

## THE NEW WORLD BANK'S PROCUREMENT FRAMEWORK: ALTERNATIVE PROCUREMENT ARRANGEMENTS AND ITS APPLICATIONS

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### 1. Introduction

The World Bank has for a long time influenced the regulation and public procurement markets. Over time, the market development forced the Bank to conduct its first major procurement system reform to compete for its share in the market of development aid. It recognizes that countries are looking for more efficiency in their public spending so that they can invest more in basic public services such as education, health and infrastructure services<sup>1</sup>.

On July 2015, the Board of the Bank approved the New Procurement Framework, which started to be applied on July 2016<sup>2</sup>.

Following these changes, the Bank will analyze the projects' needs, market, risks, and other influencing factors identified through a Project Procurement Strategy for Development. Procurement will be proportional and many more options will be available to Borrowers under the New Framework. The reform introduced new core principles to the Bank's procurement system, such as value for money and fit-for-purpose requirements, in addition to

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<sup>1</sup> WORLD BANK. *About Procurement Framework 2016*. Available at: <https://wbnpf.procurementinet.org/about-procurement-framework-2016>. Accessed on: January 25, 2019.

<sup>2</sup> WORLD BANK. *What is the new World Bank Procurement Framework? When does it become effective?* Available at: <https://wbnpf.procurementinet.org/faqs>. Accessed on: January 25, 2019.

economy, integrity, efficiency, transparency and fairness that were already applicable to the Bank's operations<sup>3</sup>.

The New Framework also presented the Alternative Procurement Arrangements (APAs) as an option to the previous Bank's procurement framework. These new arrangements are important as they extended the range of procurement practices, modernized and provided more flexibility and agility on procurement systems to borrowers and contributed to an uniformization of national country systems in order to comply with the Bank's standards at the process of evaluation<sup>4</sup>.

## 2. The Alternative Procurement Arrangements (APAs)

One of the highlights of World Bank's 2015 New Procurement Framework is the facilitation of Alternative Procurement Arrangements in place of Procurement Regulations for Borrowers, which are the Bank's traditional instrument.

Through APAs, the Bank assesses procurement systems from other development agencies or borrowers and may allow their use on specific cases as alternative arrangements. At the request of the agencies or borrowers, the Bank may, provided its policies and rules are complied with and fiduciary and operational requirements are satisfied: i) rely on and apply the procurement rules and procedures from another multilateral or bilateral agency or organization; and ii) rely on and apply procurement rules and procedures of an entity of the Borrower or agency<sup>5</sup>.

Always subject to the Bank's consent, APAs may include procurement rules of (a) borrowers' agencies or entities, replacing the piloting program on the use of country systems, or (b) other multilateral development banks or bilateral aid agencies. Still, procurement under APAs needs to be in accordance to (a) the Bank's core procurement principles of value-for-money, economy, integrity, fit-for-purpose, and (b) Procurement Regulations' governance-related provisions

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<sup>3</sup> WORLD BANK. *What are the core principles of the new Framework?* Available at: <https://wbnpf.procurementinet.org/faqs>. Accessed on: January 25, 2019.

<sup>4</sup> BORSON, Fred. *Reforms under the World Bank Procurement and the Policy Implications for Developing Countries*, 2017, p. 149. Available at: <https://heinonline.org/HOL/LandingPage?handle=hein.journals/epppl2017&div=28&id=&page=>. Accessed on: January 25, 2019.

<sup>5</sup> WORLD BANK. *What is Alternative Procurement Arrangements (APA)?* Available at: <https://wbnpf.procurementinet.org/faqs>. Accessed on: January 25, 2019.

on accountability, conflict of interests, ban on multiple proposals, eligibility of bidders, non-compliance with loan agreements, and handling complaints<sup>6</sup>.

However, the major shift is that through APAs the Bank may hand over a procurement project to allow the use of procurement procedures of other multilateral and bilateral agencies including the transfer of the responsibility for implementation, support and monitoring<sup>7</sup>. Nevertheless, it does not imply the APAs will lower the Bank's procurement standards. Nor does it entail the Bank will not remain involved if APAs are used.

The Bank will ensure the funds are being used in the way intended and monitor APAs' performance and complaints. In case of any issues, the Bank will consider other appropriate procurement and will identify opportunities for client support and capacity building.

It is also important to note APAs can only be applied if the Bank decides that these arrangements are appropriate. If procurement arrangements do not meet acceptable criteria, the Bank's Procurement Framework will be applied. The Bank has the final say on which procurement arrangements will be used in a given project. Even after the bank assesses and approves certain procurement system, the process remains under the bank's supervision and must comply with its principles and other rules, such as anti-corruption ones.

