

7 August 2017

## Report

# Emerging Future on Procurement for Sustainable Development(1)

## World Bank's New Procurement Framework

By Center on Global Health Architecture

The World Bank Group (WB) introduced a new procurement framework and regulations called the “New Procurement Framework” in 2015<sup>1</sup>. Although implementation of the new scheme began in July 2016, a couple of years will be needed before it covers the whole range of procurement-related programs of the WB.

The most significant change in the New Procurement Framework is the shift from seeking the “lowest evaluated compliant bid” to seeking the bid that “provides the best overall value for the money,” which allows the WB to balance quality, cost, and other factors as needed when selecting suppliers.

By transitioning to the new framework, the WB is expected to play a more active role in contract management of procurements to pursue greater overall value, even though this strategy requires it to account for additional risk factors in order to ensure the best possible outcomes. However, receiving greater value in procurements can allow the WB to make a better contribution towards its development goals.

The most important characteristic of the new system is its greater focus on value for money (VfM). This change will influence how global procurement throughout the WB is conducted.

The greater focus on the VfM principle will also result in changes in its standard bidding document forms, including the request for bid (RFB) and request for proposal (RFP) forms. The RFP form now allows greater flexibility when responding to the “specification” and “design” options.

In addition, other significant changes have been made to the evaluation criteria. The WB is adopting a more comprehensive framework for evaluation that incorporates mid- and long-term maintenance costs, safety, environmental and social considerations, and various qualitative factors in its criteria.

Although such evaluation criteria have commonly been used in national Private Financial Initiative programs, the new WB procurement framework also applies these concepts to the international development field. Thus, greater attention must be paid to balancing life-cycle impacts of programs and their multidimensional cost.

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<sup>1</sup> The World Bank, “New Procurement Framework and Regulations for Projects After July 1, 2016”, <<http://www.worldbank.org/en/projects-operations/products-and-services/brief/procurement-new-framework#framework>>, accessed on the 31<sup>st</sup> July 2017

※In this article, the information regarding WB's new procurement framework is based on the same website.

To give a direct comparison, under the previous RFB system, “cost-related” criteria accounted for 70% of the bid evaluation and “quality” criteria for the remaining 30%, whereas under the new scheme “quality” accounts for up to 50% of the bid evaluation.

This change will apply to all types of procurements from goods and services to consultancies. Given that the annual amount of the WB’s procurement is about 64 billion USD, the new scheme will have a huge impact on affected businesses and suppliers<sup>2</sup>.

On the other hand, the annual procurement volume of the United Nations (UN), and its funds, programs, specialized agencies, and other divisions totals about twenty billion USD, of which half is for the procurement of goods. In the coming years, the total UN budget is likely to decline. However, the volume of the UN-related procurement is still large, existing as “a global marketplace.”

The WB and the UN, to a large extent, have a shared agenda and have many collaborative projects. The WB has some influence on the UN’s agenda setting, policy making and on-site implementation. In cases where the two or more organizations implement a joint procurement, the procurement policy of one organization could be used by other collaborative partners in some situations. Therefore, the new scheme of the WB could affect the procurement policies of other international agencies as the Sustainable Development Goals (SDGs) become more widespread.

From a think-tank standpoint, we expect that the new WB scheme creates a good opportunity for us to support international agencies, governmental policy makers and multinational private corporations and to help reconsider the meaning of “sustainable development” and ways that “sustainable procurement” can be pursued as part of the SDGs.

Top 10 Largest Projects by Purchase Order in the UN Global Marketplace (2015)<sup>3</sup>

	Purchaser	Name of Supplier	Purchase Order Amount (USD)
1	UNICEF	GlaxoSmithKline Biologicals SA (Pharmaceuticals, Belgium)	439,808,928
2	UNICEF	Serum Institute of India Ltd. (Pharmaceuticals, India)	401,634,602

<sup>2</sup> United Nations Office for Project Services (2016), “Major purchase orders and contracts by UN organization,” *2015 Annual Statistical Report on United Nations Procurement*, <[https://www.unops.org/SiteCollectionDocuments/ASR/ASR\\_2015\\_Major\\_purchase\\_orders\\_and\\_contracts.pdf](https://www.unops.org/SiteCollectionDocuments/ASR/ASR_2015_Major_purchase_orders_and_contracts.pdf)>, accessed on the 31<sup>st</sup> July 2017

<sup>3</sup> United Nations Office for Project Services (2016), “Major purchase orders and contracts by UN organization,” *2015 Annual Statistical Report on United Nations Procurement*, <[https://www.unops.org/SiteCollectionDocuments/ASR/ASR\\_2015\\_Major\\_purchase\\_orders\\_and\\_contracts.pdf](https://www.unops.org/SiteCollectionDocuments/ASR/ASR_2015_Major_purchase_orders_and_contracts.pdf)>, accessed on the 31<sup>st</sup> July 2017

3	UNICEF	Pfizer Inc. (Pharmaceuticals, USA)	361,105,225
4	WFP	N/A (Turkey)	192,397,577
5	UNPD	Tristar Transport LLC (Fuels and Lubricants, UAE)	186,661,638
6	ILO	Steiner SA (Building Construction and Maintenance Services, Switzerland)	157,535,248
7	UNPD	Supreme Fuels Trading FZE (Fuels and Lubricants, UAE)	144,140,406
8	UNICEF	Sanofi Pasteur (Pharmaceuticals, France)	126,082,670
9	UNPD	ES-KO International Inc. (Food and Beverage Products, Panama)	117,747,188
10	UNPD	Gulf Catering Company for General Trade (Food and Beverage Products, UAE)	105,470,367

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