

2016 PROCUREMENT FRAMEWORK

General Considerations, Governance and Key Changes



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List of Acronyms

APA:	Alternative Procurement Arrangements
CS:	Consulting Services
GWNcS:	Goods, Works and Non-Consulting Services
HEIS:	Hands-on Expanded Implementation Support
IPF:	Investment Project Financing
PPP:	Public Private Partnership
PPSD:	Project Procurement Strategy for Development
RFB:	Request for Bids
RFP:	Request for Proposals
SOE:	State Owned Enterprise
SPD:	Standard Procurement Documents
VE:	Value Engineering



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INTRODUCTION AND OVERVIEW

2016 Procurement Framework

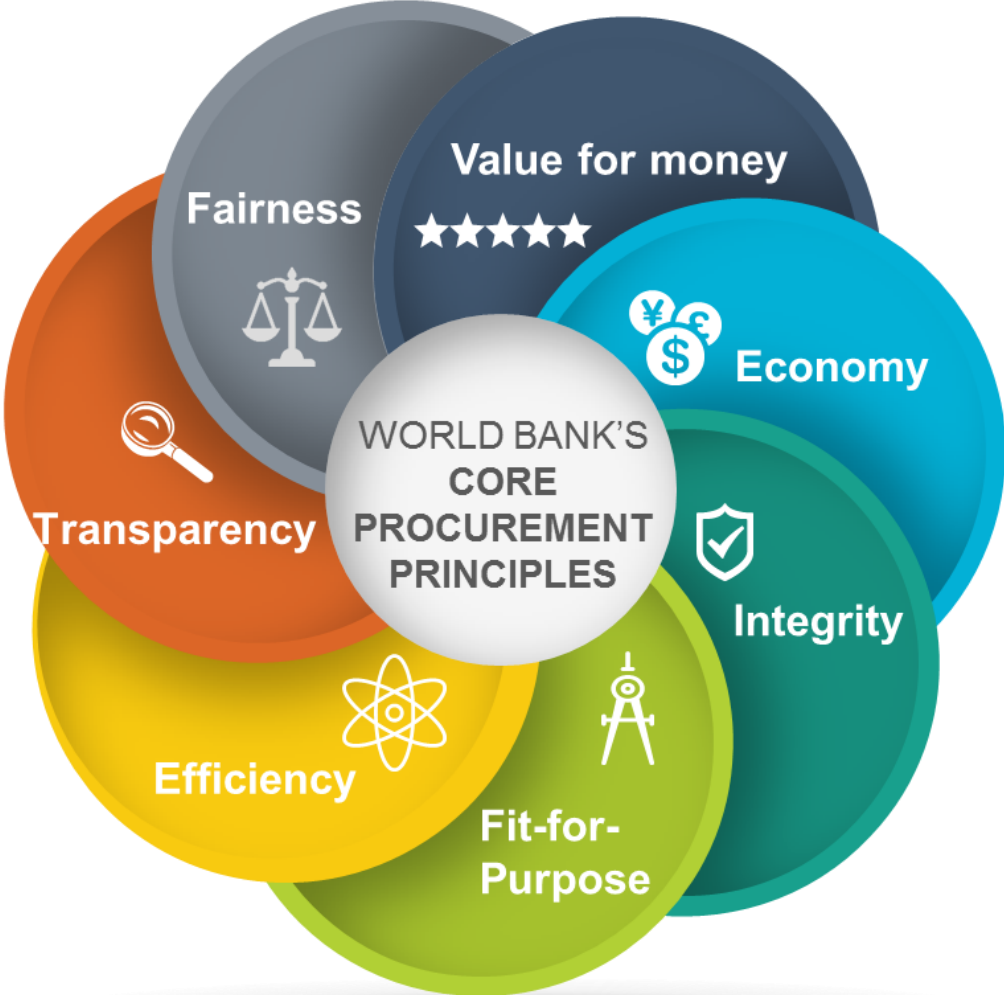


Vision



“Procurement in Investment Project Financing supports Borrowers to achieve value for money with integrity in delivering sustainable development”