### 3. Systems that may be approved as APAs

After a round of consultations, the New Procurement Framework indicated three possibilities of arrangements that may be accepted as alternative procurement arrangements under the World Bank Investment Project Financing (IPF):

a) Procurement arrangements of other development banks/agencies/organizations with which the Bank has concluded agreements;

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<sup>6</sup> GÓRSKI, Jędrzej. *The Reform of World Bank's Procurement Rules*. Chinese University of Hong Kong, Centre for Financial Regulation and Economic Development, Working Paper No. 20, 2016, p. 10. Available at: [https://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2865755](https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2865755). Accessed on: January 25, 2019.

<sup>7</sup> BORSON, Fred. *Reforms under the World Bank Procurement and the Policy Implications for Developing Countries*, 2017, p. 149. Available at: <https://heinonline.org/HOL/LandingPage?handle=hein.journals/epppl2017&div=28&id=&page=>. Accessed on: January 25, 2019.

b) Procurement arrangements of full members of the GPA (WTO Government Procurement Agreement); and

c) Procurement arrangements of any Borrower implementing agency that is in accordance with the Bank's assessment framework<sup>8</sup>.

These alternatives are not all new to the Bank. Since the previous framework, it was possible to use procurement systems of other development agencies in case of co-financing. In the same sense, there were provisions permitting the Use of Country Systems. The major change, as it said, consists of the assignment of the responsibility for supporting and monitoring the project to other multilateral agencies<sup>9</sup>.

In any case, the procurement system will previously be evaluated under the assessment of APAs Framework (assessment framework). The process considers the procurement capacity and capability, as well as the performance of the procurement arrangement at a Borrower's implementing agency level<sup>10</sup>.

Once approved, the procurement system can be used for Bank financed projects until it is revoked. The procurement will still be subject to post review to determine the future ongoing use of the arrangement<sup>11</sup>.

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<sup>8</sup> WORLD BANK. *Procurement in World Bank Investment Project Financing – Phase II: The new procurement framework*, 2015, p. 5. Available at: [https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/phases/phase ii the new procurement frame work - board paper.pdf](https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/phases/phase%20ii%20the%20new%20procurement%20framework%20-%20board%20paper.pdf). Accessed on: January 25, 2019.

<sup>9</sup> BORSON, Fred. *Reforms under the World Bank Procurement and the Policy Implications for Developing Countries*, 2017, p. 149. Available at: <https://heinonline.org/HOL/LandingPage?handle=hein.journals/epppl2017&div=28&id=&page=>. Accessed on: January 25, 2019.

<sup>10</sup> WORLD BANK. *Draft Guidance - Methodology To Assess Alternative Procurement Arrangements In Borrower Implementing Agencies For Procurements Financed Under IPF*, 2015, p. 5. Available at: [https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex j - alternative procurement arrangements 0.pdf](https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex%20j%20-%20alternative%20procurement%20arrangements%200.pdf). Accessed on: January 21, 2019.

<sup>11</sup> WORLD BANK. *Draft Guidance - Methodology To Assess Alternative Procurement Arrangements In Borrower Implementing Agencies For Procurements Financed Under IPF*, 2015, p. 5. Available at: [https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex j - alternative procurement arrangements 0.pdf](https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex%20j%20-%20alternative%20procurement%20arrangements%200.pdf). Accessed on: January 21, 2019.

In this sense, during the next step of project preparation, the Bank must justify (i) why the APA would be the most appropriate method for that specific project and (ii) how the APA would meet the requirements of the Bank's policy and also how it assures the procedures of the Bank's financing will be used in accordance with its purposes<sup>12</sup>.

It is important to note that the assessment framework will be simpler in case of procurement arrangements of full members of GPA. The Government Procurement Agreement has 19 parties, comprising 47 WTO members, as full members, as well as other 33 WTO members that are observers. In these cases, agencies from GPA countries will not be assessed twice: the assessment framework will consider the aspects that have already been assessed during the admission to the agreement<sup>13</sup>.

