

**PROCUREMENT IN WORLD BANK INVESTMENT
PROJECT FINANCE**

PROCUREMENT POLICY

(DRAFT)

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Vision Statement for Procurement in World Bank Investment Project Finance

Procurement in Bank Operations supports borrowers to achieve value for money with integrity in delivering sustainable development.

To achieve this vision, the World Bank seeks assurance that acceptable procurement practices are applied to the financial resources it provides to borrowers, and it supports its borrower countries in enhancing and implementing sound procurement systems and institutions.

To deliver this vision, World Bank's Procurement supports borrower countries in enhancing and implementing sound procurement systems and institutions. The World Bank may support country capacity building at the level of the project or as part of the country dialogue, using a range of measures, funding, technical support, and hands on implementation support depending on the specific context of the country, sector, agency, or project.

The World Bank's assistance goes beyond procurement that is specific to World Bank-financed projects to address good public procurement and governance generally. In providing such development support, the World Bank considers addressing all relevant aspects of the public financial management system and associated governance mechanisms.

Preamble

1. The World Bank Procurement Framework governs the procurement of goods, works, consulting and non-consulting services required for an investment project¹ that is financed by the World Bank and executed by the borrower.
2. The Procurement Framework encompasses this Policy and its associated Directives and Procedures. This Policy sets out the substantive principles on which World Bank procurement is based, and the Directives and Procedures provide detailed statements on how World Bank staff should implement the Policy. As part of the Directives, Borrower's Procurement Procedures contain mandatory procedures that apply to the borrower and those carrying out a World Bank-financed project; they are incorporated by reference in the financing agreement. In addition, guidance notes provide advice and non-mandatory courses of action.
3. The financing agreement governs the legal relationships between the borrower and the World Bank; only the parties to the financing agreement may derive any rights from it or have any claim to loan proceeds. The relationship between the borrower and the providers of goods, works, consulting and non-consulting services for the project, including their respective rights and obligations, is not governed by the World Bank's Procurement Framework but by the procurement documents issued by the borrower and by the contracts between the borrower and the providers.
4. Nothing in the Directives or Borrower's Procurement Procedures may be used to evade or diminish the procurement principles established in this Policy. In all circumstances, interpretations and applications of the Directives and Procedures must remain consistent with the procurement principles set out in the Policy, and they are auditable as such.

Core Procurement Principles

5. This principles-based and results-based framework establishes clear accountability for the conduct of procurement. All procurement under this Policy should be guided by the Core Principles. The Core Procurement Principles include attributes that have guided the World Bank's work in procurement since its inception, and they are consistent with international best practice in public procurement. By applying these principles, the

¹ The Procurement Framework applies to investment projects, including contracts that may be subject to retroactive financing. It does not apply to operations financed under Program-for-Results financing (OP 9.00, *Program-for-Results Financing*), nor does it apply to policy lending operations (OP 8.60, *Development Policy Lending*) unless the World Bank agrees with the borrower on specific purposes for which loan proceeds may be used.

World Bank meets the requirements in its Articles of Agreement (World Bank Articles of Agreement, Article III, Section 5(b), and IDA Articles of Agreement, Article V, Section 1(g)) to “ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.”

- (a) **Value for money.** Value for money means the effective, efficient, and economic use of resources, which requires an evaluation of relevant costs and benefits, along with an assessment of risks, on a whole-life or life cycle costs basis, as appropriate.
- (b) **Economy.** This principle takes into consideration factors such as sustainability, quality, and whole-life or life cycle cost that support value for money. It permits integrating into the procurement process economic, environmental, and social considerations that have been agreed with the borrower. It also permits augmenting identified sustainability criteria with specific criteria in support of the borrower’s own sustainable procurement policy.
- (c) **Integrity.** The World Bank requires borrowers, sub-borrowers (and other beneficiaries of World Bank financing), bidders, providers, contractors, sub-contractors, consultants, sub-consultants, any agents (whether declared or not), and any personnel thereof, to observe the highest standard of ethics during the procurement and execution of World Bank-financed contracts. It requires all stakeholders to refrain from fraudulent and corrupt practices defined in the World Bank Group anticorruption guidelines. The World Bank helps institutions in the public sector to strengthen the governance of their own procurement arrangements. The World Bank and all stakeholders involved in procurement are required to monitor, identify, recognize, and manage conflicts of interest (actual, potential, or perceived) in a satisfactory manner.
- (d) **Fit for Purpose.** This principle applies both to the intended outcomes and the procurement arrangements in determining the most appropriate approach to meet the development objectives and project outcomes. The procurement approach should take into account the context and the risk, value, and complexity of the procurement.
- (e) **Efficiency.** Project procurement arrangements should represent good value for money, with specifications and processes that are proportional to the value and risks of the procurement. They should be time-sensitive, generally striving to avoid delays, but also reflecting the needs of certain procurements (as in the health sector, or in emergency situations).
- (f) **Transparency.** The World Bank requires transparency in the procurement cycle, both as an inherent quality of good procurement and as a contribution to standards of accountability. Sufficient and relevant information must be made in an open manner publicly available to all interested parties consistently and in a timely

manner through readily accessible, widely available avenues at reasonable or no cost. Transparency is established when all relevant aspects of procurement in an entity are available for appropriate scrutiny, supported by comprehensive documentation and disclosure.