Core Procurement Principles



Core Procurement Principles

Value for money

- means the effective, efficient, and economic use of resources
- requires an evaluation of relevant costs and benefits along with an assessment of risks and non-price attributes and/or life cycle costs as appropriate
- Price alone may not necessarily represent value for money

Economy

- takes into consideration factors that support value for money, such as sustainability, quality, and non price attributes and/or life cycle as appropriate
- permits integrating into the procurement process economic, environmental, and social considerations that the Bank has agreed with the Borrower
- permits augmenting identified sustainability criteria with specific criteria in support of the Borrower's own sustainable procurement Policy

Core Procurement Principles

Fit for purpose

- applies both to the intended outcomes and the procurement arrangements in determining the most appropriate approach to procurement to meet the project development objectives and outcomes, taking into account the context and the risk, value, and complexity of the procurement

Integrity

- refers to the use of funds, resources, assets and authority, according to the intended purposes in a well-informed manner that is aligned with the public interest and broader principles of good governance
- the Bank requires that all parties involved in the procurement process observe the highest standard of ethics during the procurement process of Bank-financed contracts
- they must also refrain from Fraud and Corruption, as defined in the Anti-Corruption Guidelines

Core Procurement Principles

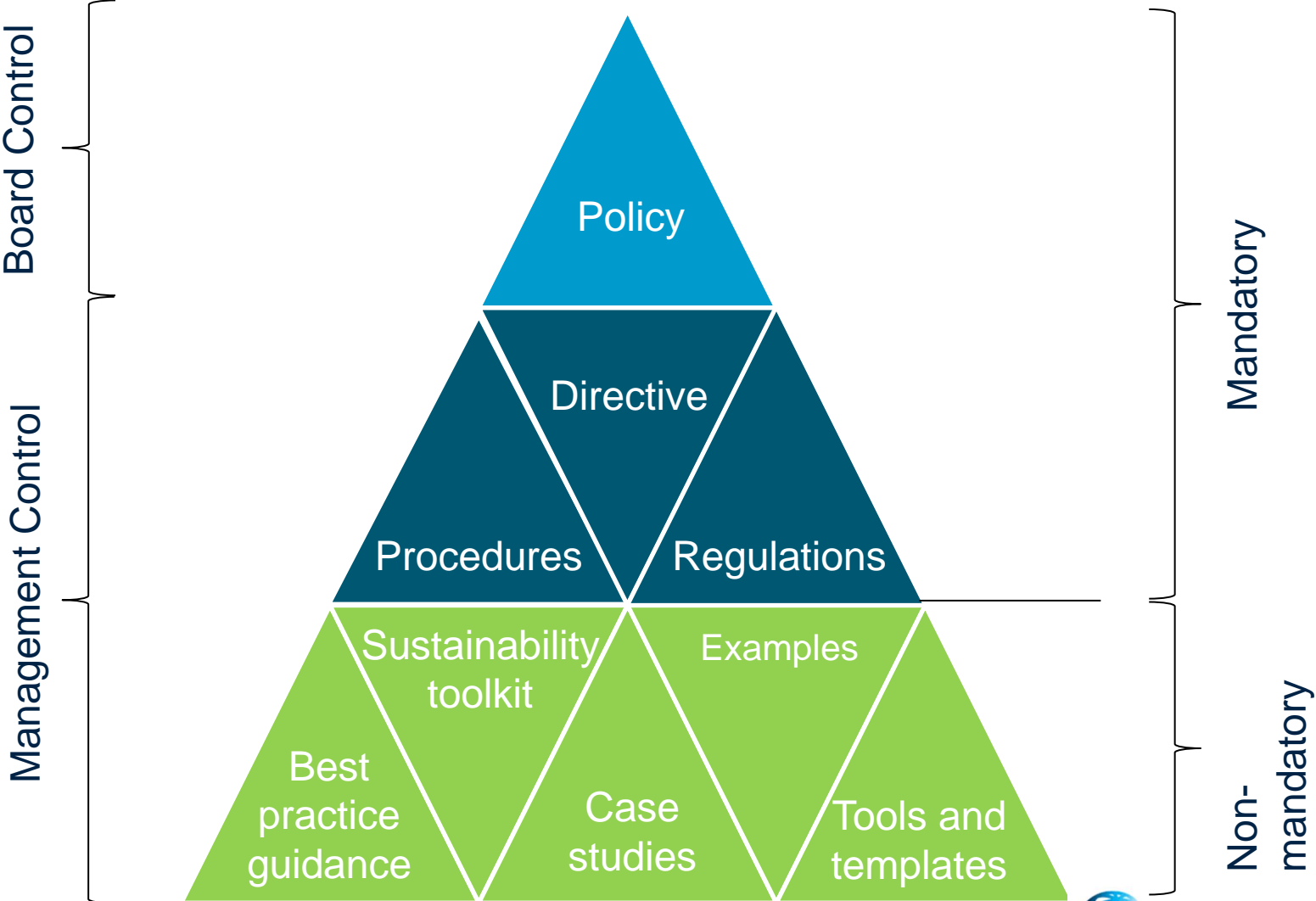
Efficiency

