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PROCUREMENT FRONTIERS

At the World Bank and Beyond

Reform, leading edge, cutting edge, bleeding edge

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\$24Bn in Annual Procurements, 1800 projects, in 132 countries



Transport	47%
Water	18%
Energy	17%
Health	5%
Agriculture	5%
Education	3%
Governance	3%
Trade	1%
IT	1%

New Business Model



PROCUREMENT IN INVESTMENT PROJECT FINANCING
Goods, Works, Non-Consulting and
Consulting Services


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- Streamlined controls and delegation, with clear roles
- Flexible decision-making
- Resources where it matters most
- Focus on VfM
- Sustainable
- Manage risk proactively
- Industry Engagement
- Hands-on support
- Leveraging technology
- Open Contracting
- Enhanced complaint system
- M&E

Old Problems - New Solutions

- One size fits all, limited options, prescriptive
- F&C seen as primary challenge
- Mixed capacity - clients, suppliers and Bank
- Arms-length approach to markets
- Primary focus on selection phase

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- Principle-based policy, wide range of options, professional judgment
 - Enhanced integrity, but key focus on results
 - Fit for purpose approach as enabler of value for money
 - Massive training and outreach, skills assessment, certification, capacity building
 - Active market engagement and market assessment
 - Increased focus on contract management

Change Management Strategy

- Extensive outreach and engagement
- Know stakeholders' key drivers and engage all
- Define easy wins
- Leverage change agents and build critical mass
- Compartmentalize issues with blunt definition and precise solutions
- Get around resistance to change (risk aversion)
- ... as for land mines - kick the can down the road
- Scanning the horizon – foresight in policy development

A Fast Advancing Frontier: Smart Procurement for Better Services to the Citizens

- More decisions involving trade offs
- Drive social and environmental best practices
- Manage “threats”
- Harnessing Innovation, and leveraging strategic technology
- “Partnering”
- Scanning the horizon
- The “cascade” approach and role of PPPs
- Meeting the Sustainable Development Goals

Leading edge examples

- Category management:
 - Specialization in complex procurement activities (or tasks) to synergize learning in construction, HR services etc.
- Partnering:
 - Collaborative working with suppliers for mutual benefit, particularly useful in construction/complex procurements
- Performance management:
 - Using KPIs to measure performance and linking to incentive mechanisms that reward good, but penalize bad performance
- Digital economy transformation:
 - Next generation sharing economy, e.g. zip car, Air BNB, Uber
 - Personalization economy, goods expertly curated using 3D printing
 - On-demand economy, e.g. digital refrigerator linked to on-line shop
 - Service economy, e.g. more buying of a service, rather than goods
- Agility - Agile procurement:
 - Lean Six Sigma, streamlining, cutting non-added value processes

Techniques around for some time, but adoption mixed

Cutting edge examples

- Supplier Relationship Management (SRM):
 - Building collaborative relationships with key suppliers to drive mutual benefit
 - Dedicated team or unit, that lifts engagement to a strategic level, involving the senior leadership team
 - Improve value, performance and service
 - Eliminate added unnecessary costs of business
- Data analytics/big data:
 - Using Artificial Intelligence to analyze vast amounts of business data sources to identify procurement opportunities for action e.g. IBM Watson
- 3D printing for construction/major plant:
 - Using commercial 3D printing for supply components, building materials and emerging construction e.g. bridges

Techniques relatively new, lots of talk, not much evidence

3D Printing for construction (Amsterdam, using molten steel)



Bleeding edge examples

- Entrepreneurial Supplier Relationship Management:
 - Moving SRM beyond focus on cost/value to true collaboration and innovation, leveraging supplier expertise and in house knowledge to develop innovative techniques, products, services – no real evidence yet – even the most SRM focused companies admit that they really focus on cost, and little on mutual innovation
- Drones:
 - Remote monitoring of projects e.g. road construction progress
 - Warehouse control and inventory management
 - On-demand delivery of goods/equipment
- Blockchain:
 - Uses cryptography to ensure transaction data is signed, sharing ledger data between entities, using the ledger network to validate data (akin to Bitcoin)
 - Potential application for supply chain management/supplier performance/auditing/sustainable procurement etc.