#### **4. APAs' practical applications around the globe to the present day<sup>14</sup>**

The New Procurement Framework for Borrowers ('Procurement Regulations') has been applied to new projects from July 2016 onwards on the following institutions:

- **Bhutan Timphu Thromde** (November, 2016)

Bhutan's Timphu Thromde was the first borrowing country agency in the world to have its procurement system approved for Alternative Procurement Arrangements by the Bank. The APA assessment identified that Thimphu

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<sup>12</sup> WORLD BANK. *Draft Guidance - Methodology To Assess Alternative Procurement Arrangements In Borrower Implementing Agencies For Procurements Financed Under IPF*, 2015, p. 6. Available at: [https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex\\_j\\_-\\_alternative\\_procurement\\_arrangements\\_0.pdf](https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex_j_-_alternative_procurement_arrangements_0.pdf). Accessed: January 21, 2019.

<sup>13</sup> WORLD BANK. *Draft Guidance - Methodology To Assess Alternative Procurement Arrangements In Borrower Implementing Agencies For Procurements Financed Under IPF*, 2015, p. 9-10. Available at: [https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex\\_j\\_-\\_alternative\\_procurement\\_arrangements\\_0.pdf](https://consultations.worldbank.org/Data/hub/files/consultation-template/procurement-policy-review-consultationsopenconsultationtemplate/materials/annex_j_-_alternative_procurement_arrangements_0.pdf). Accessed on: January 21, 2019.

<sup>14</sup> Up to the closing of this draft, no other institution had its procurement system assessed for use in Bank's projects under its New Procurement Framework, according to the World Bank's website publications. Available at: <http://www.worldbank.org/en/news>.

Thromde fulfilled these conditions, and every two to three years, the agency will be reviewed to ensure that they still meet the standards.

Thimphu Thromde is one of the major implementing agencies in the Kingdom of Bhutan for World Bank-financed operations and they have committed to further strengthening the capacity of the country's procurement system, which will reap benefits well beyond any Bank-financed project<sup>15</sup>.

- **India's PowerGrid** (June, 2017)

India's PowerGrid transmission utility company became the second implementing agency in the world, following the experience of Bhutan's Thimphu Thromde, to have its procurement system and regulations assessed for use in World Bank-financed projects, under the World Bank's new Procurement Framework.

PowerGrid, one of the largest transmission utility companies in the world, establishes and operates regional and national grids to ensure the distribution of power across India. Under APA, an implementing agency is assessed to ensure they have the right laws, regulations, capacity, and performance to meet the Bank's fiduciary requirements. Every few years, PowerGrid will undergo a review to ensure the agency continues to meet the standards for alternative procurement arrangements<sup>16</sup>.

- **Asian Development Bank** (December, 2018)

The Asian Development Bank (ADB) has signed its first Alternative Procurement Arrangement with the World Bank, allowing procedures on co-financed projects to follow a single procurement framework.

ADB is committed to achieving a prosperous, inclusive, resilient, and sustainable Asia and the Pacific, while sustaining its efforts to eradicate

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<sup>15</sup> WORLD BANK. *Bhutan Agency approved for Alternative Procurement Arrangements by the World Bank*. November 16, 2016. Available at: <http://www.worldbank.org/en/news/press-release/2016/11/16/bhutan-agency-approved-for-alternative-procurement-arrangements>. Accessed on: January 25, 2019.

<sup>16</sup> WORLD BANK. *India's PowerGrid endorsed for Alternative Procurement Arrangement by the World Bank*. June 19, 2017. Available at: <http://www.worldbank.org/en/news/feature/2017/06/19/india-powergrid-endorsed-for-alternative-procurement-arrangements>. Accessed on: February 11, 2019.

extreme poverty and negotiating with other multilateral agencies to expand the number of co-financed projects that will use similar arrangements<sup>17</sup>.

## 5. Conclusion

The New Framework has been developed to reflect stakeholder needs and to be fit-for-purpose. The Bank anticipates broad and sustained benefits from adopting the Framework, including the APAs used by agencies and entities.

The uniformization of national country systems is expected to fit the minimum criteria established by the Bank. When this level is achieved, there will be more options and thus more flexibility for interested countries to choose the most adequate procurement framework to its projects.

Since the changes are yet initial and there are few procurement systems approved under the new assessment framework until this day, there is no way to assess their real effectiveness. Nevertheless, it is a topic that deserves our attention and continuous monitoring.

### Informação bibliográfica do texto:

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<sup>17</sup> ASIAN DEVELOPMENT BANK. *ADB signs first Alternative Procurement Arrangement for Enhanced Procurement Efficiency*. December 6, 2018. Available at: <https://www.adb.org/news/adb-signs-first-alternative-procurement-arrangement-enhanced-procurement-efficiency>. Accessed on: February 11, 2019.