- requires that procurement processes be proportional to the value and risks of the underlying project activities
- procurement arrangements are generally time-sensitive and strive to avoid delays

Fairness

- Refers to:
 - ◆ Equal opportunity and treatment for bidders and consultants
 - ◆ Equitable distribution of rights and obligations between Borrowers and suppliers, bidders, consultants and contractors
 - ◆ Credible mechanisms for addressing procurement-related complaints and providing recourse
- Open competitive procurement is the Bank's preferred procurement approach whenever possible to maximize fairness of opportunity to bid
- Whenever possible eligible individuals and firms should be given the same opportunities to compete for Bank-financed contracts

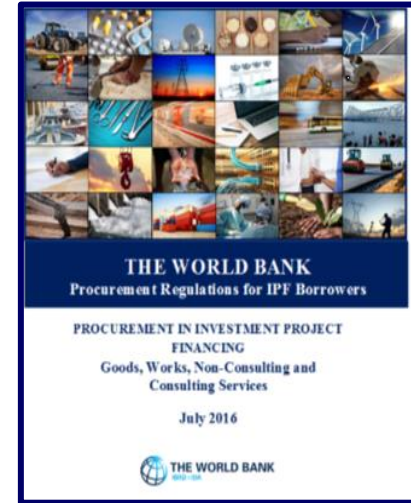
2016 Procurement Framework



Procurement Regulations

Procurement Regulations for IPF Borrowers

- In force from 1 July 2016
- Replaces the 'red' and 'green' guidelines
- Applies to goods, works, non-consulting and consulting services
- Key features:
 - ◆ introduces Project Procurement Strategy for Development (PPSD)
 - ◆ enhances procurement procedures
 - ◆ enhances bidding documents by introducing SPDs
 - ◆ introduces new selection methods for GWNcS
 - ◆ differentiates between market approach options and selection methods
 - ◆ strengthens contract management





Project Procurement Strategy for Development
Short Form Guidance
February 2017



Project Procurement Strategy for Development
Long Form Detailed Guidance
July 2016



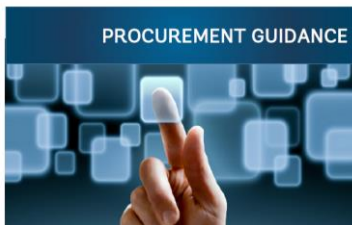
Sustainable Procurement
An introduction for practitioners to sustainable procurement in World Bank IPF projects
November 2016