New techniques, emergent experience

Drone development



Drone Domino Pizza delivery in Auckland, NZ



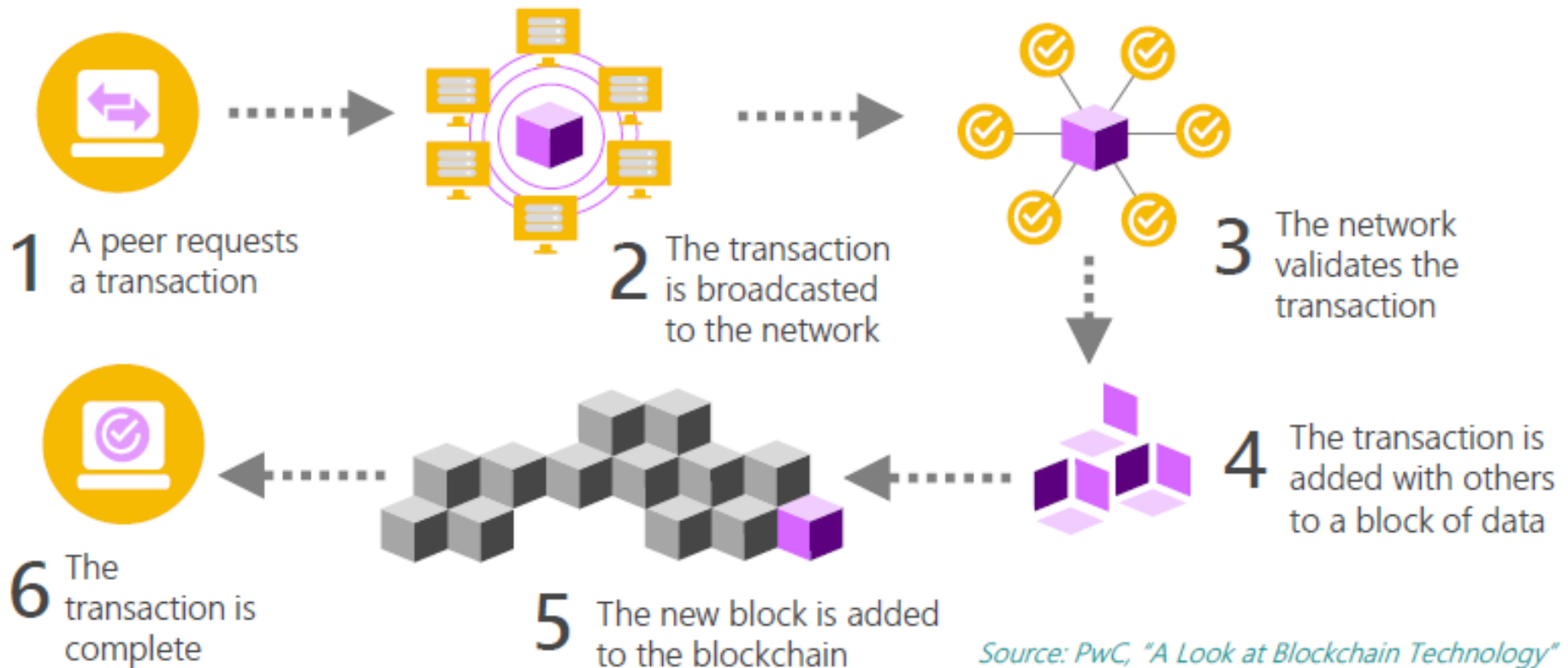
Drone inventory management, Walmart, USA



Drone construction supervision, datumate, Israel

Blockchain – Application in Procurement?

How does Blockchain Work?





How will procurement respond to these examples? Leader, follower or laggard?



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