

New World Bank order

After seven decades, the World Bank has reformed its procurement protocols for investment project financing. Alison Geary explains the parameters

On 21 July 2015, the World Bank's board of executive directors approved a comprehensive reform of procurement in World Bank financed projects.¹ Managers at the bank conducted 61 consultations in 37 countries to produce a new procurement framework, to be implemented in 2016, aimed at improving the transparency and flexibility of the procurement process. This was the first such review undertaken by the World Bank in its 71-year history.

Although consultation feedback identified fraud and corruption as the major problems currently facing procurement, changes to fraud and corruption provisions in the new framework are minimal.

Nevertheless, many of the changes will be welcomed by contractors and bidders alike. It will be hoped that increased support for borrowers by bank staff will create a more consistent and efficient procurement process across different agencies and countries. The bank hopes to achieve this by providing for the tailoring of integrity measures to the procurement method and the particular procurement chosen. This may be achieved by bank staff providing expanded supervision or independent third-party monitors (such as Transparency International) reviewing the process. Bidders will have to adapt their proposal or bid processes to each project and may need to devote further resources to this critical area.

Bidding processes

Improvements in the production of bidding documents and the time to conduct procurement processes will no doubt be welcomed by all parties. Allowing borrowers to use value for



money and sustainable development criteria rather than focusing solely on lowest-price bidding may also be welcomed by smaller and more specialist firms that target specific development outcomes and that previously may have struggled to compete on large projects.

There are changes to the integrity provisions in the procurement process, commencing with the removal of the slight inconsistency in definition between the Procurement Guidelines and Consultant Guidelines, and the Anti-Corruption Guidelines. The Procurement Guidelines themselves are currently limited to a set of footnotes circumscribing targets of bribery and other corrupt practices to include only public officials acting in relation to procurement.² The current Anti-Corruption Guidelines contain no such limitations, having a broad remit governing procedures that determine the use of bank funds – including

procurement – as well as project implementation. The Procurement Guidelines are set to be replaced by the Procurement Regulations for Borrowers. Anticipated changes to the Anti-Corruption Guidelines have been described as 'technical and editorial (non-substantive)' in nature.

Ensuring transparency

Further integrity changes may impact upon the bidding processes at firms. The World Bank intends to examine options to collect and make available the beneficial ownership information of legal entities participating in bank-financed procurements. This is in line with global trends in anti-corruption regulation, such as the EU's Fourth Money-Laundering Directive. This is an important step in ensuring transparency in the procurement process, but it may place an additional burden upon bidders to produce the necessary supporting documentation and may present an additional reputational risk to large organisations that have subsidiaries providing services in this sector.

Companies and individuals anticipating involvement in World Bank projects under the proposed new regime would not have to make substantial adjustments to their existing anti-corruption measures in respect of its provisions related to the World Bank sanctions programme. However, if the World Bank takes further action on beneficial ownership disclosure, companies should anticipate a more substantial change in transparency requirements; although in what form, and under pain of what sanction – if any – remains unknown. ♦

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¹ Procurement in World Bank Investment Project Financing: Phase II The New Procurement Framework
² Guidelines: Procurement of Goods, Works, and Non-Consulting Services under IBRD Loans and IDA Credits & Grants by World Bank Borrowers