Competitive Dialogue
How to undertake a Competitive Dialogue Procurement Process
October 2017



Standard Procurement Documents
An overview for practitioners
November 2016



Evaluation Criteria
Use of evaluation criteria for procurement of Goods, Works, and Non-consulting Services using RFB and RFP
July 2016



Value for Money
Achieving VfM in Investment Projects Financed by the World Bank
July 2016



Abnormally Low Bids and Proposals
Guide to the identification and treatment of Abnormally Low Bids and Proposals
July 2016



Procurement-related Complaints
How to complain
January 2017



Contract Management
General Principles
September 2017



Governance

Accountability

- Holds those involved in the procurement process accountable for their actions (or inactions)

Conflict of Interest

- Those involved in the procurement process should not have a conflict of interest, unless such a conflict has been resolved in an acceptable manner

Eligibility

- The Bank permits individuals from all countries to offer GWNcS & CS to Bank-financed projects subject to Bank rules on eligibility and participation

Complaints and complaint related communication

- Complaints and communications related to contractual matters may be brought to the attention of the Borrower or Bank at the appropriate stage of the procurement
- Such complaints should be addressed objectively and in a timely manner with transparency and fairness

Governance

Noncompliance

- If Borrowers or other parties not involved in the procurement process do not comply with the applicable procurement requirements, the Bank may in addition to contractual remedies in the relevant legal agreement take appropriate actions

STEP – Helping you procure better

The infographic is set against a light blue sky with a sun and clouds. At the top left, a blue circle contains a white hourglass icon. Below it, the word "efficiency" is written in a light blue font, followed by the text "STEP speeds up the procurement process." At the top right, a green target icon with a yellow bullseye and a black arrow hitting the center is shown. Below it, the word "effectiveness" is written in a light blue font, followed by the text "STEP is about value for money." The bottom section features three dark blue rectangular boxes on a dark blue ground plane. The first box on the left shows a hospital building and an ambulance, with the text "STEP is knowing how many hospitals were built." The middle box shows a school building with a bell tower and a stack of books, with the text "STEP is knowing how long school children had to wait for their textbooks." The third box on the right shows a power plant with three lit lightbulbs, with the text "STEP is knowing how much it cost to design and build a power plant." At the bottom center, the text "STEP drives results for better development" is written in a light blue font.

efficiency
STEP speeds up the procurement process.

effectiveness
STEP is about value for money.

STEP is knowing how many hospitals were built.

STEP is knowing how long school children had to wait for their textbooks.

STEP is knowing how much it cost to design and build a power plant.

STEP drives results for better development



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2016 Procurement Framework key changes



Key changes

- Exclusions
- Advance procurement
- Alternative Procurement Arrangements (APAs)
- Hands-on Expanded Implementation Support (HEIS)
- Eligibility
- Project Procurement Strategy for Development (PPSD)
- Selection methods and market approach options
- Public-Private Partnerships (PPPs)
- Streamlined national procurement procedures
- Sustainable procurement
- Value engineering (VE)
- Leased Assets
- Procurement of second-hand goods

Exclusions

Procurement Regulations do not apply to the procurement of goods, works, non-consulting or consulting services:

- under Bank guarantees, or
- financed by the Bank through repayable loans made by financial intermediaries to private borrowers

Advance procurement

- Advance procurement contracts may be eligible for Bank IPF if procurement procedures consistent with Procurement Regulations:
 - ◆ **Sections I:** e.g. Core Procurement Principles
 - ◆ **Section II:** e.g. applicability
 - ◆ **Section III:** e.g. conflict of interest, unfair competitive advantage, eligibility, noncompliance, fraud and corruptions
- **Test** = “*shall be consistent with*”
- Not as strict as previous test “*in accordance with*”

Alternative Procurement Arrangements (APAs)

