guidelines. However, the Bank now seeks to make the determining factor in evaluating bids for Bank-funded projects the optimum combination of whole-life costs and benefits (World Bank, 2012b). This may be very difficult for the Bank to achieve, especially where Borrowers lack capacity in the area of procurement and supply chain management. This is because determining whole life cycle costs and benefits necessarily includes an assessment of factors such as maintenance costs; management costs; operating costs; the costs of disposal of goods (where appropriate) and the implications of risks and flexibility throughout the entire life cycle. Although value for money is conceptually a good idea, its implementation in practice may prove difficult as the inclusion of more subjective factors in public procurement always increases the scope for the abuse of discretion.

**Supporting Clients in Pursuing Sustainable Procurement Goals**

The issue with this new policy thrust will be to determine the scope and the level of support that the Bank will be able to provide to its clients. It must be stated that at present, the Bank provides some level of support to its clients through *inter alia* “implementation support missions” to clients. These meetings are often helpful in distilling the areas where Bank clients are having difficulty following Bank procurement guidelines; clarifying the objectives and outcomes for a Bank funded project and highlighting issues that Bank clients may be facing with Bank procedures for withdrawal and retirement of funds.

However, it seems likely that the Bank wants in the future to provide a greater level of support to clients to ensure that procurement goals are met. At present, implementation support missions are very process-oriented and in essence focus on ensuring compliance with Bank regulations. It will be interesting to see whether the Bank will adopt a more flexible approach to ensuring its clients meet their goals, even if this comes at the risk of less-than-perfect compliance with Bank procedures. It must be noted that the Bank desires not only to provide further and where required, ‘hands-on’ support in relation to Bank-funded procurements, but more generally in relation to domestic procurement. Thus, there is an indication that the Bank will devote more resources to its clients to assist them in
improving their public procurement regimes by filling gaps, streamlining their procedures and processes, overcoming bottlenecks, and providing more support for capacity building and professionalization (World Bank, 2013). The second issue that will arise with this policy thrust is the implications for Bank procurement support staffing. At present, the Bank has about 220 full-time procurement staff in its offices worldwide (World Bank, 2013). Increasing the level of support to Bank clients worldwide may entail an increase in the numbers of procurement staff and of course an increase in the capacities of existing staff (World Bank, 2013). This will not necessarily be easy, given the vast range of clients, contracts and sectors that the Bank deals with.

**Providing Leadership in Public Procurement**

The Bank has long considered itself the global leader in relation to procurement best practices, and wants to ensure that it maintains this leadership role. Innovations such as the Country Procurement Assessment Reports (CPARs) and the Methodology for Assessment of National Procurement Systems (MAPS) have ensured that in the area of procurement reform the Bank indeed does have a leading role (Williams-Elegbe, 2013). However, it must be stated that direction in the area of procurement reform is not the sole preserve of the Bank and UNCITRAL was established in 1966 to further the progressive harmonization and modernization of the law of international trade by promoting the use and adoption of legislative and non-legislative instruments in key areas of commercial law, including procurement.

UNCITRAL is widely regarded as providing a globally acceptable template for countries, which wish to reform or develop procurement regulation for the first time (Arrowsmith & Tilleman, 2010; Hunja, 1998, 2003; Basheka, 2009). For the Bank to maintain relevance in the area of procurement, it will need to stop considering procurement through the narrow prism of Bank-funded projects. This is a radical change from current Bank operations and the thinking of Bank staff and may raise conflicting priorities that will need to be addressed as time goes on. As has been discussed above, Bank regulation of procurement developed from a desire to ensure that the Bank met its fiduciary obligations as expressed in its Articles of Agreement and that Bank loans were judiciously used for their intended purpose. However, of course, procurement is a strategic function that can ensure that countries meet their developmental aspirations. The
Bank has already realized this in its newly articulated vision statement, but it must in practice ensure that in rewriting its new guidelines and in providing support to clients, the goal is not merely to ensure that Bank funds are properly used.

CONCLUSION

This paper is an attempt to examine in detail the proposed changes to the Bank's procurement as well as the evolving nature of the Bank’s procurement and to distill the implications for the Bank. A comprehensive review of Bank procurement is long overdue as the Bank has maintained the same approach to its procurement since its establishment, despite changes in the nature of the Bank’s lending, projects and clients; evolutions in procurement methods; innovations in relation to e-technologies; the trend towards harmonization of procurement practices and regulation; and other changes such as the increasing move towards public-private partnerships, outsourcing and the use of concessions.

When the reform program is concluded, it will involve a radicalization of the approach to procurement that has been adopted by the Bank since its inception. The new procurement framework will bring about significant changes to the arms-length nature of procurement interactions between potential contractors and procuring agencies; a change to bid evaluation methods to take life cycle costs into account in order to achieve value for money; changes to Bank staffing requirements in procurement to provide more support to Bank clients and a more holistic approach to public procurement to ensure that the Bank maintains its leadership role.

It is hoped that the reforms will be fully developed and implemented during 2016 as stated (World Bank, 2013). Given the extensive nature of the proposed reforms, there is a fear that the Bank may realize that it has bitten off more than it can chew and the reforms may never be fully implemented, as was the case with the extensive reforms that were proposed in 1997, which did not have the desired or a sustained impact on Bank procurement (World Bank, 2012b).
REFERENCES


