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

➢ 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

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

1. A peer requests a transaction
2. The transaction is broadcasted to the network
3. The network validates the transaction
4. The transaction is added with others to a block of data
5. The new block is added to the blockchain
6. The transaction is complete

Source: PwC, “A Look at Blockchain Technology”
How will procurement respond to these examples? Leader, follower or laggard?
www.worldbank.org/procurement

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