- The Bank may agree to an APA, being the application of the procurement rules and procedures of:
 - ◆ another multilateral or bilateral agency, or
 - ◆ a borrower's agency or entity
- The Bank may agree to such a multilateral or bilateral agency taking a lead role in providing implementation support and monitoring of procurement activities

The test

1. Is an APA the most appropriate procurement arrangement to support the Borrower achieve the project's development objectives?
2. Does the APA:
 - ◆ provide assurance that its proceeds will be used for the intended purposes, with due attention to the Core Procurement Principles and Governance requirements, and
 - ◆ meet the requirements set out in the Policy

Hands-on expanded implementation support

HEIS

- Hands-on help to assist the borrower to advance procurement activities
- HEIS is not execution by the Bank on behalf of the borrower

The borrower retains:

- responsibility to implement the procurement
- all decision-making authority

HEIS does not replace the Bank's fiduciary functions, e.g.:

- independent review
- “No Objection”

Hands-on expanded implementation support

As part of HEIS and at the Borrower's request, the Bank may support the Borrower by:

- drafting Procurement Documents
- identifying strengths and weaknesses of bids/proposals
- observing dialogues and negotiations with bidders/consultants; and
- drafting procurement reports and contract award documentation

HEIS is available for projects in situations urgent need of assistance or capacity constraints as recognized by the Bank

Eligibility SOEs

Eligibility test is now:

SOEs of the borrower's country may be eligible to compete, and be awarded contracts, only if they can establish, in a manner acceptable to the Bank, that they:

1. are legally and financially autonomous
 2. operate under commercial law
 3. are not under supervision by the agency contracting them
- The requirement of 'dependency' on the borrower has been replaced by 'supervision' of the contracting entity
 - The ability to be contracted on an exceptional basis has been extended to include SOEs
 - This exception has been expanded beyond consulting services to cover GWNcS