- (g) ***Fairness.*** The World Bank requires that all eligible individuals and legal entities be given the same opportunities to compete for World Bank-financed activities. 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.

Governance

- 6. The governance of the procurement function in World Bank-financed operations is managed through clear and transparent lines of accountability and careful definition of the roles of responsible parties. The performance of individuals and institutions involved in procurement is auditable, and it is assessed in terms of not only policy compliance, but also outcomes.
 - (a) ***Roles and Responsibilities.*** Responsibility for the implementation of the project, and therefore for the award and administration of contracts under the project, rests with the borrower. The World Bank, seeking to ensure that funds are used only for the purposes for which the financing was granted, exercises procurement oversight under a risk-based approach. To provide effective support to borrowers while managing fiduciary risks, the World Bank may, as appropriate, provide hands on support or delegate its oversight role to another party. The World Bank will always retain and reserve the right to review any activity or documentation for activities supported by World Bank financial resources.
 - (b) ***Accountability.*** The World Bank's concept of accountability combines the requirements of transparency and responsibility; it holds those involved in the procurement process can be held accountable for their actions (or inactions). The Procurement Framework sets roles and responsibilities, establishing accountability both for means and ends that is, consistency with World Bank procurement Core Principles, procedural compliance, and achievement of value for money and sustainable results.
 - (c) ***Conflict of Interest.*** The World Bank requires that all who are involved in a procurement process under World Bank-financed projects not have a conflict of interest. Providers of goods, works, consulting and non-consulting services must remain professional, objective, and impartial. They must at all times hold the borrower's interests paramount, without any consideration for future work; and must avoid conflicts with other assignments and their own corporate and/or personal interests.

- (d) **Eligibility.** To foster competition, the World Bank permits eligible individuals and legal entities from all countries to offer goods, works, consulting and non-consulting services for World Bank-financed projects. The World Bank does not permit a borrower to deny participation in a procurement process or award to an individual or a legal entity for reasons unrelated to (a) its capability and resources to successfully perform the contract; (b) conflict of interest situations; (c) fraud and corruption issues; and (d) other conditions established in the Procurement Framework.
- (e) **Remedies.** The World Bank does not finance expenditures under a contract for goods, works, or consulting and non-consulting services if it concludes that the contract has not been awarded or executed in accordance with this Policy, as agreed in the financing agreement.
- (f) **Complaints.** Complaints may be brought at any time to the borrower and/or the World Bank about any part of the procurement process, from the earliest stages of project identification to the last day of the last warranty related to the specific procurement activity. To promote an open, fair, and transparent procurement process, complaints should be resolved objectively and in a timely manner.

Applicability

- 7. This Policy and its associated Directives and Procedures cover the full procurement cycle of operational activities financed by the World Bank. In recognition of the need to apply the most effective procurement approach to a given operation, alternative procurement arrangements may also be used in full or in part, if their methods and procedures reflect the World Bank's Core Procurement Principles and there is an effective governance framework in place, effective performance, and provision for the World Bank to review any activity or documentation for activities supported by World Bank financial resources.

Procurement Strategy for Development

- 8. To achieve projects' development objectives, the World Bank requires the Borrower to develop a procurement strategy. The scope and details of the strategy should take into account, and be proportional to, the market, scale, risk, value, country context (e.g., fragile and conflict-affected situations, disaster/emergency, small economies, etc.), and the complexity and specific objectives of the operation (e.g. development of domestic contracting, manufacturing and consulting industries).
- 9. The procurement strategy forms the basis for procurement plans, which specify the approved procurement methods to be used for a particular operation according to the financing agreement. Procurement plans and their updates and modifications may be subject to the World Bank's prior review.

Interpretation and Application

10. The World Bank Chief Procurement Officer is responsible to Management for formulating, updating, and interpreting the Procurement Framework in accordance with the procurement principles established in this Policy. In addition, this official is responsible for delegating procurement responsibility through the organization, and for monitoring and reporting on the implementation and application of the Procurement Framework.