Eligibility cross-jurisdictional procurement

When a procurement involves more than one country

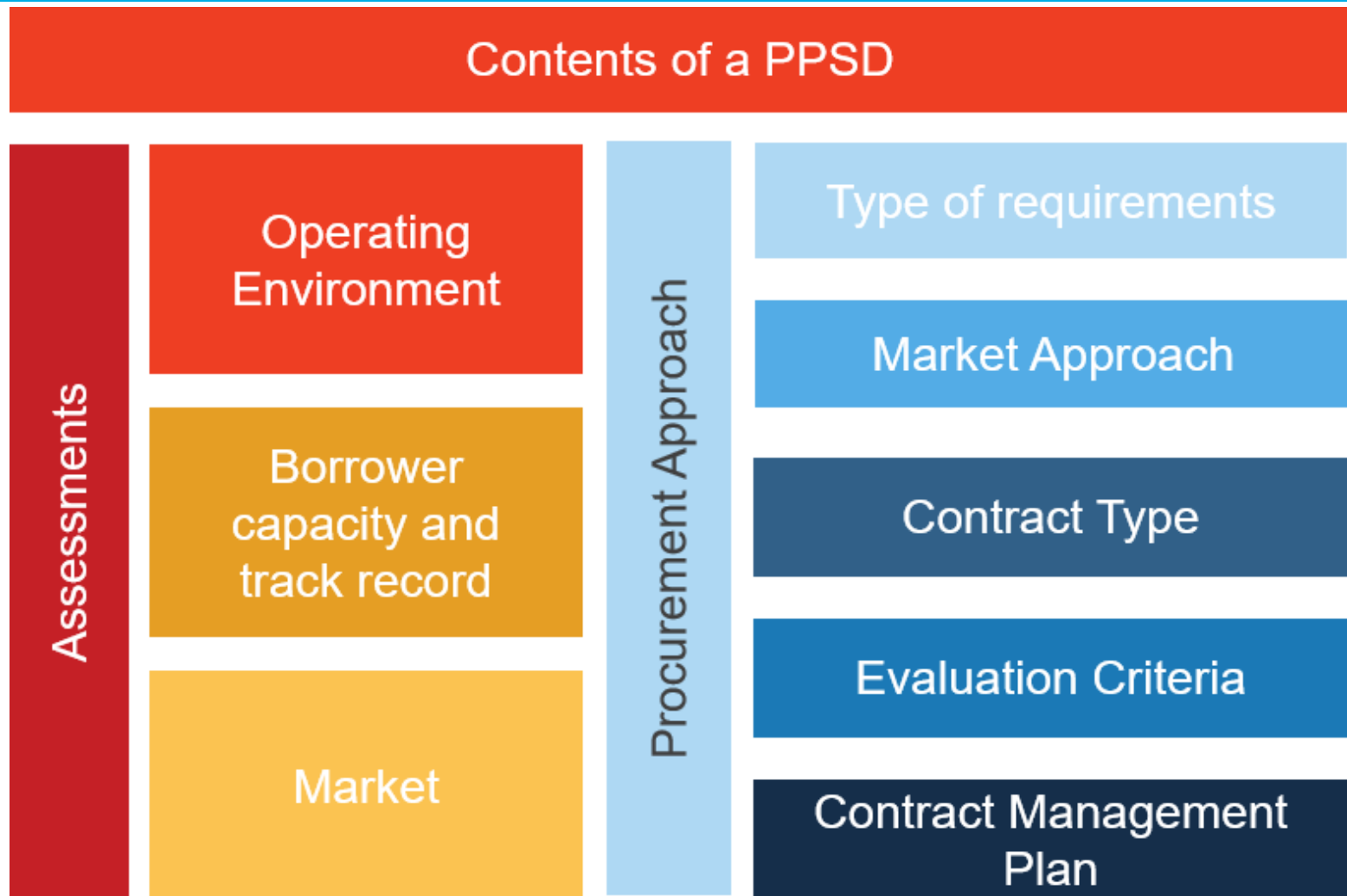
- **Basic position:** a firm, individual or goods from one country may be excluded by the borrower, if legally the borrower's country prohibits commercial relations with that country
- **New provision:** where a procurement is implemented across jurisdictional boundaries (more than 1 country is involved) then:
 1. this type of exclusion, by one country, may be applied to the procurement across the other countries
 2. if the Bank, and all other borrowers, agree

Greater focus on procurement planning

Project Procurement Strategy for Development (PPSD)

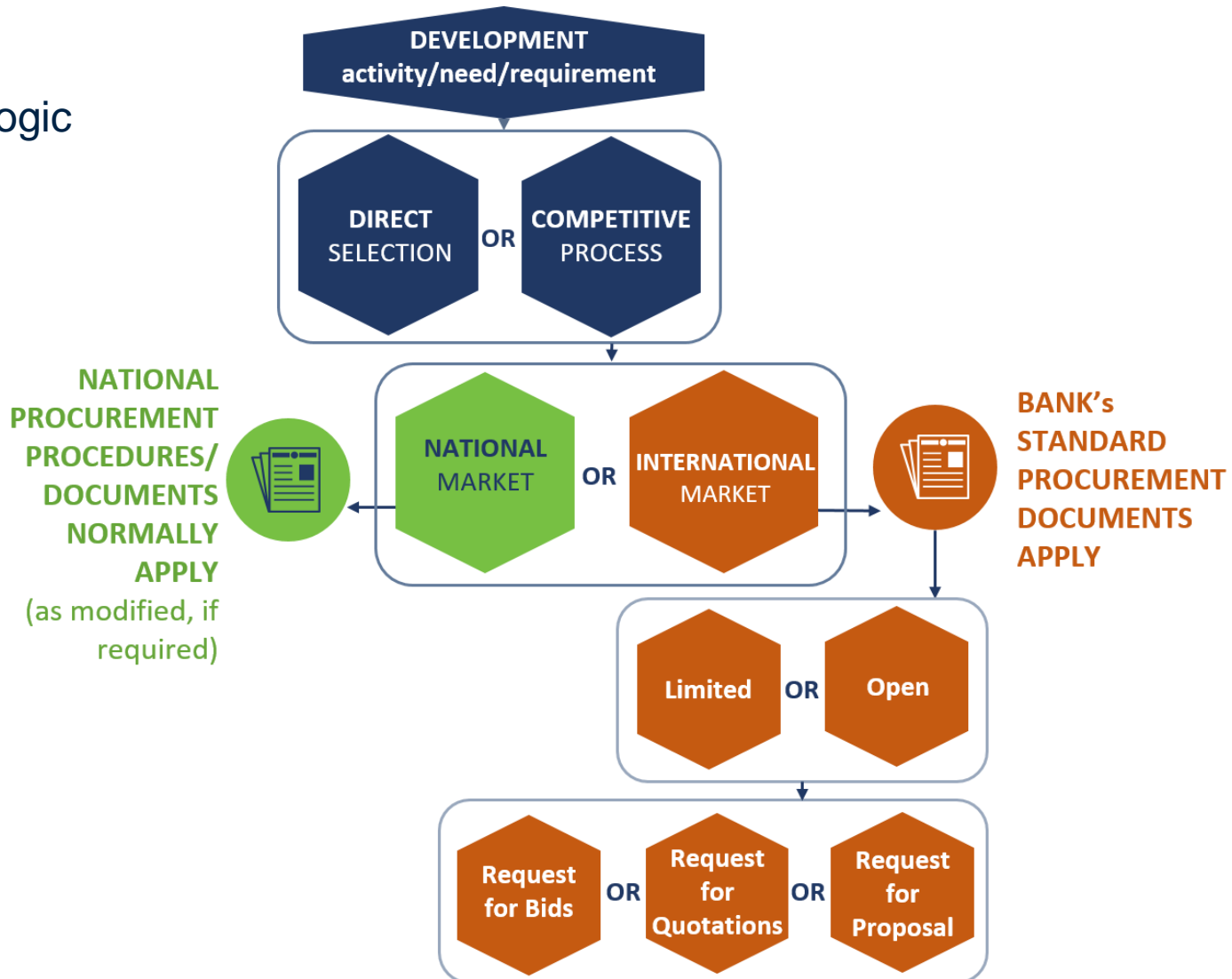
- New market analysis and procurement planning tool
- Risk-based approach
- Addresses how the procurement will support development and deliver best value for money
- Forms the basis for the procurement plan
- Proportional to the risk, value and complexity of the procurement
- Short version for low-value, low-risk projects
- Simplified version for emergency situations
- Living document – can be updated periodically
- Electronic procurement planning and monitoring system (STEP)

Greater focus on procurement planning



Selection Methods and SPDs

Example:
decision logic



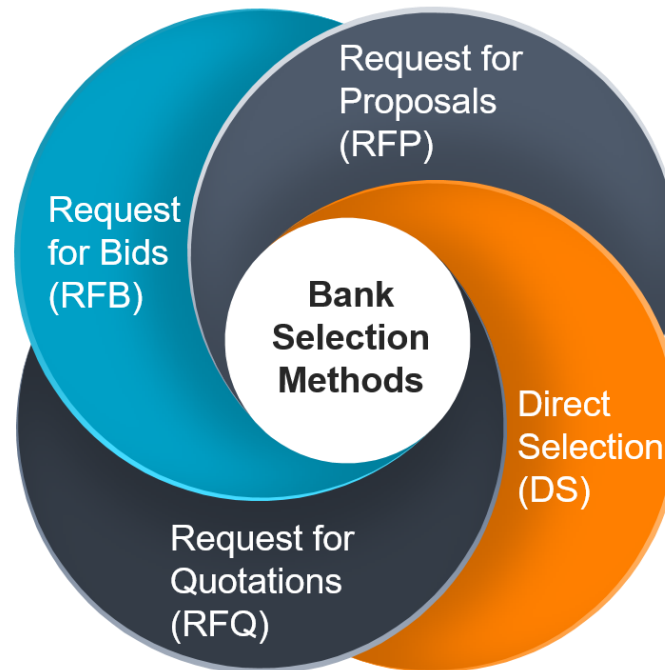
Selection Methods and SPDs

REQUEST FOR BIDS

- competitive approach
- usually used with conformance specifications
- market responds by offering bids
- offers are compared against the requirements on a pass or fail basis.
- award to the lowest price conforming bid

REQUEST FOR QUOTATIONS

- competitive approach
- compares price of the offers/quotations
- used when buying readily available low-value goods and services



REQUEST FOR PROPOSALS

- competitive approach
- usually used with performance specifications
- market responds by offering proposals
- proposals are usually compared by scoring against the requirements (rated criteria)
- Award to the most advantageous proposal

DIRECT SELECTION

- non competitive way of approaching and negotiating with only one firm
- used when there is only one suitable firm or where there is a good reason to approach only one firm

Public-Private Partnerships (PPPs)

- Selection of partner using competitive selection method
- Selection criteria must best meet the project development objectives – contrasts with previous process-orientated approach
- Bank may finance PPP if the selection:
 - ◆ is consistent with Bank's Core Procurement Principles
 - ◆ reflects the application of the Bank's Anti-corruption Guidelines
 - ◆ is consistent with the Regulations (as appropriate)
- Feasibility requirements include suitable economic and financial analysis
- Private partner then procures using its own procedures if they are consistent with Core Procurement Principles
- Bank may finance a PPP initiated through an unsolicited proposal

National procurement procedures

National procedures

- simplified process to use country's own procurement procedures
- procedures for open national competition must meet certain standards

Use when:

- procurement unlikely to attract foreign competition
- advantages of international are outweighed by administrative or financial burden
- contract is below Bank's specified value thresholds

Sustainable procurement

Regulations support application of sustainable procurement

- Sustainable procurement requirements beyond the Bank's policies (e.g. environmental and social) are optional – at borrower's discretion and as agreed with the Bank
- Application must be consistent with Bank's Core Procurement Principles and the borrower's own policies
- May include sustainable procurement in:
 - ◆ technical specifications and/or business or performance requirements
 - ◆ evaluation criteria
 - ◆ contract terms and conditions, if relevant

Application in evaluation

- **RFB** normally (i) pass/fail and/or (ii) convert to monetary terms
- **RFP** normally assessed using combination of pass/fail and rated criteria

Value Engineering (VE)

VE is a systematic and organized approach to increase efficiency or effectiveness by changing materials to reduce cost, or process to reduce time, without sacrificing necessary functionality

- in SBDs the only reference to VE is the clause in the FIDIC conditions of contract for large Works and Management Services
- Procurement Regulations expand use, as appropriate, and as agreed in the PPSD
- Examples:
 - ◆ for RFBs VE can be applied during contract implementation
 - ◆ for RFPs, this option can also be used at the pre-contract award stage

Leased Assets

- Leasing may be appropriate when there are economic and/or operational benefits like lower financing costs, tax benefits, assets required for a temporary period, reducing risks of obsolescence etc
- Leasing may be used if it is agreed with the Bank and specified in the Procurement Plan
- Appropriate risk mitigation measures shall be incorporated and agreed with the Bank

Procurement of Second-hand Goods

If agreed with the Bank and specified in the Procurement Plan, second-hand goods may be procured if doing so would provide an economic and efficient way of meeting the project's development objective. The following requirements apply:

- necessary risk mitigation measures are reflected in the PPSD;
- procurement of second-hand goods shall not be combined with procurement of new goods;
- requirements/specifications shall describe minimum characteristics like age and condition; and
- appropriate warranty provisions shall be specified

Questions?

